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[¶12,188] In the Matter of United Pacific Bank, City of Industry, California,
Docket No. 03-192b (4-19-04).

A cease and desist order was issued, based on findings by the FDIC that it had reason to believe that respondent was engaged in unsafe and unsound practices. *(This order was terminated by order of the FDIC dated 1-4-06; see ¶16,452.)*

[.1] Management—Qualifications Specified

[.2] Board of Directors—Increased Participation in Bank Affairs Required

[.3] Management—Controls on Compensation Required

[.4] Capital—Tier 1 Capital Increase/Maintain

[.5] Loan Loss Reserve—Establishment of or Increase in Required

[.6] Assets—Charge-off or Collection

[.7] Loans—Extensions of Credit—To Borrowers with Existing Adversely Classified Credits

[.8] Loan Policy—Preparation or Revision of Policy Required

[.9] Strategic Plan—Preparation of Required

[.10] Profit Plan—Preparation of Plan Required

[.11] Violations of Law—Corrections of Violations Required

[.12] Funds Management and Liquidity—Preparation or Revision of Funds Management Policy Required

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[.13] Bank Operations—Internal Review and Control Procedures—Establish

[.14] Audit—Program Required

[.15] Reports of Condition and Income—Procedures for Filing

[.16] Dividends—Dividends Restricted

[.17] Brokered Deposits—Report to FDIC Required

[.18] Bank Secrecy Act—Compliance

[.19] Bank Secrecy Act—Compliance Program—Written Plan Required

[.20] Customer Due Diligence Program—Establishment Required

[.21] Suspicious Activity Report—Policy Required

[.22] Audit—Audit Committee—Establish

[.23] Board of Directors—Program to Review Compliance with Cease and Desist Order Required

[.24] Progress Report—Written Report Required

**In the Matter of
UNITED PACIFIC BANK
CITY OF INDUSTRY, CALIFORNIA
(Insured State Nonmember Bank)
ORDER TO CEASE AND DESIST**

FDIC-03-192b

United Pacific Bank, City of Industry, California ("Bank"), Having been advised of its right to a Notice of Charges and of Hearing detailing the unsafe or unsound banking practices and violations of law and/or regulations alleged to have been committed by the bank and of its right to a hearing on the alleged charges under section 8(b)(1) of the Federal Deposit Insurance Act ("Act"), 12 U.S.C. §1818(b)(1), and having waived those rights, entered into a STIPULATION AND CONSENT TO THE ISSUANCE OF AN ORDER TO CEASE AND DESIST ("CONSENT AGREEMENT") with counsel for the Federal Deposit Insurance Corporation ("FDIC"), dated April 8, 2004, whereby solely for the purpose of this proceeding and without admitting or denying the alleged charges of unsafe or unsound banking practices and violations of law and/or regulations, the Bank consented to the issuance of an ORDER TO CEASE AND DESIST ("ORDER") by the FDIC.

The FDIC considered the matter and determined that it had reason to believe that the Bank had engaged in unsafe or unsound banking practices and had committed violations of law and/or regulations. The FDIC, therefore, accepted the CONSENT AGREEMENT and issued the following:

ORDER TO CEASE AND DESIST

IT IS HEREBY ORDERED, that the Bank, its institution-affiliated parties, as that term is defined in section 3(u) of the Act, 12 U.S.C. §1813(u), and its successors and assigns cease and desist from the following unsafe and unsound banking practices and violations of law and/or regulation:

- (a) operating with management whose policies and practices are detrimental to the Bank and jeopardize the safety of its deposits;
- (b) operating with a board of directors which has failed to provide adequate supervision over and direction to the active management of the Bank;
- (c) operating with inadequate internal routine and controls policies;
- (d) engaging in hazardous lending and lax collection practices;
- (e) operating with inadequate capital in relation to the kind and quality of assets held by the Bank;
- (f) operating with a large volume of poor quality loans;
- (g) operating with an inadequate loan valuation reserve;
- (h) operating with inadequate provisions for liquidity;
- (i) operating in such a manner as to produce operating losses;
- (j) operating in violation of section 326.8

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of the FDIC Rules and Regulations, 12 C.F.R. §326.8, as more fully described on pages 55-58 in the FDIC's Report of Examination as of May 19, 2003;

(k) operating in violation of section 353.3 of the FDIC Rules and Regulations, 12 C.F.R. §353.3, as more fully described on pages 52-56 and pages 59-63 in the FDIC's Report of Examination as of May 19, 2003;

(l) operating in violation of section 103.22 of the Rules and Regulations of the Department of the Treasury, 31 C.F.R. §103.22, as more fully described on pages 57-58 in the FDIC's Report of Examination as of May 19, 2003; and

(m) operating in violation of section 103.27 of the Rules and Regulations of the Department of the Treasury, 31 C.F.R. §103.27, as more fully described on pages 57-58 in the FDIC's Report of Examination as of May 19, 2003.

IT IS FURTHER ORDERED, that the Bank, its institution-affiliated parties, and its successors and assigns, take affirmative action as follows:

[.1] 1. The Bank shall have and retain qualified management.

(a) Each member of management shall have qualifications and experience commensurate with his or her duties and responsibilities at the Bank. Management shall include a chief executive officer with proven ability in managing a bank of comparable size, and experience in upgrading a low quality loan portfolio, improving earnings, implementing adequate internal controls, and other matters needing particular attention. Management shall also include a senior lending officer with significant appropriate lending, collection, and loan supervision experience and experience in upgrading a low quality loan portfolio. Each member of management shall be provided appropriate written authority from the Bank's board of directors to implement the provisions of this ORDER.

(b) The qualifications of management shall be assessed on its ability to:

(i) comply with the requirements of this ORDER;

(ii) operate the Bank in a safe and sound manner;

(iii) comply with applicable laws and regulations; and

(iv) restore all aspects of the Bank to a safe and sound condition, including asset quality, capital adequacy, earnings, management effectiveness, liquidity, internal controls, and sensitivity to market risk.

(c) During the life of this ORDER, the Bank shall notify the Regional Director of the FDIC's San Francisco Regional Office ("Regional Director") and the Commissioner, Department of Financial Institutions for the State of California ("Commissioner") in writing when it proposes to add any individual to the Bank's board of directors or employ any individual as a senior executive officer. The notification must be received at least thirty (30) days before such addition or employment is intended to become effective and should include a description of the background and experience of the individual or individuals to be added or employed.

[.2] 2. Within sixty (60) days from the effective date of this ORDER, the board of directors shall increase its participation in the affairs of the Bank, assuming full responsibility for the approval of sound policies and objectives and for the supervision of all of the Bank's activities, consistent with the role and expertise commonly expected for directors of Banks of comparable size. This participation shall include meetings to be held no less frequently than monthly at which, at a minimum, the following areas shall be reviewed and approved: reports of income and expenses; new, overdue, renewal, insider, charged-off, and recovered loans; investment activity; operating policies; and individual committee actions. Board minutes shall document these reviews and approvals, including the names of any dissenting directors.

[.3] 3. Within sixty (60) days from the effective date of this ORDER, the board of directors shall implement controls to provide adequate supervision and oversight of senior management's compensation and expense account activities. Such controls should include, but not be limited to, review and approval of all expenditures for meals, entertainment, car allowances, club memberships and similar types of compensation. For the purpose of this paragraph, the term "compensation" refers to any and all salaries, bonuses, and other benefits of every kind and nature whatsoever, whether paid directly or indirectly.

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[.4] 4. (a) Within ninety (90) days from the effective date of this ORDER, the Bank shall attain Tier 1 capital of no less than \$11,500,000, and shall thereafter maintain Tier 1 capital in an amount of no less than \$11,500,000. Thereafter, during the life of this ORDER, the Bank shall maintain Tier 1 capital in such an amount as to equal or exceed eight (8.0) percent of the Bank's total assets.

(b) The level of Tier 1 capital to be maintained during the life of this ORDER pursuant to subparagraph 4(a) shall be in addition to a fully funded allowance for loan and lease losses, the adequacy of which shall be satisfactory to the Regional Director as determined at subsequent examinations and/or visitations.

(c) Any increase in Tier 1 capital necessary to meet the requirements of Paragraph 3 of this ORDER may be accomplished by the following:

- (i) the sale of common stock; or
- (ii) the sale of noncumulative perpetual preferred stock; or
- (iii) the direct contribution of cash by the board of directors and/or shareholders of the Bank; or
- (iv) any other means acceptable to the Regional Director and the Commissioner; or
- (v) any combination of the above means.

(d) If all or part of the increase in Tier 1 capital required by Paragraph 4 of this ORDER is accomplished by the sale of new securities, the board of directors shall forthwith take all necessary steps to adopt and implement a plan for the sale of such additional securities, including the voting of any shares owned or proxies held or controlled by them in favor of the plan. Should the implementation of the plan involve a public distribution of the Bank's securities, the Bank shall prepare offering materials fully describing the securities being offered, including an accurate description of the financial condition of the Bank and the circumstances giving rise to the offering, and any other material disclosures necessary to comply with the Federal securities laws. Prior to the implementation of the plan and, in any event, not less than fifteen (15) days prior to the dissemination of such materials, the plan and any materials used in the sale of the securities shall be submitted to the FDIC, Accounting and Securities Section, Washington, D.C., 20429, for review. Any changes requested to be made in the plan or materials by the FDIC shall be made prior to their dissemination. If the increase in Tier 1 capital is provided by the sale of noncumulative perpetual preferred stock, then all terms and conditions of the issue, including but not limited to those terms and conditions relative to interest rate and convertibility factor, shall be presented to the Regional Director for prior approval.

(e) In complying with the provisions of Paragraph 4 of this ORDER, the Bank shall provide to any subscriber and/or purchaser of the Bank's securities in a public distribution or offering, a written notice of any planned or existing development or other changes which are materially different from the information reflected in any offering materials used in connection with the sale of Bank securities. The written notice required by this paragraph shall be furnished within ten (10) days from the date such material development or change was planned or occurred, whichever is earlier,

and shall be furnished to every subscriber and/or purchaser of the Bank's securities who received or was tendered the information contained in the Bank's original offering materials.

(f) For the purposes of this ORDER, the terms "Tier 1 capital" and "total assets" shall have, the meanings ascribed to them in Part 325 of the FDIC Rules and Regulations, 12 C.F.R. §§ 325.2(v) and 325.2(x).

[.5] 5. Within sixty (60) days from the effective date of this ORDER, the Bank shall establish and thereafter maintain an adequate allowance for loan and lease losses.

Additionally, within sixty (60) days from the effective date of this ORDER, the board of directors shall develop or revise, adopt and implement a comprehensive policy for determining the adequacy of the allowance for loan and lease losses. For the purpose of this determination, the adequacy of the reserve shall be determined after the charge-off of all loans or other items classified "Loss." The policy shall provide for a review of the allowance at least once each calendar quarter. Said review should be completed at least fifteen (15) days prior to the end of each quarter, in order that the findings of the board of directors with respect to the loan and lease loss allowance may be properly reported in the quarterly Reports of Condition and Income. The reviews should focus on the results of the Bank's internal loan review, loan loss experience, trends of
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delinquent and non-accrual loans, an estimate of potential loss exposure of significant credits, concentrations of credit, and present and prospective economic conditions. A deficiency in the allowance shall be remedied in the calendar quarter it is discovered, prior to submitting the Report of Condition, by a charge to current operating earnings. The minutes of the board of directors meeting at which such review is undertaken shall indicate the results of the review. Upon completion of the review, the Bank shall increase and maintain its allowance for loan and lease losses consistent with the allowance for loan and lease loss policy established. Such policy and its implementation shall be satisfactory to the Regional Director as determined at subsequent examinations and/or visitations.

[.6] 6. (a) Within (30) days from the effective date of this ORDER, the Bank shall eliminate from its books, by charge-off or collection, all assets classified "Loss" in the FDIC's Report of Examination as of May 19, 2003, that have not been previously collected or charged off. Elimination of these assets through proceeds of other loans made by the Bank is not considered collection for the purpose of this paragraph.

(b) Within 90 days from the effective date of this ORDER, the Bank shall have reduced the assets classified "Substandard" and those assets classified "Doubtful" in the FDIC's Report of Examination as of May 19, 2003, that have not previously been charged off to not more than \$9,000,000.

(c) Within 180 days from the effective date of this ORDER, the Bank shall have reduced the assets classified "Substandard" and those assets classified "Doubtful" in the FDIC's Report of Examination as of May 19, 2003, that have not previously been charged off to not more than \$7,000,000.

(d) Within 270 days from the effective date of this ODER, the Bank shall have reduced the assets classified "Substandard" and those assets classified "Doubtful" in the FDIC's Report of Examination as of May 19, 2003, that have not previously been charged off to not more than \$5,000,000.

(e) The requirements of subparagraphs 6(a), 6(b), 6(c) and 6(d) of this ORDER are not to be construed as standards for future operations and, in addition to the foregoing, the Bank shall eventually reduce the total of all adversely classified assets. Reduction of these assets through proceeds of other loans made by the Bank is not considered collection for the purpose of this paragraph. As used in subparagraphs 6(b), 6(c), and 6(d) the word "reduce" means:

(i) to collect;

(ii) to charge-off; or

(iii) to sufficiently improve the quality of assets adversely classified to warrant removing any adverse classification, as determined by the FDIC.

[.7] 7. (a) Beginning with the effective date of this ORDER, the Bank shall not extend, directly or indirectly, any additional credit to, or for the benefit of, any borrower who has a loan or other extension of credit from the Bank that has been charged off or classified, in whole or in part, "Loss" and is uncollected. Subparagraph 7(a) of this ORDER shall not prohibit the Bank from renewing or extending the maturity of any credit in accordance with the Financial Accounting Standards Board Statement Number 15 ("FASB15").

(b) Beginning with the effective date of this ORDER, the Bank shall not extend, directly or indirectly, any additional credit to, or for the benefit of, any borrower who has a loan or other extension of credit from the bank that has been classified, in whole or part, "Substandard" without the prior approval of a majority of the board of directors or the loan committee of the Bank.

[.8] 8. (a) Within 90 days from the effective date of this ORDER, the Bank shall revise, adopt, and implement written lending and collection policies to provide effective guidance and control over the Bank's lending function, which policies shall include specific guidelines for placing loans on a non-accrual basis. In addition, the Bank shall obtain adequate and current documentation for all loans in the Bank's loan portfolio. Such policies and their implementation shall be in a form and manner acceptable to the Regional Director as determined at subsequent examinations and/or visitations.

(b) The initial revisions to the Bank's loan policy and practices, required by this paragraph, at a minimum, shall include the following:

(i) provisions, consistent with FDIC instructions for the preparation of Reports of Condition and Income, under which the accrual of interest income is discontinued

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and previously accrued interest is reversed on delinquent loans;

(ii) provisions which prohibit the capitalization of interest or loans related expense unless the board of directors supports in writing and records in the minutes of the corresponding board of directors meeting why an exception thereto is in the best interests of the Bank;

(iii) provisions which require complete loans documentation, realistic repayment terms and current credit information adequate to support the outstanding indebtedness of the borrower. Such documentation shall include current financial information, profit and loss statements or copies of tax returns and cash flow projections;

(iv) provisions which incorporate limitations on the amount that can be loaned in relation to established collateral values.

(v) provisions which specify the circumstances and conditions under which real estate appraisals must be conducted by an independent third party;

(vi) provisions which establish standards for unsecured credit;

(vii) provisions which establish officer lending limits;

(viii) provisions that require extensions of credit to any of the Bank's executive officers, directors, or principal shareholders, or to any related interest of such persons, to be approved in advance by a majority of the entire board of directors in accordance with section 215.4(b) of Regulation O of the Board of Governors of the Federal Reserve System, 12 C.F.R. §215.4(b);

(ix) provisions which prohibit the issuance of standby letters of credit unless the letters of credit are fully secured by readily marketable collateral and/or are supported by current and complete financial information;

(x) provisions that directors first determine that the lending staff has the expertise necessary to properly supervise construction loans and that adequate procedures are in place to monitor any construction involved before funds are disbursed;

(xi) provisions which prohibit concentrations of credit in excess of 25 percent of the Bank's total equity capital and reserves to any borrower and that borrower's related interests;

(xii) provisions which require the preparation of a loan "watch list" which shall include relevant information on all loans in excess of \$250,000 which are classified "Substandard" and "Doubtful" in the FDIC's Report of Examination as of May 19, 2003, or by the FDIC or California Department of Financial Institutions in subsequent Reports of Examination and all other loans in excess of \$500,000 which warrant individual review and consideration by the board of directors as determined by the loan committee or active management. The loan "watch list" shall be presented to the board of directors for review at least monthly with such review noted in the minutes; and

(xiii) the board of directors shall adopt procedures whereby officer compliance with the revised loan policy is monitored. The procedures adopted shall be reflected in minutes of a board of directors meeting at which all members are present and the vote of each is noted.

[.9] 9. Within 90 days of the effective date of this ORDER, the Bank shall develop and submit to the Regional Director and the Commissioner a written three-year strategic plan. Such plan shall include specific goals for the dollar volume of total loans, total investment securities, and total deposits in the FDIC's Report of Examination as of May 19, 2003. For each time frame, the plan will also specify the anticipated average maturity and average yield on loans and securities; the average maturity and average cost of deposits; the level of earning assets as a percentage of total assets; and the ratio of net interest income to average earning assets. The plan shall be in a form and manner acceptable to the Regional Director as determined at subsequent examinations and/or visitations.

[.10] 10. Within 90 days from the effective date of this ORDER, the bank shall formulate and implement a written profit plan. This plan shall be forwarded to the Regional Director and the Commissioner for review and comment and shall address, at a minimum, the following:

(a) goals and strategies for improving and sustaining the earnings of the Bank, including:

(i) an identification of the major areas in, and means by which, the board of directors will seek to improve the Bank's operating performance;

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(ii) realistic and comprehensive budgets;

(iii) a budget review process to monitor the income and expenses of

the Bank to compare actual figures with budgetary projections; and

(iv) a description of the operating assumptions that form the basis for, and adequately support, major projected income and expense components.

(b) coordination of the Bank's loan, investment, and operating policies, and budget and profit planning, with the funds management policy.

[.11] 11. Within 90 days from the effective date of this ORDER, the Bank shall eliminate and/or correct all violations of law which are more fully set out on pages 52-75 in the FDIC's Report of Examination as of May 19, 2003. In addition, the Bank shall take all necessary steps to ensure future compliance with all applicable laws and regulations.

[.12] 12. Within 90 days from the effective date of this ORDER, the Bank shall develop or revise, adopt, and implement a written liquidity and funds management policy. Such policy and its implementation shall be in a form and manner acceptable to the Regional Director as determined at subsequent examinations and/or visitations.

[.13] 13. Within 90 days from the effective date of this ORDER, the Bank shall adopt and implement a policy for the operation of the Bank in such a manner as to provide adequate internal routine and control policies consistent with safe and sound banking practices. Such policy and its implementation shall be satisfactory to the Regional Director as determined at subsequent examinations and/or visitations.

[.14] 14. Within 90 days from the effective date of this ORDER, the Bank shall adopt and implement an external and internal audit program that ensures compliance with the corrective provisions identified in this ORDER and assesses the Bank's efforts and methodology to restore the Bank to a position of safety and soundness. Written reports shall be prepared which document the results of the audit program and shall be presented to the Bank's board of directors.

[.15] 15. Within 30 days after eliminating from its books any asset in compliance with Paragraph 6 of this ORDER, the Bank shall file with the FDIC amended Consolidated Reports of Condition and Income which shall accurately reflect the financial condition of the Bank in the FDIC's Report of Examination as of May 19, 2003. Thereafter, during the life of this ORDER, the Bank shall file with the FDIC Consolidated Reports of Condition and Income which accurately reflect the financial condition of the Bank as of the end of the period for which the Reports are filed, including any adjustment in the Bank's books made necessary or appropriate as a consequence of any California Department of Financial Institutions or FDIC examination of the Bank during that reporting period.

[.16] 16. The Bank shall not pay cash dividends without the prior written consent of the Regional Director.

[.17] 17. While this ORDER is in effect, the Bank shall give written notice to the Regional Director and the Commissioner at such time as the Bank intends to make use of brokered deposits. The notification should indicate how the brokered deposits are to be utilized, with specific reference to credit quality of investments/loans and the effect on the Bank's funds position and asset/liability matching. The Regional Director and the Commissioner shall each have the right to reject the Bank's plans for utilizing brokered deposits. For the purposes of this ORDER, brokered deposits are defined as described in section 337.6(a)(2) of the FDIC Rules and Regulations to include any deposits funded by third party agents or nominees for depositors, including deposits managed by a trustee or custodian when each individual beneficial interest is entitled to or asserts a right to federal deposit insurance.

[.18] 18. Within 90 days of the effective date of this ORDER, the Bank shall comply in all material respects with the Bank Secrecy Act ("BSA") and its rules and regulations.

[.19] 19. Within 90 days of the effective date of this ORDER, the Bank shall develop, adopt and implement a written compliance program, as required by the applicable provisions of section 326.8 of the FDIC's Rules and Regulations, 12 C.F.R. §326.8, designed to, among other things, ensure and maintain compliance by the Bank with the BSA and the rules and regulations issued pursuant thereto. The program shall ensure that clear and comprehensive BSA compliance reports are provided to the Bank's board of directors on a monthly basis. Such program and its implementation shall be in a

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manner acceptable to the Regional Director as determined at subsequent examinations and/or visitations of the Bank. At a minimum, the program shall:

(a) Establish a system of internal controls to ensure compliance with the BSA and the rules and regulations issued pursuant thereto, including policies and procedures to detect and monitor all transactions to ensure that they are not being conducted for illegitimate purposes and that there is full compliance with all applicable laws and regulations.

(b) Provide for independent testing of compliance with the BSA, all applicable rules and regulations related to the BSA, and the reporting of suspicious transactions required to be reported pursuant to Part 353 of the FDIC's Rules and Regulations, 12 C.F.R. Part 353. The independent testing shall be conducted on an annual basis in compliance with the procedures described in the FDIC's "Guidelines for Monitoring Bank Secrecy Act Compliance." The testing, at a minimum, shall include the following:

(i) a test of the Bank's internal procedures for monitoring the BSA;

(ii) a sampling of large currency transactions followed by a review of the Currency Transaction Report filings;

(iii) a test of the validity and reasonableness of the customer exemptions granted by the Bank;

(iv) a test of the Bank's recordkeeping system for compliance with the BSA; and

(v) documentation of the scope of the testing procedures performed and the findings of the testing.

Written reports shall be prepared which document the testing results and provide recommendations for improvement. Such reports shall be presented to the Bank's board of directors.

(c) Ensure that the Bank's BSA compliance program is managed by a qualified officer who shall have responsibility for all BSA compliance and related matters, including, without limitation;

(i) the identification of timely, accurate and complete reporting to law enforcement and supervisory authorities of unusual or suspicious activity or known or suspected criminal activity perpetrated against or involving the Bank; and

(ii) monitoring the Bank's compliance and ensuring that full and complete corrective action is taken with respect to previously identified violations and deficiencies.

(d) Provide and document training by competent staff and/or independent contractors of all board members and all appropriate personnel, including, without limitation, tellers, customer service representatives, lending officers, private and personal banking officers and all other customer contact personnel, in all aspects of regulatory and internal policies and procedures related to the BSA, with a specific

concentration on accurate recordkeeping, form completion and the detection and reporting of known and/or suspected criminal activity. Training shall be updated on a regular basis to ensure that all personnel are provided with the most current and up to date information.

[.20] 20. Within 90 days of the effective date of this ORDER, the Bank shall develop, adopt and implement a written customer due diligence program. Such program and its implementation shall be in a manner acceptable to the Regional Director as determined at subsequent examinations and/or visitations of the Bank. At a minimum, the customer due diligence program shall provide for the following:

(a) A risk focused assessment of the customer base of the Bank to determine the appropriate level of enhanced due diligence necessary for those categories of customers that the Bank has reason to believe pose a heightened risk of illicit activities at or through the Bank.

(b) For those customers whose transactions require enhanced due diligence, procedures to:

(i) determine the appropriate documentation necessary to confirm the identity and business activities of the customer;

(ii) understand the normal and expected transactions of the customer; and

(iii) reasonably ensure the identification and timely, accurate and complete reporting of known or suspected criminal activity against or involving the Bank to law enforcement and supervisory authorities, as required by the suspicious activity reporting provisions of Part 353 of the FDIC's Rules and Regulations, 12 C.F.R. Part 353.

[.21] 21. Within 90 days of the effective date of this ORDER, the Bank shall establish
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and implement policies and procedures to advise the Bank's board of directors of Significant Suspicious Activity Reports. At a minimum, the board of directors shall be advised in detail of all Suspicious Activity Reports involving employees, contractors, officers and directors. The policies and procedures shall also include guidelines to determine what Suspicious Activity Reports are significant.

[.22] 22. Within 90 days of the effective date of this ORDER, the board's audit committee shall oversee the Bank's compliance with the BSA and Parts 326 and 353 of the FDIC's Rules and Regulations. The committee shall receive reports from the qualified officer appointed in paragraph 19(c) regarding compliance with the BSA and Parts 326 and 353, at least monthly, and shall report to the Bank's board of directors at every meeting.

[.23] 23. Following the effective date of this ORDER, the Bank's board of directors shall monitor and confirm the completion of actions taken by management to comply with the terms of this ORDER. The board of directors shall certify in writing to the Regional Director and the Commissioner when all of the above actions have been accomplished. All actions taken by the board of directors pursuant to this ORDER shall be duly noted in the minutes of its meetings. The committee shall receive reports from the qualified officer appointed in paragraph 19(c) regarding compliance with the BSA and Parts 326 and 353, at least monthly, and shall report to the Bank's board of directors at every meeting.

[.24] 24. Within 30 days of the end of the first quarter following the effective date of this ORDER, and within thirty (30) days of the end of each quarter thereafter, the Bank shall furnish written progress reports to the Regional Director and the Commissioner detailing the form and manner of any actions taken to secure

compliance with this ORDER and the results thereof. Such reports shall include a copy of the Bank's Report of Condition and the Bank's Report of Income. Such reports may be discontinued when the corrections required by this ORDER have been accomplished and the Regional Director has released the Bank in writing from making further reports.

[.25] Following the effective date of this ORDER, the Bank shall send to its shareholders or otherwise furnish a description of this ORDER in conjunction with the Bank's next shareholder communication and also in conjunction with its notice or proxy statement preceding the Bank's next shareholder meeting. The description shall fully describe the ORDER in all material respects. The description and any accompanying communication, statement, or notice shall be sent to the FDIC, Accounting and Securities Section, Washington, D.C. 20429, at least fifteen (15) days prior to dissemination to shareholders. Any changes requested to be made by the FDIC shall be made prior to dissemination of the description, communication, notice, or statement.

This ORDER shall become effective ten (10) days from the date of its issuance.

The provisions of this ORDER shall remain effective and enforceable except to the extent that, and until such time as, any provisions of this ORDER shall have been modified, terminated, suspended, or set aside by the FDIC.

Pursuant to delegated authority.

Dated at San Francisco, California, this 19th day of April, 2004.

Last
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