

FEDERAL DEPOSIT INSURANCE CORPORATION  
WASHINGTON, D.C.

and

NORTH DAKOTA DEPARTMENT OF FINANCIAL INSTITUTIONS  
BISMARCK, NORTH DAKOTA

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In the Matter of	)	
	)	
CHOICE FINANCIAL GROUP	)	CONSENT ORDER
FARGO, NORTH DAKOTA	)	
	)	FDIC-23-0086b
(Insured State Nonmember Bank)	)	
	)	

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The Federal Deposit Insurance Corporation (FDIC) is the appropriate Federal banking agency for Choice Financial Group, Fargo, North Dakota (Bank), under section 3(q) of the Federal Deposit Insurance Act, 12 U.S.C. § 1813(q). The North Dakota Department of Financial Institutions (DFI) is the appropriate State banking authority for the Bank under North Dakota Century Code §§ 6-01-01 and 6-01-04.2.

Based on the findings of the joint FDIC and DFI examination of the Bank as contained in the June 5, 2023, Report of Examination (2023 Report), wherein the FDIC and the DFI concluded, among other things, that the Bank violated certain provisions of the Bank Secrecy Act, 31 U.S.C. § 5311 et seq., 12 U.S.C. § 1829b, and 12 U.S.C. §§ 1951-60; 31 C.F.R. Chapter X; and 12 U.S.C. § 1818(s) and the FDIC’s implementing regulations, 12 C.F.R. § 326.8 and 12 C.F.R. Part 353 (collectively, the BSA), the FDIC and the DFI have determined that the requirements for a Consent Order (ORDER) under 12 U.S.C. § 1818(b) and North Dakota Century Code § 6-01-04.2 have been satisfied.

The Bank, by and through its duly elected and acting Board of Directors (Board), has executed a STIPULATION AND CONSENT TO THE ISSUANCE OF A CONSENT ORDER (CONSENT AGREEMENT), dated December 13, 2023. With the CONSENT AGREEMENT, the Bank has consented, without admitting or denying any violations of law or regulations, to the issuance of this ORDER by the FDIC and the DFI.

Based on the above, the FDIC and the DFI hereby order that:

### **BOARD SUPERVISION**

1. (a) The Board must immediately improve its oversight of the Bank's Anti-Money Laundering/Countering the Financing of Terrorism (AML/CFT) program (AML/CFT Program) and assume full responsibility for the approval of sound AML/CFT policies, procedures, and processes that are reasonably designed to ensure and monitor the Bank's compliance with the BSA.

(b) Meetings by the Board must be held at least monthly to discuss, at a minimum, the Bank's compliance with the BSA as it relates to: i) the Bank's business relationships with third parties that provide financial services and products, ii) customer identification program requirements, iii) customer due diligence policies, iv) suspicious activity monitoring and reporting, v) independent testing, vi) staffing and supervision of the AML/CFT compliance department, vii) training, and viii) compliance with this ORDER.

(c) The Board must ensure that the Bank has sufficient processes, personnel, resources, and systems to effectively implement and adhere to all provisions of this ORDER.

(d) The meeting minutes of the Board must document the Board's reviews and approvals, including the names of any dissenting directors.

## **DIRECTORS' AML/CFT COMPLIANCE COMMITTEE**

2. (a) Within 30 days from the effective date of this ORDER, the Board must establish an AML/CFT Compliance Committee. The AML/CFT Compliance Committee must contain a majority of members who are not now, and have not previously been, involved in the daily operations of the Bank. The AML/CFT Compliance Committee will have the responsibility of overseeing the Bank's compliance with this ORDER, the BSA, and the Bank's AML/CFT Program.

(b) At each regularly scheduled Board meeting, the AML/CFT Compliance Committee must present an appropriately detailed written report to the Board regarding the Bank's compliance with this ORDER, the BSA, and the AML/CFT Program. This report must be recorded in the appropriate minutes of the Board meeting and retained in the Bank's records.

(c) The existence of the AML/CFT Compliance Committee does not diminish the responsibility or liability of the full Board to ensure timely compliance with this ORDER and the BSA or to ensure the Bank's adherence to the AML/CFT Program.

## **AML/CFT PROGRAM**

3. (a) Within 60 days from the effective date of this ORDER, the Bank shall revise and submit to the Board for its review and approval the Bank's written AML/CFT Program, including policies and procedures that shall be reasonably designed to ensure and maintain the Bank's compliance with the BSA. At a minimum, the AML/CFT Program must:

- (i) be commensurate with the Bank's money laundering (ML), terrorist financing (TF), and other illicit financial activities risk profile (ML/TF Risk Profile) and mitigate risks in the Bank's business activities, including those provided through third parties;

- (ii) address the deficiencies and weaknesses identified in the 2023 Report;
- (iii) comply with the requirements of this ORDER;
- (iv) include procedures for monitoring the Bank's adherence to the AML/CFT Program; and
- (v) include procedures for periodically reviewing and revising the AML/CFT Program.

(b) Within 60 days from the effective date of this ORDER, the Bank must perform a ML/TF risk assessment (Risk Assessment). The Bank must submit the results of the Risk Assessment to the Board for its review and approval. The Bank must ensure that the Risk Assessment:

- (i) accurately reflects the Bank's ML/TF Risk Profile;
- (ii) appropriately considers all pertinent information affecting the Bank's ML/TF risk exposure from the Bank's business activities, including those provided through third parties (type of products, services, customers, volume of transactions, geographic locations, and distribution channels);
- (iii) includes a detailed analysis of the ML/TF risks within each identified category;
- (iv) adequately evaluates and supports the Bank's risk determinations and risk mitigation strategies; and
- (v) is reviewed and approved by the AML/CFT Compliance Committee no less than annually, as well as when necessitated by changes (planned or

otherwise) that affect the Bank's ML/TF Risk Profile or any identified AML/CFT deficiencies.

### **INTERNAL CONTROLS**

4. Taking into consideration the results of the Risk Assessment, within 120 days from the effective date of this ORDER, management shall revise the system of internal controls (AML/CFT Internal Controls) in place to ensure ongoing compliance with the BSA. The AML/CFT Internal Controls must take into appropriate consideration the Bank's risk, size, complexity, organizational structure, distribution channels for services (such as use of third parties), the ML/TF risk, and the deficiencies and weaknesses identified in the 2023 Report. At a minimum, such system of AML/CFT Internal Controls must include satisfactory written policies, procedures, and processes that reflect the Bank's actual practices and address the following areas:

(a) Customer Identification Program (CIP). Taking into consideration the results of the Risk Assessment, within 120 days from the effective date of this ORDER, the Bank must develop, adopt, and implement an appropriate CIP to ensure that the Bank collects and verifies, as appropriate, required information for each customer, whether on-boarded directly by the Bank or through a third-party relationship. The CIP must enable the Bank to form a reasonable belief as to the identity of each customer. In particular, the CIP must:

- (i) address the weaknesses and deficiencies identified in the 2023 Report pertaining to CIP;
- (ii) include appropriate policies, procedures, and processes to ensure that the Bank's CIP is applied consistently for all Bank customers; and

- (iii) include procedures to address accounts for which the Bank is unable to form a reasonable belief that it knows the true identity of a customer or does not receive the required information.

(b) Customer Due Diligence (CDD). Taking into consideration the results of the Risk Assessment, within 120 days from the effective date of this ORDER, the Bank must develop, adopt, and implement an appropriate CDD program, which includes risk-based policies, procedures, and processes for conducting CDD for new customers and ongoing CDD for existing customers. The Bank's CDD policies, procedures, and processes must be applied for all customers, regardless of whether they are on-boarded directly through the Bank or through third parties. At a minimum, such controls must:

- (i) address the weaknesses and deficiencies identified in the 2023 Report pertaining to CDD;
- (ii) ensure the Bank understands the nature and purpose of customer accounts (including the anticipated type and volume of account activity as well as the customer's products and services and their geographic reach) to develop a customer risk profile for identifying and reporting suspicious transactions;
- (iii) ensure the Bank can accurately identify those customers that pose a heightened ML/TF risk to apply appropriate risk-based monitoring and due diligence;

- (iv) address situations where there is insufficient or inaccurate information, which prevents the Bank from understanding the nature and purpose of the account to perform CDD; and
- (v) include written procedures and processes for identifying and verifying beneficial ownership information of legal entity customers, including procedures to address accounts for which the Bank is unable to form a reasonable belief that it knows the true identity of a customer or does not receive the required information.

(c) Suspicious Activity Monitoring and Reporting. Taking into consideration the results of the Risk Assessment, within 120 days from the effective date of this ORDER, the Bank must develop and implement appropriate processes and procedures across all its business lines, including those offered by third parties, for identifying and monitoring unusual or unexpected activity to enable the Bank to detect, investigate, and, if applicable, file timely reports of suspicious activity.

At a minimum, the Bank's procedures must take into account the Bank's CDD and:

- (i) address the deficiencies and weaknesses identified in the 2023 Report related to suspicious activity monitoring and reporting;
- (ii) address all stages of suspicious activity monitoring, including alert review and dispositioning;
- (iii) require appropriate levels of documentation, analysis, and support for each stage of the suspicious activity monitoring and reporting process, which includes determinations regarding whether to file suspicious activity reports (SARs);

- (iv) ensure the systems and rules used by the Bank and third parties to generate alerts for unusual or suspicious activity are calibrated to the volume of transactions and type of financial products and services offered by the Bank, directly or through third parties; and
- (v) require timely referral by third parties of unusual activity to ensure the Bank complies with SAR filing requirements.

### **LOOKBACK REVIEW**

5. (a) Within 60 days from the effective date of this ORDER, the Bank must identify and submit to the Board for its review and approval a qualified individual who is independent of the Bank's AML/CFT function or an independent qualified firm, either of which must be acceptable to the FDIC and the DFI, to conduct a lookback review (Lookback Review). The Lookback Review must include all customers on-boarded through any third-party relationship mentioned in the Violations of Laws and Regulations section of the 2023 Report and transactional activity since the inception of those respective third-party relationships. The Lookback Review must ensure compliance with CIP, CDD, and SAR requirements of the BSA.

(b) Within 90 days from effective date of this ORDER, the Board must submit to the FDIC and the DFI for non-objection or comment a written plan to conduct the Lookback Review (Lookback Review Plan). The Lookback Review Plan must require that the Lookback Review be summarized in a written report (Lookback Report).

(c) Within 180 days from receipt of the FDIC's and the DFI's non-objection to the Lookback Review Plan, the Lookback Review and Lookback Report must be completed. The Board must submit a copy of the Lookback Report to the FDIC and the DFI for comment.



(d) No later than 30 days after completion of the Lookback Report, or earlier if required by the BSA, the Bank must prepare and file any additional SARs or currency transaction reports necessary based on the Lookback Review and the Lookback Report. The Bank must provide to the FDIC and the DFI a schedule of BSA Identification Numbers assigned any such filings by the Financial Crimes Enforcement Network.

### **VALIDATION**

6. (a) Within 60 days from the effective date of this ORDER, the Bank must develop, adopt, implement, and adhere to appropriate policies, procedures, and processes requiring the periodic review and validation of systems and models used to monitor, detect, and report suspicious activity.

(b) Within 180 days from the effective date of this ORDER, the Board must ensure that a comprehensive review and validation of the systems used by the Bank and any third parties to monitor, detect, and report suspicious activity is conducted and ensure that: (i) all identified data gaps are appropriately addressed; (ii) all customer and transaction data is accurate, complete, and consistent; and (iii) models and methodologies are appropriately updated as data gaps are resolved and new data becomes available.

### **AML/CFT STAFFING AND RESOURCES**

7. (a) The Bank must ensure that it has designated an individual or individuals with qualifications commensurate with the Bank's ML/TF risk, size, and complexity. The BSA Officer must have sufficient delegated authority and suitable resources, including staffing and systems, to effectively coordinate and monitor day-to-day compliance and administer all aspects of the AML/CFT Program, including the Bank's compliance with the BSA.

(b) Within 60 days from the effective date of this ORDER, the Board must identify a qualified individual who is independent of the Bank's AML/CFT function or an independent qualified firm, either of which must be acceptable to the FDIC and the DFI, to conduct a review of the Bank's AML/CFT related staffing and resources (Resource Assessment).

- (i) At a minimum, the scope of the assessment must:
  - (A) evaluate whether the Bank has appropriate management, staff, and other resources to effectively mitigate ML/TF risks and to ensure appropriate oversight and supervision of the AML/CFT Program;
  - (B) identify the staff and resources required to properly manage and supervise the AML/CFT Program; and
  - (C) evaluate each employee's duties and responsibilities related to the operation and supervision of the AML/CFT Program to determine whether the individual possesses the knowledge, expertise, and other qualifications required to perform present and anticipated duties.
- (ii) The Resource Assessment must be completed within 45 days following achievement of 7(b) above and documented within a written report to the Board, including the scope of the Resource Assessment, the results of the Resource Assessment, and appropriate recommendations for future action.
- (iii) Within 60 days after completion of the Resource Assessment, the Bank must:

- (A) develop a written plan (Resource Plan), which must include appropriate corrective actions to address each Resource Assessment finding, and assign the responsibility and timeframe for completion of each corrective action;
- (B) submit to the Board the Resource Plan for review and approval; and
- (C) submit a copy of the Resource Assessment and Resource Plan to the FDIC and the DFI for non-objection or comment.

### **INDEPENDENT TESTING (AUDIT) PROGRAM**

8. (a) Taking into consideration the results of the Risk Assessment, within 90 days from the date of this ORDER, the Bank must adopt and submit to the Board for its review and approval a revised independent AML/CFT audit program (Audit Program) that includes a review of all the Bank's business activities, including those conducted through third parties. The Audit Program must, at a minimum, be sufficient to:

- (i) establish an audit plan for independent reviews by a qualified auditor who is independent of day-to-day operations;
- (ii) determine the Bank's compliance with applicable laws, rules, and regulations; and
- (iii) establish sufficient transaction testing to validate the effectiveness of the Bank's AML/CFT Program. Testing must include an appropriate level of transaction testing, sampling of account files, and sampling of customer files

with an emphasis on high-risk products, services, transactions, and geographies.

(b) AML/CFT Audit.

- (i) Within 60 days from the effective date of this ORDER, the Bank must identify and submit to the Board for its review and approval a qualified individual who is independent of the Bank's AML/CFT function or an independent qualified firm, either of which must be acceptable to the FDIC and the DFI, to conduct risk-based independent testing of the Bank's compliance with the BSA (AML/CFT Audit).
- (ii) Within 90 days from effective date of this ORDER, the Bank must submit to the FDIC and the DFI for non-objection or comment an engagement letter that includes a written plan for the AML/CFT Audit. The AML/CFT Audit scope must include a written report (AML/CFT Audit Report) and an assessment of the overall program and its compliance with the BSA.
- (iii) Within 90 days from receipt of the FDIC's and the DFI's non-objection to the written plan, the AML/CFT Audit Report must be completed. The Board must submit a copy of the AML/CFT Audit Report to the FDIC and the DFI for comment.
- (iv) Testing procedures must be commensurate with the Bank's ML/TF Risk Profile. Testing must include a review of the Bank's compliance with all BSA rules and regulations and the Bank's AML/CFT policies and procedures, including those related to the Bank's third-party relationships.

(c) All audits conducted pursuant to this provision must be reviewed and approved by the Audit Committee and the AML/CFT Compliance Committee. At least monthly, the Audit Committee and the AML/CFT Compliance Committee must review any outstanding AML/CFT audit findings and ensure that corrective actions noted in the audit reports are completed in a timely manner.

### **TRAINING**

9. Taking into consideration the results of the Risk Assessment, within 90 days from the effective date of this ORDER, the Bank must ensure a comprehensive AML/CFT training program is developed for all Board members, AML/CFT compliance personnel, and other staff as appropriate. The training program must include provisions addressing AML/CFT roles and responsibilities of each position, mandatory attendance, the frequency of training, the frequency for updating the training program and materials, and the method for delivering training. Training must be comprehensive and specifically tailored for the particular duties of all personnel required to receive training. Training must be updated, as appropriate, in accordance with changes to the Bank's ML/TF risk or its business activities.

### **ELIMINATION AND/OR CORRECTION OF VIOLATIONS OF LAWS, RULES, AND REGULATIONS**

10. (a) Within 180 days from the effective date of this ORDER, the Bank must eliminate and/or correct all AML/CFT violations of laws, rules, and regulations cited in the 2023 Report.

(b) For any violation that cannot be corrected within 180 days, the Board must ensure the Bank develops a plan to correct them. The plan should include: (i) the reason the violation has not been corrected, (ii) discussion of any action taken to resolve the violation, (iii) remediation plans, and the projected timeframe for correction. The Board and the AML/CFT Compliance

Committee must review the plan and document any discussion or action upon the uncorrected violation(s) in their respective minutes. A copy of the minutes must be provided to the FDIC and the DFI.

### **PROGRESS REPORTS DETAILING COMPLIANCE WITH ORDER**

11. Within 45 days from the end of each calendar quarter, the Bank must furnish written progress reports (Progress Reports) to the FDIC and the DFI detailing the form, manner, and results of any actions taken to secure compliance with this ORDER. The Progress Reports must provide cumulative detail of the progress toward achieving compliance with each provision of the ORDER. All progress reports and other written responses to this ORDER must be reviewed and approved by the Board and AML/CFT Compliance Committee and recorded in their respective minutes.

### **DISCLOSURE OF ORDER TO SHAREHOLDERS**

12. Following the ORDER's effective date, the Bank must provide a copy of this ORDER to its shareholders (i) in conjunction with the Bank's next shareholder communication if sent within 90 days from the ORDER's effective date or by special mailing if no other shareholder communication is sent within 90 days after the ORDER's effective date, and (ii) in conjunction with its notice or proxy statement preceding the Bank's next shareholder meeting.

### **BINDING EFFECT**

13. (a) This ORDER will be effective on the date of issuance. The provisions of this ORDER will be binding upon the Bank, its institution-affiliated parties, and any successors and assigns thereof, unless the Bank has been acquired by another insured depository institution or Bank Holding Company, after proper regulatory approval, and is merged out of existence.

(b) The provisions of this ORDER will not bar, estop, or otherwise prevent the FDIC, the DFI, or any other federal or state agency or department from taking any other action against the Bank or any of the Bank's current or former institution-affiliated parties.

(c) The provisions of this ORDER will remain effective and enforceable except to the extent that, and until such time as, any provision has been modified, terminated, suspended, or set aside by the FDIC and the DFI.

This ORDER is issued and thus effective this 18th day of December 2023.

FEDERAL DEPOSIT INSURANCE CORPORATION  
Issued Pursuant to Delegated Authority

By: /s/  
John R. Jilovec  
Deputy Regional Director  
Kansas City Regional Office

NORTH DAKOTA DEPARTMENT OF FINANCIAL INSTITUTIONS

By: /s/  
Lise Kruse  
Commissioner