

FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, D.C.

and

STATE OF MARYLAND  
OFFICE OF THE COMMISSIONER OF FINANCIAL REGULATION  
BALTIMORE, MARYLAND

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In the Matter of )

FORBRIGHT BANK )  
Potomac, Maryland )

(INSURED STATE NONMEMBER BANK) )

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CONSENT ORDER

FDIC-22-0152b

The Federal Deposit Insurance Corporation (FDIC) is the appropriate Federal banking agency for Forbright Bank, Potomac, Maryland (Bank), under section 3(q) of the Federal Deposit Insurance Act (Act), 12 U.S.C. § 1813(q), and the Office of the Commissioner of Financial Regulation (OCFR) is the appropriate State banking agency for the Bank under Titles 2, 3, and 5 of the Maryland Code Annotated, Financial Institutions Article.

The Bank, by and through its duly elected and acting board of directors (Board), has executed a STIPULATION AND CONSENT TO THE ISSUANCE OF A CONSENT ORDER (CONSENT AGREEMENT), dated December 14, 2022, that is accepted by the FDIC and the Commissioner of Financial Regulation (Commissioner). 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, deficiencies and

weaknesses in the Bank's Anti-Money Laundering/Countering the Financing of Terrorism Program (AML/CFT Program), to the issuance of this CONSENT ORDER (ORDER) by the FDIC and the Commissioner.

Having determined that the requirements for issuance of an order under section 8(b) of the Act, 12 U.S.C. § 1818(b), and Subtitle 2 of the Maryland Administrative Procedure Act, Maryland Code Annotated, State Government Article § 10-201 et seq., and Maryland Code Annotated, Financial Institutions Article § 5-808, have been satisfied, the FDIC and the Commissioner hereby order that:

**BOARD SUPERVISION OF AML/CFT PROGRAM**

1. The Board must:

(a) improve, consistent with the role and expertise expected for directors of banks of comparable size and risk, its supervision and direction of the AML/CFT Program;

(b) assume full responsibility for the development, approval and implementation and adherence by the Bank to sound AML/CFT policies, procedures, and processes that (i) are reasonably designed to assure and monitor the Bank's compliance with the Bank Secrecy Act, 31 U.S.C. § 5311 *et seq.*, 12 U.S.C. § 1829b, 12 U.S.C. §§ 1951-1959 and 12 U.S.C. § 1818(s), and its implementing regulations, 31 C.F.R. chapter X, 12 C.F.R. § 326.8 and 12 C.F.R. part 353 (collectively, the BSA); (ii) appropriately address the money laundering (ML) and terrorist financing (TF) related deficiencies and weaknesses identified in the March 7, 2022 Report of Examination (2022 Report) issued jointly by the FDIC and the OCFR; and (iii) reflect the Bank's actual practices;

(c) ensure that the Bank maintains a permanent designated individual or individuals (AML/CFT Officer) with qualifications commensurate with the Bank's size, complexity, and

organizational structure, the Risk Assessment and ML/TF Risk Profile, both of which are defined below. The AML/CFT Officer must report directly to the Board and be vested with sufficient authority, time, and resources, both staff and systems, to fulfill the duties and responsibilities of this position; and

- (d) ensure complete and timely compliance with this ORDER.

### **AML/CFT PROGRAM**

2. The Board must ensure that the AML/CFT Program is reasonably designed to assure and monitor the Bank's compliance with the BSA and provides clear and up-to-date guidance to Bank staff. At a minimum, the Board must ensure that the AML/CFT Program (i) is commensurate with the Bank's ML, TF, and other illicit financial activity risk profile (ML/TF Risk Profile); (ii) addresses the ML and TF related deficiencies and weaknesses identified in the 2022 Report; (iii) includes the appropriate assessment and oversight, both initial and on-going, of any entity or party that has entered into a business relationship or arrangement with the Bank (Third Party) wherein any AML/CFT regulatory requirement or obligation of the Bank's is outsourced to the Third Party (AML/CFT Third Party) with satisfactory documentation of such assessment and oversight; (iv) requires appropriate consideration of ML, TF and other illicit financial activity risk in the assessments of new Third Parties, including AML/CFT Third Parties, products, services and/or business lines prior to adding the Third Party, product, service or business line; (v) includes procedures for monitoring the performance of and the Bank's adherence to the AML/CFT Program with processes for documenting, tracking, and reporting on such performance and adherence to the Board; (vi) includes procedures for periodically reviewing and revising the AML/CFT Program to ensure that it is reasonably designed to assure and monitor the Bank's compliance with the BSA; and (vii) satisfies the requirements of this

ORDER.

(a) **AML/CFT Risk Assessment:** Within 30 days from the effective date of this ORDER, the Board must ensure that the Bank's AML/CFT risk assessment (Risk Assessment) accurately reflects the ML/TF Risk Profile and appropriately considers all pertinent information, including the Bank's products, services, customers, transactions, geographic locations, and reliance on AML/CFT Third Parties, and includes the rationale and satisfactory support for the ratings assigned to the Bank's inherent risk factors, mitigation strategies, and residual risk scores. The Board must also ensure that the Risk Assessment is reviewed periodically on a risk basis to reassess the Bank's AML/CFT risk and appropriately considers the Bank's ML/TF Risk Profile, including any changes, and planned changes in the Bank's products, services, customers, transactions, geographic locations, AML/CFT Third Parties, and any identified AML/CFT weaknesses.

(b) **System of AML/CFT Internal Controls:** Within 90 days from the effective date of this ORDER, the Board must ensure that the Bank has a system of internal controls in place that monitors and assures compliance with the BSA (AML/CFT Internal Controls). The AML/CFT Internal Controls must take into appropriate consideration the Bank's size, complexity, and organizational structure, including reliance on AML/CFT Third Parties; Risk Assessment; ML/TF Risk Profile; and the deficiencies and weaknesses identified in the 2022 Report. At a minimum, such system of AML/CFT Internal Controls must include satisfactory written policies, procedures, and processes that reflect the Bank's actual practices and address the following areas:

(i) **Suspicious Activity Monitoring and Reporting:** The Board must ensure that:

(A) the Bank's policies, procedures, processes, and systems for monitoring transactions conducted through the Bank, and detecting, and reporting suspicious activity (i) are revised to satisfactorily address the deficiencies and weaknesses identified in the 2022 Report related to suspicious activity monitoring and reporting; (ii) result in the timely detection, investigation, reporting of suspicious activity with the filing of accurate and complete suspicious activity reports (SARs); (iii) comprehensively, clearly, and consistently address all stages of suspicious activity monitoring, including alert review and dispositioning; (iv) require appropriate levels of documentation, analysis, and support for each stage of the suspicious activity monitoring and reporting process; and (vi) are adopted, implemented and adhered to by the Bank;

(ii) Customer Due Diligence: The Board must ensure that:

(A) the Bank's customer due diligence (CDD) policies, procedures, and processes for new and existing customers:

(1) satisfactorily address the weaknesses and deficiencies identified in the 2022 Report pertaining to CDD;

(2) ensure an appropriate level of ongoing monitoring commensurate with customer risk profiles to ensure that the Bank can accurately identify those customers the Bank has reason to believe pose a heightened risk of ML, TF, or other illicit financial activities and require additional due diligence; and

(3) establish standards for conducting and documenting analysis associated with the due diligence process, including guidance for resolving issues when insufficient or inaccurate information is obtained.

(c) **Validation:** Within 120 days from the effective date of this ORDER, the Board must ensure that:

(i) a comprehensive review and validation of the data used to monitor, detect, and report suspicious activity is conducted and that:

(A) all identified data gaps are appropriately addressed;

(B) all customer and transaction data is accurate, complete and consistent; and

(C) models and methodologies are appropriately updated as data gaps are resolved and new data becomes available;

(ii) a comprehensive review and validation of all systems and models used by the Bank to monitor, detect, investigate, and report suspicious activity is conducted and that system and model documentation and related policies, procedures, and processes accurately reflect the risk thresholds and scenarios used in such system or model. The Bank must also develop, adopt, implement, and adhere to policies, procedures, and processes requiring the periodic review and validation of these systems and models based on the then current Risk Assessment and ML/TF Risk Profile with updates to related policies, procedures, and processes as appropriate to ensure the Bank's systems and models are reliable and function as intended. Decisions to adjust or not adjust system or model parameters resulting from these reviews must be reflected in a well-documented and appropriately supported written analysis and retained in the Bank's records; and

(iii) the data used in the Bank's customer risk rating methodology (CRRM) is accurate and complete and that the Bank obtains an independent review and validation of the CRRM to ensure all components are reliable and performing as intended.

(d) **Independent Testing:** Within 150 days from the effective date of this ORDER, independent testing for compliance with the BSA must be conducted by either a qualified outside party with the requisite ability to perform such testing and analysis or by Bank personnel independent of the AML/CFT function with the requisite ability to perform such testing and analysis (Auditors). Thereafter, such independent testing must be conducted periodically on a basis commensurate with the ML/TF Risk Profile and the Bank's overall risk management strategy. The independent testing must, at a minimum, include:

(i) an evaluation of the overall adequacy and effectiveness of the AML/CFT Program, including policies, procedures, and processes, and whether such policies, procedures, and processes provide clear guidance, are satisfactorily adhered to by the Board, Bank management, and staff, and appropriately updated as new Third Parties, including AML/CFT Third Parties, products, services, and/or business lines are added;

(ii) appropriate risk-based transaction testing to verify the Bank's adherence to the BSA;

(iii) an assessment of the quality, completeness, reliability and accuracy of management information systems, models, and data used in the AML/CFT Program; and

(iv) satisfactory documentation describing in appropriate detail the scope of the testing procedures performed and reflecting the results of the testing in an independent testing report (Audit Report). Audit Reports must be provided to the Board upon completion, and the Board must document the steps taken to correct any identified issues or concerns, address any recommendations made in each Audit Report, and record its actions in the minutes of the Board meetings.

(e) **Training:** The Board must take all necessary steps, consistent with sound banking practices, to ensure that all appropriate personnel are aware of and can comply with the requirements of the BSA applicable to the individual's specific responsibilities to assure the Bank's compliance with the BSA. Within 90 days from the effective date of this ORDER, the Board must ensure that effective training programs on all relevant aspects of the BSA and AML/CFT Program policies, procedures, and processes for the Board, Bank management, and staff (Training Program) are developed, adopted, implemented, and adhered to by the Bank. The Training Program must ensure that (i) training is tailored to address the specific BSA compliance and AML/CFT Program responsibilities of the group or individual for which the training is being provided; and (ii) those being trained are aware of, and are able to comply with, the requirements of the BSA and AML/CFT Program policies, procedures, and processes on an ongoing basis. The Training Program must, at a minimum, address the deficiencies and weaknesses identified in the 2022 Report and include:

(i) an overview of the BSA and AML/CFT Program policies, procedures, and processes, including systems, for new staff along with specific training designed for their specific duties and responsibilities upon hiring;

(ii) periodic knowledge checks designed to accurately reflect the effectiveness of the training;

(iii) periodic training, updated as appropriate and tailored to address the specific duties and responsibilities of those being trained, on the Bank's AML/CFT policies, procedures, and processes, including systems and models, and any changes in them; changes in the Bank's ML/TF Risk Profile, including the addition of new third parties, products, services and/or business lines; new rules and requirements; and the results of knowledge checks; and



(iv) a requirement that the Bank fully document the Training Program including training materials, dates of the training sessions, attendance records, and knowledge check results.

(f) **AML/CFT Action Plan**. The Board must ensure that policies, procedures, and processes requiring the AML/CFT Officer to prepare and periodically submit an action plan to address and correct all identified AML/CFT Program weaknesses and deficiencies (AML/CFT Action Plan) and the status of each corrective action to the Compliance Committee, as defined below, and to the Auditors are developed, adopted, implemented, and adhered to by the Bank. The AML/CFT Action Plan must, at a minimum:

- (i) list and describe in detail all identified weaknesses and deficiencies;
- (ii) establish and describe in detail the means by which each identified weakness and deficiency will be addressed and corrected;
- (iii) identify the parties responsible for implementing corrective action;
- (iv) establish a timeframe for executing and completing each corrective action;
- (v) provide the status of any weakness or deficiency where corrective action has not been completed; and
- (vi) establish the manner and process for testing the corrective action once completed to ensure it appropriately addresses the identified weakness or deficiency.

### **LOOK BACK REVIEW**

3. (a) Within 30 days from the effective date of this ORDER, the Bank must submit a proposed engagement letter or contract for review and non-objection to retain a qualified firm acceptable to the Deputy Regional Director and the Commissioner to conduct a review of all accounts and transaction activity for the time period beginning October 31, 2020 through the

effective date of this ORDER (Look Back Review) to determine whether reportable transactions and suspicious activity involving any accounts or transactions conducted through the Bank were properly identified and reported in accordance with the applicable reporting requirements. The Look Back Review engagement letter or contract must, at a minimum:

(i) describe the work to be performed under the engagement letter or contract with a written protocol of such work;

(ii) provide for unrestricted access to work papers of the third party by the FDIC and OCFR; and

(iii) require that the Look Back Review be completed and summarized in a written report (Look Back Report) and delivered to the Bank within 120 days of the Deputy Regional Director's and the Commissioner's non-objection to the proposed engagement letter or contract, with a copy delivered simultaneously to the Deputy Regional Director and the Commissioner for review and non-objection.

(b) Within 30 days of delivery of the Look Back Report, the Bank must prepare and file any additional SARs and currency transaction reports necessary based upon the Look Back Review and Report and provide a schedule of the BSA Identification Numbers assigned to them by Financial Crimes Enforcement Network (FinCEN) to the Deputy Regional Director and the Commissioner.

#### **OFAC COMPLIANCE PROGRAM**

4. The Board must ensure that the Bank complies with the requirements of the laws and regulations administered by the Office of Foreign Assets Control (collectively, OFAC Requirements) and that the program established by the Bank (OFAC Compliance Program) satisfactorily enables the Bank to comply with the OFAC Requirements. The Board should

consider whether the OFAC Compliance Program (i) is commensurate with the Bank's OFAC risk and appropriately considers the Bank's products, services, customers, entities, transactions, geographic locations, and reliance on Third Parties to fulfill any of the Bank's OFAC Requirements; (ii) is reviewed and appropriately updated as new products, services, business lines, geographic locations and Third Parties are added; and (iii) the OFAC related deficiencies and weaknesses identified in the 2022 Report have been appropriately addressed.

#### **DIRECTORS' COMPLIANCE COMMITTEE**

5. Within 30 days from the effective date of this ORDER, the Board must establish a Board AML/CFT compliance committee (Compliance Committee) with the responsibility of overseeing the Bank's compliance with this ORDER, the BSA, and the AML/CFT Program. A majority of the members of the Compliance Committee may not now or have previously been involved in the daily operations of the Bank. The Compliance Committee must receive appropriately detailed monthly reports from the AML/CFT Officer regarding the Bank's compliance with this ORDER, the BSA, and the AML/CFT Program, including the AML/CFT Action Plan, with the status of each corrective action. The Compliance Committee must present an appropriately detailed report to the Board at each regularly scheduled Board meeting regarding the Bank's compliance with this ORDER, the BSA, and the AML/CFT Program. This report must be recorded in the appropriate minutes of the Board meeting and retained in the Bank's records. The establishment of this Compliance Committee does not diminish the responsibility or liability of the entire Board to ensure timely compliance with the provisions of this ORDER, the BSA, and the AML/CFT Program.

#### **CORRECTIVE ACTION**

6. Within 180 days from the effective date of this ORDER, the Board must ensure that all

steps necessary, consistent with other provisions of this ORDER and sound banking practices, are taken to eliminate and correct any violations of law or regulation cited and appropriately address the deficiencies and weaknesses identified in the 2022 Report. The Bank must also take all steps necessary to ensure future compliance with all applicable laws and regulations.

### **PROGRESS REPORTS**

7. Within 45 days after the end of each calendar quarter following the effective date of this ORDER, the Board must furnish to the Deputy 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 must be reviewed and approved by the Board and be made a part of the Board minutes.

### **NOTICE TO PARENT HOLDING COMPANY**

8. Within 30 days from the effective date of this ORDER, the Board must provide either a copy of this ORDER or an accurate and complete description of all material aspects of the ORDER to the Board of Directors of its parent holding company.

### **OTHER ACTIONS**

9. The provisions of this ORDER do not bar, estop, or otherwise prevent the FDIC, the Commissioner, 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 is effective on the date of issuance and its provisions will remain effective and enforceable until a provision is modified, terminated, suspended, or set aside in writing by

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

Issued Under Delegated Authority.

Dated: December 14, 2022

By: /s/  
Marianne Hatheway  
Deputy Regional Director  
New York Region  
Federal Deposit Insurance Corporation

The Commissioner, having duly approved the foregoing ORDER, and the Bank, through its Board, agree that the issuance of said ORDER by the FDIC will be binding as between the Bank and the Commissioner to the same degree and to the same legal effect that such ORDER would be binding on the Bank if the Commissioner had issued a separate ORDER that included and incorporated all of the provisions of the foregoing ORDER in accordance with Subtitle 2 of the Maryland Administrative Procedure Act, Maryland Code Annotated, State Government Article §10-201 et seq. and Maryland Code Annotated, Financial Institutions Article §5-808.

Dated: December 14, 2022

By: /s/  
Antonio P. Salazar  
Commissioner  
Office of the Commissioner of Financial  
Regulation  
State of Maryland