

FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, D.C.

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)	
IN THE MATTER OF)	
)	
ORANGE COMMUNITY BANK)	ORDER TO
ORANGE, CALIFORNIA)	CEASE AND DESIST
)	
(INSURED STATE NONMEMBER BANK))	Docket No. FDIC-07-120b
)	
_____)	

Orange Community Bank, Orange, California ("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 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 Section 1912 of the California Financial Code, 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 June 21, 2007, and with counsel for the California Department of Financial Institutions (the "Department") dated June 21, 2007, 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 and the Department.

The FDIC and the Department considered the matter and determined that it had reason to believe that the Bank had engaged in unsafe or unsound banking practices and had committed

violations of law and/or regulations. The FDIC and the Department, 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 alleged unsafe and unsound banking practices and alleged violations of law and/or regulations as more fully set forth in the Report of Examination as of January 16, 2007:

(a) operating in violation of section 326.8 of the FDIC Rules and Regulations, 12 C.F.R. § 326.8, regarding a satisfactory BSA/AML compliance program;

(b) operating in violation of section 353.3 of the FDIC Rules and Regulations, 12 C.F.R. § 353.3, regarding procedures to identify, monitor and report suspicious activities; and

(c) operating in violation of section 215.4(e) of Regulation O of the Board of Governors of the Federal Reserve System, 12 C.F.R. § 215.4(e), made applicable to state nonmember banks by section 18(j)(2) of the Act, 12 U.S.C. § 1828(j)(2), regarding payment of an overdraft of an executive officer or director.

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 the Order, the Bank shall revise, review, adopt, and implement a written compliance program. The revised program shall be designed to ensure and maintain compliance by the Bank with the Bank Secrecy Act ("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. The

program shall be submitted for review and comment to the Regional Director of the FDIC's San Francisco Regional Office ("Regional Director") and the Commissioner of the Department ("Commissioner") and shall be implemented in a manner acceptable to the Regional Director and Commissioner as determined and confirmed at subsequent examinations and/or visitations of the Bank. At a minimum, the program shall:

(a) Establish a system of internal controls to ensure the Bank's compliance with all BSA-related rules and regulations, particularly policies and procedures to detect and monitor all suspicious transactions to ensure that there is full compliance with all applicable laws and regulations.

(b) Provide for independent testing of compliance with the BSA consistent with the scope and guidelines contained within the Federal Financial Institutions Examination Council guidance. The independent testing should be conducted at least annually and should contain sufficient documentation and descriptions of the testing procedures performed and the resulting conclusions regarding the sufficiency of the program in assuring ongoing compliance with all BSA-related regulations. Such reports should be presented directly to the Bank's Audit Committee.

(c) Ensure that the Bank's BSA compliance program is managed by a qualified officer who has the requisite authority, responsibility, training, resources, and management reporting structure to ensure compliance with the Bank's program requirements and BSA-related regulations.

(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, the BSA Officer, the BSA Compliance Officer, tellers, customer service

representatives, lending officers, personal banking officers, wire transfer personnel, and all other customer contact personnel and operations personnel, in all aspects of regulatory and internal policies and procedures related to the BSA, with a specific concentration on Bank Policy and procedure requirements, accurate recordkeeping, form completion, and the detection and reporting of suspicious 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.

2. Within 30 days of the effective date of the Order, the Bank shall develop, adopt and implement an effective written enhanced due diligence ("EDD") program. The program shall be submitted for review and comment to the Regional Director and the Commissioner, and shall be implemented in a manner acceptable to the Regional Director and Commissioner as determined and confirmed at subsequent examinations and/or visitations of the Bank. At a minimum, the EDD program shall:

(a) Conduct a risk-focused assessment of the Bank's customer base to determine the appropriate level of EDD necessary for those categories of customers that the Bank has reason to believe pose a heightened risk of conducting suspicious activities at or through the Bank.

(b) Develop procedures, for those customers whose transactions require enhanced due diligence, to determine the appropriate documentation necessary to confirm the identity and business activities of the customer; understand the normal and expected transactions of the customer; and reasonably ensure the identification and timely, accurate, and complete reporting of suspicious activity as required by the suspicious activity reporting provisions of Part 353 of the FDIC's Rules and Regulations.

(c) Review the EDD process regularly to ensure that information gathered at account opening, and subsequent to any change in the customer's risk rating, is sufficient for the proper operation of the automated suspicious activity monitoring system referenced below.

3. Within 30 days of the Order, the Bank shall enhance its system to allow for daily, weekly, monthly, and quarterly review of customer transactions for purposes of identifying potentially suspicious activity. At a minimum, the system shall be enhanced as follows:

(a) The system shall consider cash transactions, wire transfers, and the purchase or negotiation of monetary instruments.

(b) The system shall utilize any relevant customer data to link related businesses, accounts, and relationships, to facilitate the sorting and review of multiple transaction types and transactions over extended periods of time.

(c) The program shall be reasonably designed to detect structured transactions and transactions that have no business or apparent lawful purpose, or are not customary for a particular customer, and for which the Bank, after analyzing available facts and a sufficient amount of account transaction detail to understand the nature of the customer's background and possible purpose of the transactions, is not able to provide a reasonable and supported explanation for the transactions.

4. Within 45 days of the effective date of the Order, the Bank shall develop an acceptable plan to review all high and medium-risk accounts for suspicious activity during the 6 month period immediately preceding the effective date of the Order. The plan shall be submitted for review and comment to the Regional Director and Commissioner and shall be implemented in a manner acceptable to the Regional Director and Commissioner as determined and confirmed

at subsequent examinations and/or visitations of the Bank. At a minimum, the plan shall include, but is not limited to, the following:

(a) The preparation and filing of any additional Suspicious Activity Reports ("SARs") necessary based upon the transaction review.

(b) The submission of a detailed evaluation of the transaction review to the Bank's Board, the Regional Director, and the Commissioner along with a report on SARs identified during the review.

5. Within 90 days of the effective date of this Order, the Bank shall implement any BSA/Anti-Money Laundering-related modules contained within its existing or new software system, customize any system parameters to meet the Bank's needs, test the software, revise related policies and procedures, and provide the comprehensive employee training needed to implement a fully functioning, automated system. The program shall, at a minimum, analyze cash transactions over an established threshold based on the Bank's risk-assessment, wire transfers, electronic funds transfers, and monetary instrument purchases and deposits. The program shall be a centralized review function and provide for full documentation of decisions for all items flagged as potentially suspicious.

6. Within 60 days from the effective date of this ORDER, the Bank shall correct all violations of law and/or regulations. In addition, the Bank shall develop, adopt, and implement a policy addressing insiders at the Bank. Specifically, the policy shall establish procedures for identifying, reviewing, and authorizing affiliate and insider related activities of institution-affiliated parties as that term is defined in Section 3(u) of the Act, 12 U.S.C. § 1813(u). Once implemented, the Bank shall take all necessary steps to ensure future compliance with the policy.

7. Beginning the 30th day following the effective date of the Order, and within thirty (30) days of the end of each quarter thereafter, the Bank shall furnish written progress reports to the Regional Director and the Commissioner detailing the form, manner, and results of any actions taken to secure compliance with each provision of the Order. Such reporting shall continue until the Regional Director and the Commissioner has released the Bank, in writing, from making further reports.

This ORDER will become effective upon its issuance by the FDIC and the Commissioner. 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 and the Department.

Pursuant to delegated authority.

Dated at San Francisco, California, this 25th day of June, 2007.

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

Dated at San Francisco, California, this 25th day of June, 2007.

Craig Carlson
Chief State Examiner
California Department of Financial Institutions