

FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, D.C.

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IN THE MATTER OF )  
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BANK OF GUAM )  
HAGATNA, GUAM )  
)  
(INSURED STATE NONMEMBER BANK) )  
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ORDER TO  
CEASE AND DESIST

Docket No. FDIC-07-022b

Bank of Guam, Hagatna, Guam ("Bank"), having been advised of its right to a Notice of Charges and of Hearing detailing the unsafe or unsound banking practices and violations of law and/or regulations regarding the Bank Secrecy Act ("BSA") 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 April 30, 2007, whereby solely for the purpose of this proceeding and without admitting or denying the alleged charges of unsafe or unsound banking practices in that it had committed violations of law and/or regulations regarding the BSA, the Bank agreed and 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 in that it had committed violations of

law and/or regulations regarding the BSA. 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 and violations of law and/or regulation regarding the BSA.

(a) operating in violation of section 326.8 of the FDIC Rules and Regulations, 12 C.F.R. § 326.8, as more fully set forth in the FDIC's Report of Examination as of October 18, 2006; and

(b) operating in violation of section 353.3 of the FDIC Rules and Regulations, 12 C.F.R. § 353.3, as more fully set forth in the FDIC's Report of Examination as of October 18, 2006.

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

1. Within 90 days of the effective date of this ORDER, the Bank shall comply with the BSA and its rules and regulations.

2. Within 60 days of the effective date of this ORDER, the Bank shall correct all alleged violations of section 326.8(b)(1), section 326.8(c)(1), and section 353.3(a) of the FDIC's rules and regulations as set forth in the FDIC's Report of Examination as of October 18, 2006. In addition, the Bank shall take all necessary steps to ensure future compliance with all applicable laws and regulations.

3. Within 60 days of the effective date of this ORDER, the Bank shall update and continue to implement its written compliance program, as required by the applicable provisions of 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 Bank's Board of Directors on a monthly basis. Such program and its implementation shall be in a manner acceptable to the Regional Director of the FDIC's San Francisco Regional Office ("Regional Director"). At a minimum, the program shall continue to improve the Bank's 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 suspicious transactions and that there is full compliance with all applicable laws and regulations.

4. Within 60 days of the effective date of this ORDER, the Bank shall revise, adopt, and implement an effective written customer due diligence program ("CDD program"). The CDD program (and any subsequent modification) shall be submitted to the Regional Director for review and comment. No more than 30 days after receipt of any comments from the Regional Director, and after consideration of such comments, the Bank's Board of Directors shall approve the CDD program (or any subsequent modification), which approval shall be recorded in the minutes of the Board of Directors. Thereafter, the Bank and its institution-affiliated parties shall implement and follow the CDD program (or any properly approved subsequent modification).

5. (a) Within 60 days from the effective date of this ORDER, the BSA Officer shall review all high-risk accounts and high-risk transactions ("Transaction Review"), including but not limited to the Bank's large currency transaction reports ("CTR"), cash purchases of

monetary instruments, wire transfer activity, and foreign exchange services for the six-month period beginning June 1, 2006 (the "Transaction Review Period"), reflecting the six-month period prior to the Bank's full implementation of the upgraded Patriot Officer software program, and shall prepare and file any additional CTRs and suspicious activity reports ("SAR") necessary based upon the review. Based upon the results of the review, the Regional Director may extend the Transaction Review Period, if necessary.

(b) Upon completion of the reviews required pursuant to the paragraph above, the Bank shall submit the findings of the review and copies of any additional SARs and CTRs filed to the Regional Director.

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

6. 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.

7. Within 30 days of the effective date of this ORDER, the Bank's Board of Directors shall confirm the completion of actions taken by management in improving and implementing an effective customer identification program which, at a minimum, shall include the name, address, date of birth, and proper identification (including taxpayer identification number for U.S. citizens). Concurrently, the Bank shall take appropriate action if proper customer identification is not obtained.

8. Within 30 days of the effective date of this ORDER, the Bank's Board of Directors shall oversee the Bank's compliance with the BSA and Parts 326 and 353 of the FDIC's

Rules and Regulations. The Board of Directors shall receive reports from the BSA Compliance Officer regarding compliance with the BSA and Parts 326 and 353, at least monthly.

9. Following the effective date of this ORDER, the Bank's Board of Directors shall monitor and confirm the completion of actions taken by management to comply with the terms of this ORDER. The Board of Directors shall certify in writing to the Regional Director when all of the above actions have been accomplished. All actions taken by the Board of Directors pursuant to this ORDER shall be duly noted in the minutes of its meetings.

10. Within 30 days of the end of the first quarter following the effective date of this ORDER, and within thirty (30) days of the end of each quarter thereafter, the Bank shall furnish written progress reports to the Regional Director detailing the form and manner of any actions taken to secure compliance with this ORDER and the results thereof. Such reports may be discontinued when the corrections required by this ORDER have been accomplished and the Regional Director has released the Bank in writing from making further reports.

11. Following the effective date of this ORDER, the Bank shall send to its shareholders 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, at least fifteen (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.

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 as, any provisions of this ORDER shall have been modified, terminated, suspended, or set aside by the FDIC.

Pursuant to delegated authority.

Dated at San Francisco, California, this 3rd day of May, 2007.

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Stan Ivie  
Acting Regional Director  
Division of Supervision and Consumer Protection  
San Francisco Region  
Federal Deposit Insurance Corporation