

FEDERAL DEPOSIT INSURANCE CORPORATION
WASHINGTON, D.C.

In the Matter of)	CONSENT ORDER
)	
ORIENTAL BANK)	
SAN JUAN, PUERTO RICO)	FDIC-15-0224b
)	
(INSURED STATE NONMEMBER BANK))	

The Federal Deposit Insurance Corporation (“FDIC”) is the appropriate Federal banking agency for Oriental Bank, San Juan, Puerto Rico (“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 September 1, 2015, 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 Board oversight, management, and the Bank Secrecy Act and the implementing regulations of the FDIC and of the United States Treasury Department (collectively the “BSA”), 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:

BOARD OF DIRECTORS AND MANAGEMENT

1. The Board shall increase its participation in the oversight of the Bank’s BSA compliance program consistent with the role and expertise commonly expected for directors of banks of comparable size and risk.

2. (a) The Bank shall have and retain management qualified to oversee all aspects of the Bank's BSA compliance program, including a qualified BSA officer.

(b) The Board and management responsible for the implementation and/or oversight of the Bank's BSA compliance program shall be assessed on their ability to:

- (i) Comply with the requirements of this ORDER;
- (ii) Comply with applicable BSA laws, rules, and regulations; and
- (iii) Restore the BSA compliance program to a satisfactory condition, including Board oversight, management, adherence to the Bank's established policies and procedures, and compliance with the BSA and its implementing regulations.

(c) Within 60 days from the effective date of this ORDER, the Bank shall (i) analyze and assess the Bank's BSA management, staffing performance, and needs, and (ii) based on that assessment, develop a plan for corrective action. The analysis, assessment, and plan for corrective action shall be documented in a written report and plan ("BSA Management Report and Plan"), which shall be submitted to the Board for its review and approval within 60 days of the effective date of this ORDER.

(d) At a minimum, the BSA Management Report and Plan shall:

- (i) Identify the type and number of officer and staff positions needed to manage, supervise, and operate the BSA Department, detailing any vacancies or additional needs and giving appropriate consideration to the size and complexity of the Bank;
- (ii) Include a detailed plan to recruit and hire, by specified deadlines, any additional or replacement personnel with the requisite ability, experience, and other qualifications to fill those officer or staff member positions identified in the analysis; and

- (iii) Include an evaluation of current and past performance of officers involved in the BSA area, including executive officers and staff members.

(e) Within 120 days from the effective date of this ORDER, the Bank shall complete the implementation of any corrective actions (including but not limited to staffing changes) and other appropriate steps to implement any needed changes identified in the BSA Management Report and Plan.

3. (a) The Bank shall provide written notice to the Regional Director and the Commissioner of any additions, resignations, or terminations of any members of its Board or any BSA management, 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).

(b) For purposes of this Order: (i) the term “Regional Director” means the FDIC’s Regional Director for the New York Regional Office or his/her designee, who may be a designated official at the FDIC’s Boston Area Office; and (ii) the term “Commissioner” means the Commissioner of Puerto Rico’s Office of the Commissioner of Financial Institutions.

(c) Within 10 days of the effective date of this ORDER, the Bank shall also establish and implement 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. §§ 303.100 – 303.119.

BANK SECRECY ACT

4. (a) Within 90 days from the effective date of this ORDER, the Bank shall develop, adopt, and make substantial progress in implementing a revised system of internal controls reasonably designed to ensure full compliance with the Bank Secrecy Act (“BSA Internal Controls”) taking into consideration its size and risk profile. At a minimum, such system of BSA Internal Controls shall include policies, procedures and processes, satisfying the requirements of subparagraphs (b) – (d) below, that address:

- (i) Suspicious Activity Monitoring and Reporting,
- (ii) Customer Due Diligence, and
- (iii) Enhanced Customer Due Diligence.

(b) Suspicious Activity Monitoring and Reporting: The Bank shall, taking into account its size and risk profile, review, improve and implement its policies, procedures, processes, and systems for monitoring, detecting, and reporting suspicious activity being conducted in all areas within or through the Bank in a timely manner; and ensure the timely, accurate, and complete filing of Suspicious Activity Reports (“SARs”), with an appropriate level of documentation and support for management’s decisions to file or not to file a SAR, as required by Part 353 of the FDIC’s Rules and Regulations, 12 C.F.R. Part 353, and other applicable federal law and regulations. These policies, procedures, processes, and systems should ensure that all relevant areas of the Bank are monitored for suspicious activity including, but not limited to, cash transactions and international and domestic wire transfers.

(c) Customer Due Diligence: The Bank shall review, enhance and implement its customer due diligence (“CDD”) policies, procedures and processes for new and existing customers to be consistent with the guidance for customer due diligence set forth in the *Bank Secrecy Act/Anti-Money Laundering Examination Manual* compiled by the Federal Financial Institutions Examination Council (www.ffeic.gov/bsa_aml_infobase/default.htm) (“BSA

Manual”); and ensure CDD policies, procedures, and processes operate in conjunction with its Customer Identification Program (“CIP”). At a minimum, the CDD program shall provide for:

- (i) A risk assessment of the customer base through an appropriate risk rating system to ensure that the risk level of the Bank’s customers is accurately identified based on the potential for money laundering or other illicit activity posed by the customer’s activities, with consideration given to the purpose of the account, the anticipated type and volume of account activity, types of products and services offered, and locations and markets served by the customer;
- (ii) An appropriate level of ongoing monitoring commensurate with the risk level to ensure that the Bank can reasonably detect suspicious activity and accurately determine which customers require enhanced due diligence (“EDD”);
- (iii) Obtaining and analyzing a sufficient level of customer information at account opening to assist and support the risk ratings assigned;
- (iv) A process for documenting and supporting the analysis conducted under the CDD process, including a process for validating risk ratings assigned at account opening, and resolving issues when insufficient or inaccurate information is obtained; and
- (v) Processes reasonably designed to ensure the timely identification and accurate reporting of known or suspected criminal activity, as required by the suspicious activity reporting provisions of Part 353 of the FDIC’s Rules and Regulations, 12 C.F.R. Part 353.

(d) Enhanced Customer Due Diligence: The Bank shall review, improve and implement its enhanced due diligence policies, procedures and processes to conduct EDD necessary for

those categories of customers the Bank has reason to believe pose a heightened risk of suspicious activity including, but not limited to, designated high risk accounts. The EDD policies, procedures, and processes adopted should be consistent with the EDD guidance set forth in the BSA Manual and operate in conjunction with its CIP and CDD policies, procedures, and processes. At a minimum, the EDD program shall:

- (i) Require EDD procedures to determine the appropriate frequency for conducting ongoing reviews, based on customer risk level;
- (ii) Determine the appropriate documentation necessary to conduct and support ongoing reviews and analyses in order to reasonably understand the normal and expected transactions of the customer; and
- (iii) Be reasonably designed to ensure the timely identification and accurate and complete reporting of known or suspected criminal activity, as required by the suspicious activity reporting provisions of Part 353 of the FDIC's Rules and Regulations, 12 C.F.R. Part 353.

5. Within 60 days from the effective date of this ORDER, the Bank shall develop, adopt, and make substantial progress in implementing a revised, written BSA Compliance Program, including policies and procedures that fully meet all applicable requirements of section 326.8 of the FDIC's Rules and Regulations, 12 C.F.R. § 326.8, and which is designed to, among other things, ensure and maintain full compliance by the Bank with the BSA and the rules and regulations issued pursuant thereto.

6. (a) Within 90 days from the effective date of this ORDER, the Bank shall (i) conduct and document a BSA/AML risk assessment of the Bank's operations in a manner that conforms to the risk assessment guidance in the BSA Manual ("Risk Assessment") and (ii) review, improve and make substantial progress in implementing its written policies, procedures, and processes

regarding BSA/AML Risk Assessments so that such policies, procedures and processes are consistent with the risk assessment guidance set forth in the BSA Manual. The Bank's Risk Assessments shall (i) address all pertinent risk factors that affect the Bank's overall BSA/AML risk profile, and (ii) ensure that risk ratings are accurate and well supported through qualitative and quantitative data.

(b) No less than annually, the Bank shall conduct Risk Assessments that conform to the risk assessment guidance in the BSA Manual.

(c) Based on the results of each Risk Assessment, the Bank shall develop and implement comprehensive systems of internal controls to mitigate the identified risks, which newly developed internal controls will supplement the BSA Internal Controls required by Paragraph 4 of this Order.

7. The Bank shall maintain and continue to implement independent testing programs for evaluating the Bank's compliance with the BSA, which programs must continue to provide for independent testing on no less than an annual basis. Testing procedures shall be consistent with the guidance for independent testing as set forth in the BSA Manual, and at a minimum, shall address the following:

- (i) Overall integrity and effectiveness of the BSA/AML compliance program, including policies, procedures, and processes;
- (ii) BSA/AML risk assessment;
- (iii) BSA reporting and recordkeeping requirements;
- (iv) CIP implementation;
- (v) Adequacy of CDD and EDD policies, procedures, and processes and whether they comply with internal requirements;
- (vi) Personnel adherence to the Bank's BSA/AML policies, procedures, and processes;

- (vii) Appropriate transaction testing, with particular emphasis on high-risk operations;
- (viii) BSA training adequacy, including its comprehensiveness, accuracy of materials, the training schedule, and attendance tracking;
- (ix) An evaluation of management's efforts to resolve apparent violations and deficiencies noted in the previous tests or audits and regulatory examinations;
- (x) An assessment of the overall process for identifying and reporting suspicious activity, including a review of filed or prepared SARs to determine their accuracy, timeliness, completeness, and effectiveness of the Bank's policies; and
- (xi) Accuracy and completeness of account risk profiles.

8. (a) Within 60 days from the effective date of this ORDER, the Bank shall conduct a review of all wire transfer activity for the time period beginning July 1, 2013 through the effective date of this Order to determine whether suspicious activity was properly identified and reported in accordance with the applicable suspicious activity reporting requirements ("Look Back Review").

(b) The parameters used to complete the Look Back Review and to perform ongoing/future monitoring of wire transfer activity for both individuals and businesses must appropriately capture potentially suspicious activity, including wires to/from high risk jurisdictions, as well as potentially suspicious patterns, trends, and red flags.

(c) A written report summarizing the procedures used to perform the Look Back Review and its results shall be prepared and presented to the Board Compliance Committee, which is required by Paragraph 11 of this Order, and, among other things, the report shall include information documenting each decision, including rationale, about whether or not to file a SAR.

9. The Bank shall ensure that all other BSA-related recommendations contained in the current Report of Examination are implemented in a timely manner, including, but not limited to,

an effective risk-based BSA training program designed for the Board, management, and staff, tailored to their specific duties, on BSA laws, regulations, and requirements, consistent with the guidance for training as set forth in the BSA Manual, and Bank policies and procedures. The Bank shall make substantial progress in implementing such other BSA-related recommendations within 90 days from the effective date of this ORDER.

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 any and all apparent violations of the BSA-related laws and regulations cited in the current Report of Examination.

COMPLIANCE COMMITTEE

11. (a) The Board shall have and maintain a Board compliance committee (“Compliance Committee”), which may be the existing Board Risk and Compliance Committee (“BRCC”), that shall meet no less than monthly and shall be responsible for monitoring and ensuring compliance with the provisions of this ORDER. The Compliance Committee, which may be the BRCC, shall be composed of members of the Board, a majority of whom must be independent, outside directors.

(b) The Compliance Committee, which may be the BRCC, 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 45 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.

GENERAL PROVISIONS

13. Unless otherwise instructed by the FDIC, all Bank communications to the Regional Director that are required by this Order shall be sent to the FDIC's Deputy Regional Director at the FDIC's Boston Area Office in Braintree, Massachusetts.

14. The provisions of this ORDER shall not bar, stop, 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.

15. This ORDER shall be effective on the date of issuance.

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

17. 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 in writing by the FDIC.

Issued Pursuant to Delegated Authority

Dated: September 3, 2015

By:

/s/
John F. Vogel
Regional Director
Division of Risk Management Supervision
Federal Deposit Insurance Corporation