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{{6-30-94 p.C-3448}}

[¶10,881**] In the Matter of United Mizrahi Bank, Ltd., Tel Aviv, Israel, and Los Angeles, California, Docket Nos. FDIC-93-58c&b, 93-021-FB, 93-021-BFBR (9-30-93).**

Foreign bank and its state licensed branch agree to comply with the Currency and Foreign Transactions Reporting Act, associated Treasury Department regulations and the Bank Secrecy Act.

[.1]Bank Secrecy Act—Compliance Required
[.2]Bank Secrecy Act—Compliance Program—Minimum Requirements
[.3]Currency Transactions—Internal Review Procedures
[.4]Bank Secrecy Act—Compliance Officer Required
[.5]Bank Secrecy Act—Compliance Program—FDIC Review Required

In the Matter of

UNITED MIZRAHI BANK, LTD.
TEL AVIV, ISRAEL
(FOREIGN BANK)
and
UNITED MIZRAHI BANK, LTD.
TEL AVIV, ISRAEL
LOS ANGELES, CALIFORNIA
BRANCH
(STATE LICENSED INSURED
BRANCH
OF A FOREIGN BANK)
Docket No.93-021-B-FB
93-021-B-FBR
and
FDIC-93-58-c&b
Cease and Desist Order
Issued Upon Consent

WHEREAS, in order to settle the proceedings initiated by the Board of Governors of the Federal Reserve System (the "Board of Governors") and the Federal Deposit Insurance Corporation (the "FDIC") against the United Mizrahi Bank, Ltd., Tel Aviv, Israel ("Mizrahi"), a foreign bank that maintains a branch in Los Angeles, California (the "LA Branch"), which is licensed by the Superintendent of Banks of the State of California (the "Superintendent"), and {{12-31-93 p.C-3449}}against the LA Branch, through the joint issuance of a combined Notice of Charges and of Hearing and Notice of Assessment of a Civil Money Penalty (the "Notice"), on March 15, 1993, the Board of Governors, the FDIC and the Superintendent jointly issue this Cease and Desist Order (the "Order") against Mizrahi and the LA Branch;

WHEREAS, the Board of Governors, the FDIC and the Superintendent have alleged that, although there was no known financial loss to any depositor of Mizrahi or the LA Branch, Mizrahi, through its operations at the LA Branch, and the LA Branch have each failed to comply with certain laws and regulations, including the Currency and Foreign Transactions Reporting Act (31 U.S.C. 5311 *et seq.*) and the accompanying regulations issued by the U.S. Department of the Treasury (31 C.F.R. 103.11 *et seq.*) (collectively referred to as the Bank Secrecy Act (the "BSA")) and engaged in practices related to their failure to develop and implement internal compliance procedures, their inadequate processing of cash transactions, the failure to maintain adequate records relating to such transactions and to report suspicious transactions to the appropriate law enforcement agencies, and management deficiencies;

WHEREAS, in recognition of their common goal to ensure compliance with all applicable federal and state laws, rules, and regulations relating to the reporting of transactions involving currency, including the BSA, by Mizrahi and the LA Branch, Mizrahi and the LA Branch consented to the issuance of this Order by the Board of Governors, the FDIC, and the Superintendent pursuant to the applicable provisions of the laws of the United States and the State of California; and

WHEREAS, on September 12, 1993, the board of directors of Mizrahi adopted a resolution (1) authorizing and directing Yair Hacohen, Vice President and General Manager of the LA Branch, to enter into this Order on behalf of Mizrahi and the LA Branch, and consenting to compliance by the board of directors of Mizrahi, the LA Branch and Mizrahi's institution-affiliated parties to comply with each and every provision of this Order; (2) waiving a hearing for the purpose of taking evidence on any matter set forth in this Order; (3) waiving any and all rights to contest the issuance of this Order by the Board of Governors, the FDIC, and the Superintendent; (4) waiving any and all rights to judicial review of this Order; (5) waiving any and all rights to challenge or contest the validity of the provisions of this Order; and (6) with respect to the Superintendent, waiving the issuance of an order pursuant to California Financial Code Section 1912; and, on September 22, 1993, the Manager of the LA Branch agreed to the foregoing on behalf of the LA Branch.

NOW, THEREFORE, before taking of any testimony or adjudication or finding on any issue of fact or law herein, and without this Order constituting an admission or denial of any allegation made or implied by the Board of Governors, the FDIC, and the Superintendent in connection with this proceeding, and solely for the purpose of settlement of this proceeding without protracted or extended hearing or testimony and pursuant to the aforesaid resolution:

IT IS HEREBY ORDERED that, where applicable, Mizrahi and the LA Branch and their institution-affiliated parties cease and desist and take affirmative action as follows:

[.1**]** 1. (a) Mizrahi and the LA Branch shall not violate the BSA, and all rules or regulations issued pursuant thereto.

(b) For the purposes of this Order, the term (1) "violate" includes any action (alone or with another or others) for or toward causing, bringing about, participating in, counseling or aiding or abetting a violation, and (2) "institution-affiliated party" shall be defined as set forth in section 3(u) and 8(b)(4) of the Federal Deposit Insurance Act, as amended (12 U.S.C. § 1813(u) and 1818(b)(4)).

[.2**]** 2. At the direction of the Board of Governors, the FDIC, and the Superintendent, Mizrahi and the LA Branch jointly submitted to the Federal Reserve Bank of San Francisco (the "Reserve Bank"), the San Francisco Regional Office of the FDIC (the "FDIC Regional Office"), and the Los Angeles Regional Office of the Superintendent (the "Superintendent's Regional Office") an internal compliance program, which they had developed and implemented prior to the date of this Order, designed to ensure that the LA Branch complies with all of the provisions of the BSA. The internal compliance program included, but was not limited to, a description of the manner in which Mizrahi and the LA Branch shall:

(a) provide the means by which to detect and monitor currency transactions over $10,000 occurring at the LA Branch to ensure that such transactions are not being conducted for illegitimate purposes and that there is full compliance with all applicable laws and regulations relative to such large currency transactions;

(b) provide the means by which to detect and monitor all other currency transactions occurring at the LA Branch to ensure that such transactions are not being conducted for illegitimate purposes and that there is full compliance with all applicable laws and regulations relative to such other currency transactions;

(c) provide training to all appropriate personnel at the LA Branch, including, but not limited to, 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 and update the training provided on a regular basis to ensure that all personnel are provided with the most current and up to date information;

(d) designate a position or positions within the LA Branch responsible for the daily coordination and monitoring of compliance with all applicable rules and regulations by the LA Branch;

(e) provide for an internal review process within the LA Branch to ensure that the LA Branch is complying with all applicable rules and regulations, that appropriate personnel possess the requisite knowledge necessary to comply with all applicable rules and regulations, that all procedures are in writing and that such procedures are complete and accurate and that the results of the internal review are reported to senior management at Mizrahi and its LA Branch; and

(f) provide for independent testing of compliance with all applicable rules and regulations to be conducted by qualified, trained and experienced third parties, such as independent public accountants or specialists in this subject matter, who are not, in any manner, affiliated with Mizrahi or the LA Branch or any of Mizrahi's subsidiaries or affiliates.

[.3**]** 3. (a) At the direction of the Board of Governors, the FDIC, and the Superintendent, Mizrahi and the LA Branch jointly submitted to the Reserve Bank, the FDIC Regional Office, and the Superintendent's Regional Office a written plan, which they had developed and implemented prior to the date of this Order, designed to control and monitor the flow of funds to and from the LA Branch to persons and entities within and outside of the United States. The plan included, but was not limited to, a description of the manner in which Mizrahi and the LA Branch shall:

(1) ensure compliance with the recordkeeping and reporting requirements for currency transactions over $10,000 (31 C.F.R. 103.22);

(2) ensure compliance with the recordkeeping requirements for the purchase of bank checks and drafts, cashier's checks, money orders and traveler's checks (31 C.F.R. 103.29);

(3) ensure the identification and timely, accurate and complete reporting, to law enforcement and supervisory authorities, of known or suspected criminal activity perpetrated against or involving the LA Branch, consistent with all applicable federal and state laws, rules, regulations and guidelines; and

(4) establish a "know your customer" policy at the LA Branch that will enable the LA Branch to:

> (i) identify and confirm the identity of each of the customers of the LA Branch;
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> (ii) predict with relative certainty the types of transactions that each of the customers of the LA Branch is likely to transact with the branch;
>
> (iii) monitor the transactions of each of the customers of the LA Branch to determine if each transaction that occurs is inconsistent with the customer's regular and ordinary practices; and
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> (iv) investigate further, and, where necessary, prohibit transactions involving customers whose identities or business activities cannot be sufficiently confirmed or whose transactions are inconsistent with that customer's normal practices and no satisfactory explanation exists.

(b) The plan submitted pursuant to the provisions of paragraph 3(a) hereof includes, and shall continue to include, at a {{12-31-93 p.C-3451}}minimum, internal review procedures consistent with the program developed pursuant to paragraph 2 hereof that were acceptable to the Reserve Bank, the FDIC Regional Office, and the Superintendent's Regional Office.

[.4**]** 4. Mizrahi and the LA Branch shall each continue to employ a qualified officer for the LA Branch, acceptable to the Reserve Bank, the FDIC Regional Office, and the Superintendent's Regional Office has responsibility for all of BSA compliance and related matters, including, but not limited to, the identification and reporting of known or suspected criminal activity, at the LA Branch.

5. Mizrahi and the LA Branch shall each submit accurate and complete information to the Board of Governors, any Federal Reserve Bank, the FDIC, and the Superintendent, and to any other federal or state agency or department, in connection with any application, notice or periodic filing subject to the Board of Governor's, the FDIC's, the Superintendent's or other agency's or department's jurisdiction.

[.5**]** 6. The written program, plan, and policies and procedures required by paragraphs 2 and 3(a) hereof have been submitted to the Reserve Bank, the FDIC Regional Office, and the Superintendent's Regional Office for review and approval and they shall be acceptable to the Reserve Bank, the FDIC Regional Office, and the Superintendent's Regional Office. Mizrahi and the LA Branch shall continue to comply fully with their submissions and any modifications thereto required by the Reserve Bank, the FDIC Regional Office, and the Superintendent's Regional Office. During the term of this Order, the approved program, plan, and policies and procedures shall not be amended or rescinded without the prior written approval of the Reserve Bank, the FDIC Regional Office, and the Superintendent's Regional Office.

7. Within 10 days after the end of each calendar quarter (September 30, December 31, March 31, and June 30) following the date of this Order, Mizrahi and the LA Branch shall furnish to the Reserve Bank, the FDIC Regional Office, and the Superintendent's Regional Office joint written progress reports detailing the form and manner of all actions taken to secure compliance with this Order, and the results thereof.

8. All communications regarding this Order shall be sent to:

> (a) Mr. Philip Ryan
> Assistant Vice President
> Federal Reserve Bank of
> San Francisco
> 101 Market Street
> San Francisco, California 94105
> (b) Mr. George Masa
> Regional Director
> Federal Deposit Insurance
> Corporation
> 25 Ecker Street
> Suite 2300

San Francisco, California 94105
(c) Mr. David L. Scott
Deputy Superintendent of Banks
300 South Spring Street
Suite 15513
Los Angeles, California 90013
(d) Yair Hacohen
Vice President/Manager
United Mizrahi Bank, Ltd.
611 Wilshire Boulevard
Los Angeles, California 90017
(e) Stuart Hershkowitz
Personal Assistant to the
Managing Director
United Mizrahi Bank Limited
13 Rothschild Boulevard
P.O. Box 309
Tel Aviv 61002, Israel

9. The provisions of this Order shall be binding on Mizrahi and the LA Branch and each of their institution-affiliated parties in their capacities as such, and their successors and assigns.

10. Each provision of this Order shall remain effective and enforceable until stayed, modified, terminated, or suspended by the Board of Governors, the FDIC, and the Superintendent.

11. Notwithstanding any provision of this Order to the contrary, the Reserve Bank, the FDIC Regional Office, and the Superintendent's Regional Office may, in their sole discretion, grant written extensions of time to Mizrahi and the LA Branch to comply with any provision of this Order.

12. (a) The provisions of this Order shall not bar, estop, or otherwise prevent federal or state agencies or departments, other than the Board of Governors, the FDIC or the Superintendent, from taking any other action affecting Mizrahi, or the LA {{12-31-93 p.C-3452}}Branch, or any of its current or former institution-affiliated parties, or their successors, or assigns.

(b) The provisions of this Order shall not bar, estop, or otherwise prevent the Board of Governors, the FDIC or the Superintendent from taking any other action affecting Mizrahi, or the LA Branch for matters not the subject of the Notice.

(c) The provisions of this Order shall not bar, estop, or otherwise prevent the Board of Governors, the FDIC or the Superintendent from taking any action against any of Mizrahi's, or the LA Branch's current or former institution-affiliated parties, or their successors, or assigns.

13. As the result of entering into this Order, Mizrahi and the LA Branch shall not be subject to the provisions of Section 7 of the International Banking Act of 1978 (12 U.S.C. § 3105(e) and (i)) or Section 8(w) of the Federal Deposit Insurance Act, as amended, (12 U.S.C. § 1818(w)).

By order of the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, and the Superintendent of Banks of the State of California, effective this 30th day of September, 1993.