

FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, D.C.

_____ )	
)	
In the Matter of )	
)	
PAN AMERICAN BANK )	ORDER TO
LOS ANGELES, CALIFORNIA )	CEASE AND DESIST
)	
(INSURED STATE NONMEMBER BANK) )	Docket FDIC-09-114b
)	
)	
_____ )	

Pan American Bank, Los Angeles, California ("Bank"), having been advised of its right to a NOTICE OF CHARGES AND OF HEARING detailing the unsafe or unsound banking practices alleged to have been committed by the Bank and of its right to a hearing on the alleged charges under section 8(b)(1) of the Federal Deposit Insurance Act ("Act"), 12 U.S.C. § 1818(b)(1), and having waived those rights, entered into a STIPULATION AND CONSENT TO THE ISSUANCE OF AN ORDER TO CEASE AND DESIST ("CONSENT AGREEMENT") with counsel for the Federal Deposit Insurance Corporation ("FDIC"), dated March 18, 2009, whereby solely for the purpose of this proceeding and without admitting or denying the alleged charges of unsafe or unsound banking practices and violations of law and/or regulations, the Bank consented to the issuance of an ORDER TO CEASE AND DESIST ("ORDER") by the FDIC.

The FDIC considered the matter and determined that it had reason to believe that the Bank had engaged in unsafe or unsound banking practices. The FDIC, therefore, accepted the CONSENT AGREEMENT and issued the following:

ORDER TO CEASE AND DESIST

IT IS HEREBY ORDERED, that the Bank, its institution-affiliated parties, as that term is defined in section 3(u) of the Act, 12 U.S.C. § 1813(u), and its successors and assigns, cease and desist from the following unsafe and unsound banking practices, as more fully set forth in the FDIC's Compliance Report of Examination ("ROE") as of November 17, 2008:

(a) Operating the Bank with a board of directors ("Board") which has failed to provide adequate supervision and direction to management of the Bank in the area of consumer compliance;

(b) Operation with management whose policies and practices in the areas of consumer compliance are detrimental to the Bank and jeopardize the safety of its deposits;

(c) Failure to develop and administer an effective Compliance Management System that ensures compliance with federal consumer protection laws, regulatory guidance, regulations, and policies ("Consumer laws");

(d) Failure to established an effective process to monitor compliance with Consumer Laws;

(e) Operating with an inadequate audit program;

(f) Operating in violation of Consumer Laws;

(g) Failure to provide the compliance officer with adequate resources including sufficient authority and independence to perform his/her duties; and

(h) Failure to establish and implement an effective Compliance training program.

IT IS FURTHER ORDERED, that the Bank, its institution-affiliated parties, and its successors and assigns, take affirmative action as follows:

## BOARD OF DIRECTORS

1. (a) From the effective date of this ORDER, the Board shall participate fully in the oversight of the Bank's Compliance Management System, to include assuming full responsibility for the approval of sound compliance policies and objectives and for the supervision of all the Bank's compliance-related activities, consistent with the role and expertise commonly expected for directors of banks of comparable size. The Board shall demonstrate clear and unequivocal expectations regarding compliance.

(b) Within 60 days from the effective date of this ORDER, the Bank's Board shall establish a compliance committee comprised of at least 3 directors who are not active officers of the Bank and at least 3 members of senior management, including the Compliance Officer ("Compliance Committee").

(i) The Compliance Committee shall meet no less frequently than monthly at which, at a minimum, the following areas shall be reviewed and approved: minutes of the Compliance Committee, Compliance Officer reports, Compliance audit reports, compliance program policies, and compliance with this ORDER.

(ii) The Compliance Committee shall report its monthly discussions to the Board and the Board minutes shall document the review and approval, including the names of any dissenting directors.

(iii) The Bank's Board, in conjunction with the Compliance Committee, shall allocate resources to the compliance area that are:

(A) Commensurate with the level of complexity of the Bank's operations to ensure the establishment and implementation of an adequate Compliance Program, including procedures ensuring the Bank's compliance with Consumer Laws; and

(B) Sufficient to ensure the Bank's timely compliance with this provision of this ORDER.

(iv) The Bank's Board, in conjunction with the Compliance Committee, shall:

(A) Ensure that the duties and responsibilities of the Compliance Officer are clearly defined and provide for accessibility to both the Board and senior management;

(B) Require the Compliance Officer to provide to the Compliance Committee monthly written reports, including but not limited to new or changes to existing Consumer Laws, training performed, monitoring and audits performed, corrective action taken, and compliance with this ORDER;

(C) Require the Compliance Officer to review and respond promptly in writing to audit reports relating to all areas of the Bank's Compliance Program;

(D) Ensure that the Compliance Officer has and retains sufficient authority and independence to implement policies related to Consumer Laws and to institute corrective action as needed. This authority shall include the ability to cross departmental lines, have access to all areas of the Bank's operations, and effectuate corrective action upon discovering deficiencies; and

(E) Ensure that the Compliance Officer receives ongoing training, sufficient time, and adequate resources to effectively oversee, coordinate, and implement the Bank's Compliance Program.

(c) Within 60 days from the effective date of this ORDER, the Bank's Board shall develop and adopt an educational program for periodic training for each member of the

Board. The educational program shall specifically address Consumer Laws.

#### COMPLIANCE MANAGEMENT SYSTEM

2. Within 60 days from the effective date of this Order, the Bank shall develop and implement a Compliance Management System that is commensurate with the level of complexity of the Bank's operations. The Compliance Management System shall include the development and implementation of a comprehensive written program ("Compliance Program") which shall embrace all of the Consumer Laws to which the Bank is subject. At a minimum, the Compliance Management System and resulting Compliance Program shall provide for and include the development and implementation of operating procedures for each compliance and fair lending law and regulation to which the Bank is subject. Operating procedures shall be distributed to all employees having responsibilities that relate to applicable Consumer Laws. Such Compliance Management System, and Compliance Program, and their implementation shall be in a form and manner acceptable to the Regional Director of the FDIC's San Francisco Regional Office ("Regional Director"), as determined at subsequent examinations and/or visitations.

#### COMPLIANCE OFFICER

3. During the life of this ORDER, the Bank shall have and retain a qualified compliance officer who possesses the requisite knowledge and experience to administer an effective Compliance Management System. The Compliance Officer shall be given stated written authority by the Bank's Board to implement and supervise the Bank's Compliance Management System, including but not limited to providing training for the Bank's employees in all Consumer Laws, establishing internal controls and procedures reasonably designed to prevent violations of Consumer Laws, and performing or supervising periodic internal audits to ascertain compliance with Consumer Laws and/or the Bank's Compliance Program.

#### COMPLIANCE MANAGEMENT SYSTEM STAFFING

4. Within 30 days from the effective date of this ORDER, the Bank shall engage and retain an independent third party consultant (“Consultant”), acceptable to the Regional Director, who possesses the appropriate expertise and qualifications to review, analyze and assess the Bank’s staffing of the Compliance Management System, and determine if additional personnel is needed. The terms of the engagement shall require that a written report be produced containing a summary of the analysis, assessments and recommendations made by the Consultant (“Staffing Report”). The Board of Directors shall conduct a full and complete review of the Staffing Report within 30 days of receipt. This review shall be recorded and noted in the Bank’s Board minutes.

#### COMPLIANCE TRAINING PROGRAM

5. Within 60 days from the effective date of this ORDER, The Board shall develop and implement a formal training program for all personnel who have compliance responsibilities to ensure that such personnel are thoroughly knowledgeable of applicable compliance requirements. The program should include the following: (i) training on all applicable laws and regulations; (ii) training on the procedural details required to perform transactions specific to the Bank; (iii) adequate in-person training to the lending staff to ensure that transactions specific to the Bank are conducted in compliance with applicable regulations; and (vi) documentation of training provided, a list of personnel that attended the training, and copies of training materials used. The program shall be reviewed and updated at least annually. The program and its implementation shall be in a form and manner acceptable to the Regional Director, as determined at subsequent examinations and/or visitations.

## COMPLIANCE MONITORING PROCEDURES

6. Within 60 days of the effective date of this ORDER, the Bank shall develop and implement enhanced internal Compliance Management System monitoring procedures. The procedures should be designed to detect compliance weaknesses within the institution and should be incorporated into the daily work of Bank personnel. Additional training shall be provided to ensure exceptions are corrected. Such procedures and their implementation shall be in a form and manner satisfactory as determined at subsequent examinations and/or visitations.

## INDEPENDENT AUDIT PROGRAM

7. (a) Within 90 days from the effective date of this ORDER, the Bank shall have an independent audit to ensure compliance with Consumer Laws. The audit shall be conducted by qualified personnel with experience in conducting independent audits of compliance programs of banks of a comparable size. The audit will assess the Bank's Compliance Management System and Compliance Program, and at a minimum, shall:

- (i) Define a comprehensive scope;
- (ii) Identify the number of transactions sampled by category or product type;
- (iii) Identify deficiencies;
- (iv) Provide descriptions of or suggestions for corrective actions and time frames for correction; and
- (v) Establish follow-up procedures to verify that corrective actions were implemented and effective.

(b) Audit findings, deficiencies, and recommendations must be documented in a written report and provided to the Audit Committee within 10 days after completion of the

independent audit. In addition, the audit reports should be thoroughly reviewed by the Bank's Board and be fully documented in the Board's minutes.

(c) Within 30 days of receipt of the independent auditor's written report, the Board shall take action to address the audit's findings, correct any deficiencies noted, and implement any recommendations or explain in writing signed by all Board members why a particular recommendation has not been implemented.

(d) After receipt of the independent audit, the Bank shall on a semi-annual basis conduct subsequent independent audits. The subsequent audits shall comply with all of the provisions of this paragraph 8.

#### CORRECTIONS OF VIOLATIONS OF LAWS

8. Within 30 days of the effective date of this ORDER, the Bank shall correct all violations of law, as more fully set forth in the ROE as of November 17, 2008, and implement procedures to prevent their recurrence. The Bank's actions as required by this paragraph shall be satisfactory to the Regional Director as determined at subsequent examinations and/or visitations.

#### CONSUMER LAWS POLICIES DEVELOPMENT AND IMPLEMENTATION

9. Within 60 days of the effective date of this ORDER the Board shall develop and implement policies and/or procedures to comply with all applicable consumer laws and regulations including but not limited to those areas identified in the ROE - Home Mortgage Disclosure, Truth in Savings, Electronic Funds Transfer, Check 21, and requirements related to NOW and MMDA accounts. The Board shall review all policies/procedures currently in place to ensure they meet the needs of the Bank. All shall be reviewed and updated, if needed, on an annual basis and this review shall be noted in the Board minutes. The policies and their

implementation shall be in a form and manner satisfactory to the Regional Director as determined at subsequent examinations and/or visitations.

#### SHAREHOLDER NOTIFICATIONS

10. Following the effective date of this ORDER, the Bank shall send to its shareholder(s) a copy of this ORDER or a description of this ORDER in conjunction both with the Bank's next shareholder communication and with its notice and/or proxy statement preceding the Bank's next shareholder meeting. If the Bank sends its shareholders a description of this ORDER rather than a copy of it, the description shall fully describe this ORDER in all respects. The description and any accompanying communication, statement, or notice shall be sent to the FDIC, accounting and Securities Section, Washington, D.C. 20429, at least 15 days prior to dissemination to shareholders. Any changes requested to be made by the FDIC shall be made prior to dissemination of the description, communication, notice or statement.

#### PROGRESS REPORTS

11. On or before the 30<sup>th</sup> day after the end of the first calendar quarter following the effective date of this ORDER, and on or before the 30<sup>th</sup> day after the end of every calendar quarter thereafter, the Bank shall furnish written progress reports to the Regional Director, which detail the form and manner of any actions taken to secure compliance with this ORDER and the results thereof. The Bank may discontinue submitting such reports when the corrections required by this ORDER have been accomplished and the Regional Director has expressly released the Bank in writing from making any further reports.

This ORDER will become effective upon its issuance by the FDIC. The provisions of this ORDER shall remain effective and enforceable except to the extent that, and until such time

