

FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, D.C.

CALIFORNIA DEPARTMENT OF FINANCIAL INSTITUTIONS

SAN FRANCISCO, CALIFORNIA

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)	
In the Matter of)	
)	CONSENT ORDER
BANAMEX USA)	
CENTURY CITY, CALIFORNIA)	FDIC-12-218b
)	
(INSURED STATE NONMEMBER BANK))	
)	
_____)	

The Federal Deposit Insurance Corporation (“FDIC”) is the appropriate Federal banking agency for Banamex USA, Century City, California (“Bank”) under Section 3(q) of the Federal Deposit Insurance Act (“FDI Act”), 12 U.S.C. § 1813(q)(3). The California Department of Financial Institutions (“CDFI”) is the appropriate State banking agency for the Bank under Division 1 and Division 1.1 of the California Financial Code (“CFC”).

The Bank, by and through its duly elected and acting Board of Directors (“Board”), has executed a Stipulation to the Issuance of a Consent Order (“Stipulation”), dated July 27, 2012, that is accepted by the FDIC and the CDFI. With the Stipulation, the Bank has consented, without admitting or denying any charges of unsafe or unsound banking practices relating to the Bank’s Bank Secrecy Act (“BSA”) and Anti-Money Laundering (“AML”) program, to the issuance of this Consent Order (“Order”) by the FDIC and the CDFI pursuant to Section 8(b)(1) of the FDI Act, and Section 580 of the CFC.

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

1. The Board, consistent with the role and expertise commonly expected for directors of banks of comparable size, shall increase its oversight of the affairs of the Bank, assume full responsibility for the approval of sound policies and objectives and for the oversight of all of the Bank's activities. This oversight shall include holding meetings at least monthly during which the Board or a duly designated committee of the Board with appropriate authority that includes at least three outside members of the Board ("Board committee"), will review, at a minimum, the Bank's compliance with this Order and the Bank's BSA and AML programs. Board minutes or, if applicable, the Board committee minutes shall document these reviews and approvals, including the names of any dissenting directors.

2. 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. Each member of management shall be provided appropriate written authority from the Board 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) address the weaknesses and correct the deficiencies regarding the

Bank's BSA and AML program noted in the Report of Examination as of February 13, 2012.

(c) Without limiting the generality of the foregoing, the Regional Director of the FDIC's San Francisco Regional Office ("Regional Director") and the Commissioner of the CDFI ("Commissioner") reserve the right to determine whether current senior executive officers and directors of the Bank will be considered to be qualified for purposes of this Order. The Bank will take appropriate action based on the Regional Director's and Commissioner's determinations, consistent with applicable laws.

(d) During the life of this Order or until such earlier date as may be determined by the Regional Director and the Commissioner, the Bank shall not add or replace any individual on the Board, or employ any individual to serve as a senior executive officer, or change the responsibilities of any existing senior executive officer to include the responsibilities of another senior executive officer position, without first receiving the prior written non-objection of the Regional Director and the Commissioner. The term "senior executive officer" shall have the same meaning ascribed to it in Part 303 of the FDIC's Rules and Regulations, 12 C.F.R. § 303.101. The Bank shall provide notification of any such proposed appointment, employment, or change in responsibilities at least 30 days prior to its proposed effective date. Any such proposed appointment, employment, or change in responsibilities shall not become effective unless and until a written notice of non-objection has been received from both the Regional Director and the Commissioner.

3. Within 120 days of the effective date of this Order, notwithstanding the other provisions of this Order, the Bank shall have taken all necessary actions to comply in all material respects with the BSA and its rules and regulations.

4. Within 120 days of the effective date of this Order, notwithstanding the other provisions of this Order, the Bank shall correct all violations of law and regulation, as more fully

set forth in the Report of Examination as of February 13, 2012. In addition, the Bank shall take all necessary steps to ensure future compliance with all applicable laws and regulations.

5. Within 90 days of the effective date of this Order, the Bank shall develop, adopt, and implement an updated written compliance program, as required by the applicable provisions of the BSA, the USA PATRIOT Act, and 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 Board, or a Board committee, on at least a monthly basis. Such program and its implementation shall be in a manner acceptable to the Regional Director and the Commissioner 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 identify suspicious or unusual activity and 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, 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, and, in addition, the Bank shall arrange for an independent testing and sampling of the Bank's Office of Foreign Asset Control ("OFAC") compliance program to ensure the Bank's ongoing compliance. The scope and depth of the independent testing must be commensurate to the size and complexity of the Bank's operations. The independent testing shall be conducted on

at least an annual basis and in accordance with the procedures described in the Federal Financial Institutions Examination Council BSA/AML Examination Manual 2010. The Bank shall make independent testing workpapers available during regular examinations and/or visitations. The independent testing, 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) Customer Identification Program (“CIP”) implementation;
- (v) adequacy of customer due diligence policies, procedures, and processes and whether they comply with internal requirements;
- (vi) adequacy of the Bank’s OFAC compliance program for screening Bank transactions and accounts against the OFAC Specially Designated Nationals (“SDN”) list, training of employees, and independent testing of compliance with the program;
- (vii) personnel adherence to the Bank’s BSA/AML policies, procedures, and processes;
- (viii) appropriate transaction testing, with particular emphasis on high-risk operations (products, service, customers, and geographic locations);
- (ix) training adequacy, including its comprehensiveness, accuracy of materials, the training schedule, and attendance tracking;
- (x) integrity and accuracy of management information systems used in the BSA/AML compliance program;

(xi) an evaluation of management's efforts to resolve violations and deficiencies noted in the previous tests or audits and regulatory examinations;

(xii) an assessment of the overall process for identifying and reporting suspicious activity, including a review of filed or prepared Suspicious Activity Reports ("SARs") to determine their accuracy, timeliness, completeness, and effectiveness of the Bank's policy; and

(xiii) The independent testing shall contain sufficient documentation and descriptions of the testing procedures performed, as well as the resulting conclusions regarding the sufficiency of the program in assuring ongoing compliance with all BSA-related regulations.

Written reports shall be prepared which document the testing results and provide recommendations for improvements. Such reports shall be presented directly to the Board or a Board committee for its review and appropriate action to implement the recommendations for improvements.

(c) Provide for management and the Board or management and a Board committee to perform, either directly or through a consultant, an assessment to determine if appropriate staffing is in place at all times for the BSA function in accordance with the Bank's risk profile, including factors such as the Bank's current size, planned growth levels, geographic distribution, and high-risk customers and services. Based on this assessment, management must provide sufficient personnel resources and expertise to effectively conduct, coordinate, and monitor day-to-day compliance with BSA. Such assessment, as well as the adequacy of the Bank's staffing, shall be satisfactory to the Regional Director and the Commissioner, as determined at subsequent examinations and/or visitations.

(d) Provide and document training by competent staff and/or independent contractors of all Board members and all appropriate personnel including, without limitation, senior management, tellers, customer service representatives, lending officers, private and personal banking officers and all other customer contact personnel, in all applicable 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.

6. The Bank shall recruit an experienced, qualified, competent, and knowledgeable BSA Compliance Officer suitable for the Bank's size, complexity, and risk profile. The BSA Compliance Officer shall regularly apprise the Board and management of ongoing compliance with the BSA. The Board or a Board committee shall conduct regular assessments of the BSA Compliance Officer. The Board's minutes shall reflect all Board and/or delegated committee BSA-related actions. The Board shall designate the BSA Compliance Officer and ensure that the Bank's BSA Compliance Officer has the required authority, responsibility, training, resources, and management reporting structure to ensure compliance with the Bank's BSA program requirements and BSA-related regulations including, without limitation:

(a) 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

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

7. Within 90 days of the effective date of this Order, and at least annually thereafter, the Bank will perform a review of its BSA staffing needs (as contemplated in Subparagraph 5(c) of this Order) to ensure adequate resources are in place at all times.

8. Within 30 days of the effective date of this Order, and at least annually thereafter, the Bank shall perform a BSA risk assessment that accurately identifies the Bank's BSA risk profile and develops risk mitigation strategies for the identified risks. Results of the risk assessment shall be reported to, reviewed by, and approved by the Board, and risk mitigation strategies shall be adopted and implemented as appropriate.

9. Within 30 days of the effective date of this Order, the Bank shall develop, adopt, and implement a written OFAC risk assessment policy which includes an assessment of the inherent and residual OFAC risks for all of the Bank's domestic and international activities. The risk assessment, which may be incorporated into the Bank's overall BSA/AML risk assessment, shall consider the various types of products, services, customers, entities, transactions, and geographic locations in which the Bank is engaged, including those that are processed by, through, or to the Bank to identify potential OFAC exposure. Such risk assessment shall be used by the Bank to assist the Bank in determining the appropriate level of policies, procedures, and processes to adequately protect the Bank from an excessive level of OFAC risks including, but not limited to, identifying and reviewing false positives and positive matches to the OFAC SDN list and managing the Bank's blocked accounts. Such risk assessment shall be reported to and reviewed by the Board and updated at least annually.

10. Within 60 days of the effective date of this Order, the Bank shall develop, adopt, and implement written BSA/AML policies and procedures with respect to foreign correspondent banking. For those foreign correspondents' transactions which require enhanced due diligence,

the policy should include procedures to:

- i. determine and obtain the appropriate documentation necessary to confirm the identity and business activities of the customer sufficient to ensure that all critical information is obtained, and remains readily retrievable; and
- ii. identify and document normal and expected transactions of the correspondent.

11. Within 60 days of the effective date of this Order, the Bank shall develop, adopt, and implement a revised written customer due diligence program. Such program and its implementation shall be in a manner acceptable to the Regional Director and the Commissioner 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) An ongoing risk-focused assessment of the Bank's customer base to evaluate the risk associated with various customer relationships to differentiate between lower-risk customers and higher-risk customers, including both deposits and loans, and conduct periodic risk-based monitoring to determine any substantive changes. During the initial assessment, management shall determine the appropriate level of due diligence and enhanced due diligence necessary for various categories of customers that the Bank has reason to believe pose a heightened BSA risk to the institution. The ongoing program of risk assessment shall include risk-based transaction monitoring of all accounts to determine any substantive changes in customer activity or the Bank's knowledge of the customer's due diligence information. The Bank will provide periodic reports, at least quarterly, to the Board, or a Board committee regarding its higher risk customers for review and approval. Policies describing this new procedure must be in writing and approved by the Board and included in the Bank's overall BSA

policies and procedures. The high-risk accounts list should be made available to examiners upon request.

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

(i) determine and obtain the appropriate documentation necessary to confirm the identity and business activities of the customer sufficient to ensure that all critical information is obtained, and remains readily retrievable;

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

(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. Such suspicious activity reports shall include information on related deposit accounts and any history of suspicious or unusual activity on the deposit account(s) which is the subject of the suspicious activity report; and

(iv) Maintain an effective audit trail for all executed transactions.

(c) Documentation supporting any determination pursuant to Subparagraphs 11(a) and 11(b) shall be retained in the Bank's records for such period of time as may be required by any applicable rules or regulations.

12. (a) Within 90 days of the effective date of this Order, the Bank shall establish and implement revised policies and procedures to require that the Board is advised of significant SARs. At a minimum, the Board shall be advised in detail of all SARs involving employees,

contractors, officers, and directors of the Bank or any Bank affiliate or institution-affiliated party. The policies and procedures shall also delineate mechanisms to alert the Board to repeat SAR filings and shall also include guidelines to determine what additional SARs are significant and warrant reporting to the Board.

(b) Within 90 days of the effective date of this Order, the Bank shall establish and implement revised written policies and procedures to ensure that SARs are filed within 30 days of identifying a suspect or unusual and suspicious activity (or a total of 60 days if a suspect is unknown, or once per quarter for ongoing transactions). Such policies and procedures must also ensure that timely identification of suspicious activity occurs; that timely investigation into unusual activity is undertaken; that related accounts are considered and discussed in the SARs filing as appropriate and permitted by relevant law; and that a detailed, accurate, comprehensive, and readable narrative description of the activity is included in the SARs filing.

(c) Within 90 days of the effective date of this Order, the Bank shall develop or have developed internal data processing reports for BSA monitoring, Suspicious Activity Reporting and Currency Transaction Report reporting. Such data processing reports must be tested for accuracy and completeness at least annually through independent testing. In addition, such reports must capture appropriate activity at all branches and departments of the Bank. Documentation of the testing of these internal data processing reports must be provided to the Board, or a Board committee, and documented in Board, or Board committee, meeting minutes. Such documentation must also be available for examiners upon request.

(d) Within 90 days of the effective date of this Order, the Bank shall develop, adopt, and implement revised written procedures to comprehensively capture wire transfer activity and monitor such activity for potentially suspicious or unusual activity. The program,

whether manual or computerized, must include adequate processes to ensure the capture of multiple transactions performed at any and all departments of the Bank capable of conducting such activity, both individually and in aggregate.

(e) Within 45 days of the effective date of this Order, the Bank shall develop an acceptable plan to retroactively review wire transfer reports to capture transactions between \$10,000 and \$50,000 for the past 12 months and file SARs, as warranted. The review shall be fully documented, and progress of the review shall be reported to the Board, or Board committee, monthly. Such documentation shall be available for examiners to review at subsequent examinations and/or visitations.

13. Within 90 days of the effective date of this Order, the Bank shall revise, adopt, and implement its BSA Policy to include provisions that implement the requirements of Paragraphs 1-13 of this Order. The Board shall oversee management's implementation of the provisions of the revised BSA Policy. The revised BSA Policy, and its implementation, shall be in a form and manner acceptable to the Regional Director and the Commissioner as determined at subsequent examinations and/or visitations of the Bank.

14. Within 90 days of the effective date of this Order, the Board shall oversee the Bank's compliance with the BSA and Parts 326 and 353 of the FDIC's Rules and Regulations. The Board or a Board committee shall receive reports at least monthly from the Bank's BSA Compliance Officer appointed pursuant to Paragraph 6 of this Order, or, if the BSA Compliance Office is unavailable, a designated BSA-qualified officer appointed by the Board, regarding compliance with the BSA and Parts 326 and 353, and the BSA Compliance Officer, or the designated BSA-qualified officer, shall report to the Board, or Board committee, at every Board or Board committee meeting. The Board or a Board committee shall monitor and confirm the

completion of actions taken by management to comply with the terms of this Order. All reviews and actions taken by the Board or Board committee pursuant to this Order shall be duly noted in the minutes of its meetings. The Board shall certify in writing to the Regional Director and the Commissioner when all of the above actions have been accomplished.

15. Within 120 days from the effective date of this Order, the BSA Compliance Officer shall develop a plan to review all high-risk accounts and high-risk transactions (“Transaction Review”) including, but not limited to, the Bank’s large currency transaction reports (“CTRs”), cash purchases of monetary instruments, wire transfer activity, and foreign exchange services for the six-month period immediately preceding the effective date of this Order (the “Transaction Review Period”), and shall prepare and file any additional CTRs and SARs necessary based upon the review. Based upon the results of the review, the Regional Director and the Commissioner may extend the Transaction Review Period if deemed necessary.

(a) Within 10 days of preparing a plan for the Transaction Review, but prior to commencement of the Transaction Review, the Bank shall submit to the Regional Director and the Commissioner a written plan for approval that sets forth:

(i) The scope of the Transaction Review, including the types of accounts and transactions to be reviewed;

(ii) the methodology for conducting the Transaction Review, including any sampling procedures to be followed;

(iii) the expertise and resources to be dedicated to the Transaction Review;

(iv) the anticipated date of completion of the Transaction Review;

and

(v) a commitment that any interim reports, draft reports or work papers associated with the Transaction Review will be made available to the Regional Director and the Commissioner, or their designees upon request.

(b) Upon completion of the Transaction Review required pursuant to this Paragraph 15, the Bank shall submit the written findings of the Transaction Review, as well as copies of any additional SARs and CTRs filed, to the Regional Director and the Commissioner.

(c) Throughout the Transaction Review, the Bank shall ensure that all matters or transactions required to be reported that have not previously been reported are reported in accordance with applicable rules and regulations.

(d) Documentation supporting any determination made pursuant to this Paragraph 15 shall be retained in the Bank's records for such period of time as may be required by any applicable rules or regulations.

16. Subsequent to the Bank's installation of an acceptable BSA transaction monitoring software program, the Bank must fully validate and implement the software into its BSA and AML monitoring and compliance program. This includes the development and analysis of appropriate rule sets to provide strong alert qualities that are appropriate in relation to the risk profile of the Bank. The validation of the BSA monitoring software program shall be performed by an independent party not involved with the Bank's BSA function. A report of the validation results shall be presented and reported to the Board or to a Board committee designated to oversee BSA compliance. The documentation related to the validation of the BSA monitoring software program shall be retained for review at subsequent visitations/examinations.

17. Within 30 days of September 30, 2012, and within 30 days of the end of each calendar 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 and the Commissioner have released the Bank in writing from making further reports.

18. Following the effective date of this Order, the Bank shall send to its shareholder(s) 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, and to the CDFI, at least 15 days prior to dissemination to the Bank's shareholder(s). Any changes requested to be made by the FDIC or the Commissioner shall be made prior to dissemination of the description, communication, notice, or statement.

19. During the life of this Order, the Bank shall not expand its business activities without the prior non-objection of the Regional Director and Commissioner. This provision includes, but is not limited to, the following:

(a) The Bank shall not establish any new branches or other offices and shall not introduce any new delivery channels, whether direct or indirect, through products and services provided to customers of the Bank without the prior written consent of the Regional Director and the Commissioner. Further, the Bank shall not open any branch or other office that was previously approved by the Regional Director or Commissioner but has not yet opened, or introduce any delivery channels previously approved by the Regional Director or Commissioner

but has not yet been established without the prior written consent of the Regional Director and the Commissioner. In seeking any such consent, management and the Board shall revise the Bank's budget to identify the specific costs, including any additional BSA staff, related to any branch expansion. Management should then report actual versus budgeted projection updates to the Board quarterly so that progress on any proposed and approved branch expansion can be accurately monitored. The Bank's budget should also project how earnings performance will be improved by any proposed branch expansion, and this information should also be presented to the Board on an actual versus projected format so that the Board can assess the progress of any proposed and approved branch expansion.

(b) In addition, the Bank shall not enter into any new lines of business or make material changes in its business strategy without providing 30 days written prior notice to the Regional Director and Commissioner and may not enter into any new lines of business or make any such changes if either the Regional Director or the Commissioner objects in writing to such proposed changes.

(c) The Bank shall not accept new customer accounts without having conducted necessary customer identification and due diligence reviews.

20. Within 60 days of the effective date of this Order, the Board or a Board committee shall adopt and oversee the implementation of policies and procedures to improve oversight of transactions with affiliates. The policies and procedures adopted by the Board or Board committee shall include:

(a) Periodic review of services provided by an affiliated company to ensure consistent quality of service, market equivalent fee structure, and the receipt of proper and appropriate billing documentation, which review should be fully documented. Written

procedures guiding this periodic review shall be developed, adopted, and implemented by the Bank.

(b) Board or Board committee review of affiliate relationships shall be conducted at least annually to ensure they are adequately monitored and approved according to policy requirements.

(c) Description of internal audit requirements in the affiliate transactions policy.

(d) Expansion of the Bank's internal audit scope to include a review of the general management of affiliate relationships including, but not limited to, a review of management's efforts to ensure that the quality of services are satisfactory and policies are consistently applied. In addition, the Bank should conduct an analysis to ensure that all contracts with affiliates are arm's-length transactions in accordance with regulatory requirements. The results of the analysis should be reviewed and approved by the Board. Documentation of the analysis shall be retained for review at subsequent examinations and/or visitations.

21. Throughout the life of this Order, the Bank shall notify the Regional Director and the Commissioner no less than one business day in advance of making a planned public announcement or notification regarding changes in the Bank's financial condition, executive management or Board.

The provisions of this Order shall not bar, estop, or otherwise prevent the FDIC, the CDFI, 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, as that term is defined in Section 3(u) of the FDI Act, 12 U.S.C. § 1813(u).

This Order will become effective upon its issuance by the FDIC and the CDFI.

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 and the CDFI.

Violation of any provision of this Order may subject the Bank to further regulatory enforcement action.

Issued pursuant to delegated authority

Dated this 2nd day of August, 2012.

/S/ _____
Kathy L. Moe
Deputy Regional Director
Division of Supervision and Consumer Protection
San Francisco Region
Federal Deposit Insurance Corporation

/S/ _____
Scott D. Cameron
Chief Examiner
California Department of
Financial Institutions