

FEDERAL DEPOSIT INSURANCE CORPORATION
WASHINGTON, D.C.

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In the Matter of	)	CONSENT ORDER
	)	
GSL SAVINGS BANK	)	
GUTTENBERG, NEW JERSEY	)	FDIC-14-0079b
	)	
(INSURED STATE NONMEMBER BANK)	)	
_____	)	

The Federal Deposit Insurance Corporation ("FDIC") is the appropriate Federal banking agency for GSL Savings Bank, Guttenberg, New Jersey ("Bank"), under section 3(q) of the Federal Deposit Insurance Act ("Act"), 12 U.S.C. § 1813(q).

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 April 15, 2014 that is accepted by the FDIC. With the CONSENT AGREEMENT, the Bank has consented, without admitting or denying any charges of unsafe or unsound banking practices or violations of law or regulation relating to, among other things, weaknesses in capital, management, earnings, liquidity and sensitivity to market risk, to the issuance of this Consent Order ("ORDER") by the FDIC.

Having determined that the requirements for issuance of an order under section 8(b) of the Act, 12 U.S.C. § 1818(b) have been satisfied, the FDIC hereby orders that:

MANAGEMENT

1. (a) The Bank shall have and retain qualified management. Each member of management shall possess qualifications and experience commensurate with his or her duties and responsibilities at the Bank. At a minimum, such management shall include: a chief executive officer with proven ability in managing a bank of comparable size and complexity and

experience in strategic planning and operations to reduce the Bank's market risk exposure; a senior lending officer with an appropriate level of lending, collection, and loan supervision experience for the type and quality of the Bank's loan portfolio; and a chief financial officer with demonstrated ability in all financial areas including, but not limited to, accounting, regulatory reporting, budgeting and planning, management of the investment function, liquidity management, and interest rate management. The Board shall provide the necessary written authority to management 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, rules, and regulations; and
- (iv) restore all aspects of the Bank to a safe and sound condition, including capital adequacy, management effectiveness, earnings, liquidity and sensitivity to market risk.

(c) Within 30 days from the effective date of this ORDER, the Bank shall retain a third-party consultant, acceptable to the Regional Director of the FDIC's New York Regional Office ("Regional Director") and the Commissioner of Banking and Insurance for the State of New Jersey ("Commissioner"), for the purpose of analyzing and assessing the Bank's management, staffing performance, and succession planning needs. The analysis and assessment shall be summarized in a written report ("Management Report").

(d) At a *minimum*, the Management Report shall:

- (i) identify the type and number of executive/senior officer positions needed to manage and supervise the affairs of the Bank, detailing any vacancies or additional needs and giving appropriate consideration to the size and complexity of the Bank;
 - (ii) identify the type and number of staff positions needed to carry out the Bank's strategic plan, detailing any vacancies or additional needs;
 - (iii) present a clear and concise description of the relevant knowledge, skills, abilities, and experience necessary for each executive/senior officer position, including delegations of authority and performance objectives;
 - (iv) identify training and development needs;
 - (v) identify and recommend any Bank and/or Board committees needed to provide guidance and oversight to management; and
 - (vi) provide for the evaluation of the performance of all existing Bank officers, senior vice-president and above, indicating whether the individuals are competent and qualified to perform present and anticipated duties, adhere to the Bank's established policies and practices, and operate the Bank in a safe and sound manner.
- (e) Within 60 days from receipt of non-objection to the proposed third-party consultant from the Regional Director and the Commissioner, the Management Report shall be presented to the Board, which shall review the Management Report, and said review shall be recorded in the minutes of the Board meeting.

(f) Within 30 days after receipt of the Management Report by the Board, the Bank shall formulate a plan ("Management Plan") to implement the recommendations of the Management Report, and present the Management Plan to the Regional Director and the Commissioner for review, comment, and non-objection. Within 15 days of receipt of non-objection or any comments from the Regional Director or Commissioner, the Bank shall incorporate any changes required by the Regional Director or Commissioner and thereafter adopt, implement, and adhere to the Management Plan.

(g) The Bank shall notify the Regional Director and the Commissioner in writing of any resignations or terminations of any members of its Board or any of its "senior executive officers" (as that term is defined in section 303.101(b) of the FDIC's Rules and Regulations, 12 C.F.R. § 303.101(b)), within 10 days of the event. Any notification required by this subparagraph shall include a description of the background(s) and experience of any proposed replacement personnel and must be received at least 30 days prior to the individual(s) assuming the new position(s). The Bank shall also establish procedures to ensure compliance with section 32 of the Act, 12 U.S.C. § 1831i, and Subpart F of Part 303 of the FDIC's Rules and Regulations, 12 C.F.R. Part 303.

BOARD PARTICIPATION

2. (a) The Board 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.

(b) The participation of the Board 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; liquidity levels and funds management; adoption or modification of operating policies; individual committee reports; audit reports; internal control reviews including managements' responses; and compliance with this ORDER. Board minutes shall document these reviews and approvals, including the names of any dissenting directors.

INTEREST RATE RISK MANAGEMENT

3. (a) Within 30 days from the effective date of this ORDER, the Bank shall retain a third-party consultant, acceptable to the Regional Director and the Commissioner, for the purpose of assessing the Bank's interest rate risk and its asset/liability mix, and preparing a written analysis of its findings, which shall include recommendations to the Board for sound management practices to measure, monitor, and control interest rate exposure and include specific recommendations to reduce the current level of interest rate risk exposure ("IRR Report").

(b) Within 60 days after receipt of non-objection to the proposed third-party consultant from the Regional Director and the Commissioner, the IRR Report shall be presented to the Board, which shall review the IRR Report, and said review shall be recorded in the minutes of the meeting of the Board.

(c) Within 30 days after receipt of the IRR Report by the Board, the Bank shall formulate a plan ("IRR Plan") to implement the recommendations of the IRR Report, and present the IRR Plan to the Regional Director and the Commissioner for review, comment, and non-

objection. Within 15 days of receipt of non-objection from the Regional Director or Commissioner, the Bank shall incorporate any changes required by the Regional Director or the Commissioner and thereafter adopt, implement, and adhere to the IRR Plan, including making any necessary changes to the Bank's Capital Plan, Strategic Plan, Asset/Liability Management Policy, Liquidity Policy, and/or Investment Policy.

ASSET/LIABILITY MANAGEMENT POLICY

4. (a) Within 90 days from the effective date of this ORDER, the Bank shall revise and submit for review as described in subparagraph (c), its asset/liability management policy ("Asset/Liability Management Policy") that shall include, at a minimum:

(i) measures designed to control the nature and amount of interest rate risk the Bank takes including those that specify risk limits and defines lines of responsibilities and authority for managing risk;

(ii) a system for identifying and measuring interest rate risk;

(iii) a system for monitoring and reporting risk exposures, including a full discussion of market risk limits at Board meetings on at least a quarterly basis; and

(iv) a system of internal controls, review, and audit to ensure the integrity of the overall risk management process.

(b) The Asset/Liability Management Policy shall address the exceptions noted in the current Report of Examination dated December 2, 2013 ("Report of Examination"), and comply with the Federal Financial Institutions Examination Council's ("FFIEC") *Advisory on Interest*

Rate Risk Management (FIL-2-2010, issued January 20, 2010), the FFIEC's *Supervisory Policy Statement on Investment Securities and End-User Derivative Activities* (FIL-45-98, issued April 28, 1998), and the *Joint Agency Policy Statement on Interest Rate Risk* (FIL-52-96, issued July 12, 1996).

(c) The Asset/Liability Management Policy shall be submitted to the Regional Director and the Commissioner for non-objection or comment. Within 30 days from receipt of non-objection or any comments from the Regional Director and the Commissioner, and after incorporation and adoption of all comments, the Board shall approve the Asset/Liability Management Policy, which approval shall be recorded in the minutes of the Board meeting. Thereafter, the Bank shall implement and fully comply with the Asset/Liability Management Policy.

(d) The Asset/Liability Management Policy shall be reviewed and updated annually. Copies of the review and updates shall be submitted to the Regional Director and the Commissioner as part of the progress reports required by this ORDER.

LIQUIDITY POLICY

5. (a) Within 90 days from the effective date of this ORDER, the Bank shall revise its liquidity policy to strengthen the Bank's funds management procedures and maintain adequate provisions to meet the Bank's liquidity needs ("Liquidity Policy"). The policy shall be submitted for review as described in subparagraph (d).

(b) The Liquidity Policy shall include, at a minimum, provisions that:

- (i) provide a statement of the Bank's long-term and short-term liquidity needs and plans for ensuring that such needs are met;
- (ii) provide for a periodic review of the Bank's deposit structure, including the volume and trend of total deposits and the volume and trend of the various types of deposits offered, the maturity distribution of time deposits, rates being paid on each type of deposit, rates being paid by trade area competition, caps on large time deposits, public funds, out-of-area deposits, and any other information needed;
- (iii) establish a reasonable range for its net non-core funding ratio as computed in the Uniform Bank Performance Report and shall address the means by which the Bank will seek to reduce its reliance on non-core funding and high cost rate-sensitive deposits;
- (iv) identify the source and use of borrowed and/or volatile funds;
- (v) provide for the establishment of sufficient back-up lines of credit that would allow the Bank to borrow funds to meet depositor demands if the Bank's other provisions for liquidity proved to be inadequate;
- (vi) require the retention of securities and/or other identified categories of investments that can be liquidated within one day in amounts sufficient (as a percentage of the Bank's total assets) to ensure the maintenance of the Bank's liquidity posture at a level consistent with short- and long-term liquidity objectives;
- (vii) establish a minimum liquidity ratio and define how the ratio is to be calculated;

(viii) establish contingency plans by identifying alternative courses of action designed to meet the Bank's liquidity needs; and

(ix) address the use of borrowings (i.e., seasonal credit needs, match funding mortgage loans) and provide for reasonable maturities commensurate with the use of the borrowed funds; address concentration of funding sources; and address pricing and collateral requirements with specific allowable funding channels (i.e., brokered deposits, internet deposits, Fed funds purchased and other correspondent borrowings).

(c) The Liquidity Policy shall address the exceptions noted in the Report of Examination, and shall comply with the guidance set forth in *Liquidity Risk Management* (FIL-84-2008, issued August 26, 2008) and *Funding and Liquidity Risk Management* (FIL-13-2010, issued April 5, 2010).

(d) The Liquidity Policy shall be submitted to the Regional Director and the Commissioner for non-objection or comment. Within 30 days from receipt of non-objection or any comments from the Regional Director or the Commissioner, and after incorporation and adoption of all comments, the Board shall approve the Liquidity Policy, which approval shall be recorded in the minutes of the Board meeting. Thereafter, the Bank shall implement and fully comply with the Liquidity Policy.

(e) The Liquidity Policy shall be reviewed and updated annually. Copies of the review and updates shall be submitted to the Regional Director and the Commissioner as part of the progress reports required by this ORDER.

INVESTMENT POLICY

6. (a) Within 90 days from the effective date of this ORDER, the Bank shall revise and submit for review as described in subparagraph (d) the Bank's investment policy to provide effective guidelines and control over the Bank's investment portfolio ("Investment Policy").

(b) At a minimum the Investment Policy shall address the following:

- (i) develop specific investment goals as part of an overall effort to lessen interest rate risk and incorporate revisions to interest rate risk management;
- (ii) develop procedures for securities risk analysis;
- (iii) identify position limits, including development of appropriate market risk limits and maturity limits for the investment portfolio;
- (iv) require performance review of the investment portfolio;
- (v) develop goals, guidelines, and performance measures for the account;
- (vi) establish standards to evaluate securities dealers;
- (vii) permissible securities, including the types of investments permitted for purchase and retention, diversification of investments, the desired mix among those investments and their maturity distribution;
- (viii) securities pledging;
- (ix) maturity guidelines;

(ix) pre-purchase analysis guidelines; and

(xi) reporting.

(c) The Investment Policy shall be consistent with the FFIEC's Instructions for Call Reports, generally accepted accounting principles, and the Bank's loan, liquidity, and asset/liability management policies, and shall address the exceptions noted in the Report of Examination.

(d) The Investment Policy shall be submitted to the Regional Director and the Commissioner for non-objection or comment. Within 30 days from receipt of non-objection or any comments from the Regional Director and the Commissioner, and after incorporation and adoption of all comments, the Board shall approve the Investment Policy, which approval shall be recorded in the minutes of the Board meeting. Thereafter, the Bank shall implement and fully comply with the Investment Policy.

(e) The Investment Policy shall be reviewed and updated annually. Copies of the review and updates shall be submitted to the Regional Director and the Commissioner as part of the progress reports required by this ORDER.

CAPITAL

7. (a) Within 90 days from the effective date of this ORDER, the Bank shall formulate and submit for review by the Regional Director and the Commissioner a capital plan ("Capital Plan") designed to maintain the Bank's Tier 1 Leverage Capital Ratio at equal to or greater than 8%, and a "Well Capitalized" position. The terms "Tier 1 Leverage Capital Ratio" and "Well

Capitalized” shall have the same meanings ascribed in Part 325 of the FDIC's Rules and Regulations, 12 C.F.R. Part 325.

(b) For purposes of this ORDER, all terms relating to capital shall be calculated in accordance with Part 325 of the FDIC's Rules and Regulations, 12 C.F.R. Part 325, and the Bank shall comply with the FDIC's *Statement of Policy on Risk-Based Capital* found in Appendix A to Part 325 of the FDIC's Rules and Regulations, 12 C.F.R. Part 325, App. A. In the event any capital ratio falls below the minimum required by this ORDER, and the Bank is in noncompliance with the Capital Plan, the Bank shall immediately notify the Regional Director and the Commissioner; and within 30 days, shall develop a written Capital Contingency Plan describing the primary means and timing by which the Bank shall increase its capital ratios up to or in excess of the minimum requirements set forth in this ORDER, as well as a contingency plan for the sale, merger, or liquidation of the Bank.

(c) At a minimum, the Capital Plan shall include:

- (i) specific plans to maintain the capital levels required under this ORDER;
- (ii) projections for asset growth and capital requirements, and such projections shall be based upon a detailed analysis of the Bank's current and projected assets, liabilities, earnings, fixed assets, and off-balance sheet activities, each of which shall be consistent with the Bank's strategic business plan;
- (iii) projections for the amount and timing of the capital necessary to meet the Bank's current and future needs;

(iv) the primary source(s) from which the Bank will strengthen its capital to meet the Bank's needs; and

(v) contingency plans that identify alternative sources of capital should the primary source(s) under (iv) above not be available.

(d) The Capital Plan shall be submitted to the Regional Director and the Commissioner for non-objection or comment. Within 30 days from receipt of non-objection or any comments from the Regional Director and the Commissioner, and after incorporation and adoption of all such comments, the Board shall approve the Capital Plan, which approval shall be recorded in the minutes of the Board meeting. Thereafter, the Bank shall implement and fully comply with the Capital Plan.

(e) The Board shall review the Bank's adherence to the Capital Plan, at minimum, on a monthly basis. Copies of the reviews and updates shall be submitted to the Regional Director and the Commissioner as part of the progress reports required by this ORDER.

PROFIT AND BUDGET PLAN

8. (a) Within 90 days from the effective date of this ORDER, and within the first 30 days of each calendar year thereafter, the Bank shall revise and submit for review as described in subparagraph (c), its written profit and budget plan ("Profit Plan") consisting of goals and strategies, consistent with sound banking practices, and taking into account the Bank's other written plans, policies, or other actions as required by this ORDER.

(b) The Profit Plan shall include, at a minimum:

(i) a description of the operating assumptions that form the basis for, and adequately support, material projected revenue and expense components;

(ii) specific goals to maintain appropriate provisions to the ALLL;

(iii) realistic and comprehensive budgets for all categories of income and expense;

(iv) executive compensation projections, addressing executive salaries, bonuses and other benefits, both current and deferred, whether paid directly or indirectly, which plan incorporates qualitative as well as profitability performance standards for the Bank's senior executive officers and directors;

(v) a budget review process to monitor the revenue and expenses of the Bank whereby actual performance is compared against budgetary projections not less than quarterly; and

(vi) a requirement to record the results of the budget review and any actions taken by the Bank as a result of the budget review in the Board minutes.

(c) The Profit Plan shall be submitted to the Regional Director and the Commissioner for non-objection or comment. Within 30 days from receipt of non-objection or any comments from the Regional Director and the Commissioner, and after incorporation and adoption of all such comments, the Board shall approve the Profit Plan, which approval shall be recorded in the minutes of the Board meeting. Thereafter, the Bank shall implement and fully comply with the Profit Plan.

(d) Within 30 days following the end of each calendar quarter following completion of the Profit Plan required by this paragraph, the Board shall evaluate the Bank's actual performance in relation to the Profit Plan, record the results of the evaluation, and note any actions taken by the Bank in the minutes of the Board meeting at which such evaluation is undertaken.

STRATEGIC PLAN

9. (a) Within 90 days from the effective date of this ORDER, the Bank shall develop and submit for review as required by subparagraph (c), a written strategic plan ("Strategic Plan") supported by an operating budget and consisting of goals and strategies, consistent with sound banking practices, and taking into account the Bank's other written plans, policies, or other actions as required by this ORDER. The Strategic Plan shall contain an assessment of the Bank's current financial condition and market area, and a description of the operating assumptions that form the basis for major projected income and expense components.

(b) The Strategic Plan shall include, at a minimum:

- (i) identification of the major areas in and means by which the Bank will seek to improve operating performance;
- (ii) specific goals to improve the net interest margin, increase interest income, reduce discretionary expenses;
- (iii) financial goals, including pro forma statements for asset growth, capital adequacy, and earnings; and

(iv) coordination of the Bank's loan, investment, funds management, and operating policies, profit and budget plan, and ALLL methodology with the Strategic Plan.

(c) The Strategic Plan shall be submitted to the Regional Director and the Commissioner for non-objection or comment. Within 30 days from receipt of non-objection or any comments from the Regional Director and the Commissioner, and after incorporation and adoption of all comments, the Board shall approve the Strategic Plan, which approval shall be recorded in the minutes of the Board meeting. Thereafter, the Bank shall implement and fully comply with the Strategic Plan.

(d) The Strategic Plan required by this ORDER shall be revised 30 days prior to the end of each calendar year, and approved by the Board, which approval shall be recorded in the minutes of the Board meeting. Thereafter, the Bank shall implement and adhere to the revised Strategic Plan.

CORRECTION OF VIOLATIONS

10. The Bank shall take all steps necessary, consistent with other provisions of this ORDER and safe and sound banking practices, to eliminate or correct and prevent unsafe or unsound banking practices, violations of law or regulation and all contraventions of regulator policies or guidelines cited in the Report of Examination.

COMPLIANCE COMMITTEE

11. (a) Within 30 days from the effective date of this ORDER, the Board shall establish a compliance committee ("Compliance Committee"), acceptable to the Regional Director and the Commissioner, a majority of which members who are not now, and have never been, involved in

the daily operations of the Bank, with the responsibility of ensuring compliance with the provisions of this ORDER.

(b) The Compliance Committee shall monitor compliance with this ORDER and submit a written report monthly to the entire Board, and a copy of the report and any discussion related to the report or this ORDER shall be part of the minutes of the Board meeting. Copies of the monthly report shall be submitted to the Regional Director and the Commissioner as part of the progress reports required by this ORDER. Nothing contained herein shall diminish the responsibility of the entire Board to ensure compliance with the provisions of this ORDER.

PROGRESS REPORTS

12. Within 30 days from the end of each calendar quarter following the effective date of this ORDER, the Bank shall furnish to the Regional Director and the Commissioner written progress reports detailing the form, manner, and results of any actions taken to secure compliance with this ORDER. All progress reports and other written responses to this ORDER shall be reviewed by the Board and made a part of the Board minutes.

The provisions of this ORDER shall not bar, estop, or otherwise prevent the FDIC 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.

This ORDER shall be effective on the date of issuance.

The provisions of this ORDER shall be binding upon the Bank, its institution-affiliated parties, and any successors and assigns thereof.

The provisions of this ORDER shall 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.

Issued Pursuant to Delegated Authority.

Dated: April 15, 2014

By:

/s/

John P. Conneely
Deputy Regional Director
New York Region
Federal Deposit Insurance Corporation