

FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, D.C.

\_\_\_\_\_) )  
In the Matter of ) )  
 ) )  
FIRST BANKAMERICANO ) ORDER TO CEASE AND DESIST  
ELIZABETH, NEW JERSEY ) )  
 ) )  
(INSURED STATE NONMEMBER BANK) ) )  
\_\_\_\_\_) )

First BankAmericano, Elizabeth, New Jersey ("Insured Institution"), 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 regulation alleged to have been committed by the Insured Institution 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 July 31, 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 regulation, the Insured Institution 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 Insured Institution had engaged in unsafe or unsound banking practices and had committed violations of law and/or regulation. The FDIC, therefore, accepted the CONSENT AGREEMENT and issued the following:

**ORDER TO CEASE AND DESIST**

IT IS HEREBY ORDERED that the Insured Institution, its directors, officers, employees, agents and other 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 engaging in the unsafe or unsound banking practices and committing the violations of law and/or regulation specified below:

(a) operating with inadequate management supervision and oversight by the Board to prevent unsafe or unsound practices and violations of law and/or regulation;

(b) operating without a current, comprehensive written business/strategic plan;

(c) operating with inadequate management and staffing;

(d) operating with inadequate loan policies, processes and procedures, including, but not limited to, an appropriate loan loss reserve methodology and an adequate loan review program;

(e) violations of the Bank Secrecy Act, 31 U.S.C. § 5311 *et seq.*, 12 U.S.C. § 1829b and 12 U.S.C. §§ 1951-1959, and its implementing regulations, 31 C.F.R. Part 103 and 12 C.F.R. Part 353, and 12 U.S.C. § 1818(s) and its implementing regulation, 12 C.F.R. § 326.8 (collectively referred to as "BSA");

(f) operating with an inadequate BSA/Anti-Money Laundering Compliance Program ("BSA/AML Compliance Program") to monitor and assure compliance with the BSA; and

(g) operating with ineffective policies, procedures and processes to adequately screen, monitor and verify account transactions to ensure compliance with the regulations promulgated by the United States Department of Treasury's Office of Foreign Assets Control ("OFAC"), 31 C.F.R. Part 500, as well as all statutes, regulations, rules and/or guidelines issued or administered by OFAC ("OFAC Provisions").

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

#### CORRECTION AND PREVENTION

1. Beginning on the effective date of this ORDER, the Insured Institution shall take all steps necessary, consistent with other provisions of the ORDER and sound banking practices, to correct and prevent the unsafe or unsound banking practices

and violations of law and/or regulation identified in the FDIC's December 18, 2006 Report of Examination ("ROE"), address each deficiency identified in the ROE and ensure the Insured Institution is operated with adequate management supervision and Board oversight to prevent any future unsafe or unsound banking practices and violations of law and/or regulation.

#### STRATEGIC PLANNING

2. Within 120 days from the effective date of this ORDER, the Board shall formulate a comprehensive written business/strategic plan covering an operating period of at least three years for the Insured Institution ("Strategic Plan"). The Strategic Plan shall contain an assessment of the Insured Institution's current financial condition and market area along with a description of the operating assumptions that form the basis for major projected income and expense components.

3. The Strategic Plan shall, at a minimum, address short term goals and operating plans to comply with the terms of this ORDER and correct all regulatory criticisms; intermediate goals and project plans; and long-range goals and project plans. Additionally, the Strategic Plan shall establish financial goals for the Insured Institution, including but not limited to, a limitation on total asset growth of 5.5% based upon the Insured Institution's total assets as of December 31, 2006 for 2007; pro

forma statements for asset growth reflecting this growth limitation for 2007; capital adequacy; and earnings.

4. The Insured Institution shall submit the Strategic Plan to the Regional Director and the Commissioner of Banking and Insurance for the State of New Jersey ("Commissioner") for review and comment. Within 30 days from receipt of any comment from the Regional Director or Commissioner and after due consideration of any recommended changes, the Insured Institution shall approve the Strategic Plan, which approval shall be recorded in the Board meeting minutes.

5. The Insured Institution shall implement and fully comply with the Strategic Plan after completion of the requirements of paragraph 4 above.

#### ASSESSMENT OF MANAGEMENT AND STAFF

6. (a) Within 60 days from the effective date of this ORDER, the Board shall engage an independent third party acceptable to the Regional Director and the Commissioner that possesses the appropriate expertise and qualifications to analyze and assess the Insured Institution's management and staffing needs and the performance of Insured Institution's chairman of the board, president, all vice presidents, cashier, secretary and treasurer ("Executive Officers"). The engagement shall require that the analysis and assessment shall be summarized in a written report to the Board ("Management Report"), with a copy

simultaneously delivered to the Regional Director and the Commissioner.

(b) The Insured Institution shall provide the Regional Director and the Commissioner with a copy of the proposed engagement letter or contract with the third party for review before it is executed. The contract or engagement letter, at a minimum, shall include:

(i) a description of the work to be performed under the contract or engagement letter, the fees for each significant element of the engagement, and the aggregate fee;

(ii) the responsibilities of the firm or individual;

(iii) identification of the professional standards covering the work to be performed;

(iv) identification of the specific procedures to be used when carrying out the work to be performed;

(v) the qualifications of the employee(s) who are to perform the work;

(vi) the time frame for completion of the work;

(vii) any restrictions on the use of the reported findings;

(viii) a provision for unrestricted FDIC access to workpapers; and

(ix) a certification that the firm or

individual is not affiliated in any manner with the Insured Institution.

(c) Within 30 days of receipt of the Management Report, the Board will develop a written plan that incorporates the findings of the Management Report, a plan of action in response to each recommendation contained in the Management Report, and a time frame for completing each action (the "Management Plan"). A copy of the Management Plan and any subsequent modification thereto shall be submitted to the Regional Director and the Commissioner for review and comment. Within 30 days from receipt of any comment, and after consideration of such comment, the Board shall approve the Management Plan which approval shall be recorded in the Board meeting minutes. Thereafter, the Insured Institution and its directors, officers and employees shall implement and follow the Management Plan and any modifications thereto. It shall remain the responsibility of the Board to fully implement the Management Plan within the specified time frames. In the event the Management Plan, or any portion thereof, is not implemented, the Board shall immediately advise the Regional Director and the Commissioner in writing, of specific reasons for deviating from the Management Plan. At a minimum, the Management Plan shall:

(i) identify the type and number of officer positions needed to manage and supervise the affairs of the Insured Institution, detailing any vacancies and additional needs giving appropriate consideration to the size and complexity of

the Insured Institution;

(ii) identify the type and number of staff positions needed to carry out the Strategic Plan, detailing any vacancies and additional needs;

(iii) identify the authorities, responsibilities, and accountabilities attributable to each position, as well as the appropriateness of the authorities, responsibilities, and accountabilities, giving due consideration to the relevant knowledge, skills, abilities, and experience of the incumbent (if any) and the existing or proposed compensation;

(iv) present a clear and concise description of the relevant knowledge, skills, abilities, and experience necessary for each position, including delegations of authority and performance objectives;

(v) evaluate the current and past performance of all existing officers of the Insured Institution, including executive officers and staff members, indicating whether the individuals are competent and qualified to perform present and anticipated duties, adhere to the Insured Institution's established policies and practices, and operate the Insured Institution in a safe and sound manner;

(vi) establish a plan to recruit and retain qualified personnel consistent with the Board's analysis and assessment of the Insured Institution's management and staffing needs;

(vii) identify training and development needs,



and incorporate a plan to provide such training and development;  
and

(viii) establish procedures to periodically review and update the Management Plan, as well as periodically review and assess the performance of each officer and staff member.

(d) During the life of this ORDER, the Insured Institution shall provide written notification to the Regional Director and the Commissioner of the resignations or terminations of any of its Executive Officers or Board members within fifteen days of the event. The Insured Institution shall also establish procedures to ensure compliance with Section 32 of the Federal Deposit Insurance Act, 12 U.S.C. § 1831i, and Subpart F of Part 303 of the FDIC's Rules and Regulations, 12 C.F.R. Part 303. In addition, the Insured Institution shall provide written notification to the Regional Director and the Commissioner of any proposed new Executive Officer or Board member at least 30 days prior to the date such proposed Officer or Board member is to begin service; such notification shall include a description of the background and experience of the proposed Officer or Board member. Such changes will only be effective upon receipt of approval of both the Regional Director and the Commissioner.

#### IMPLEMENTATION OF LOAN REVIEW PROGRAM

7. (a) Within 60 days of the effective date of this

ORDER, the Board shall enhance its written loan review policies, procedures and processes ("Loan Review Program") to ensure that the Loan Review Program is independent and provides for periodic review of the Insured Institution's loan portfolio and properly identifies and categorizes problem credits. At a minimum, this Loan Review Program shall provide for:

(i) prompt identification of loans with credit weaknesses that warrant the special attention of management, including the name of the borrower, amount of the loan, reason why the loan warrants special attention; and assessment of the degree of risk that the loan will not be fully repaid according to its terms;

(ii) prompt identification of all outstanding balances and commitments attributable to each obligor identified under the requirements of subparagraph (i), including outstanding balances and commitments attributable to related interests of such obligors, including the obligor of record, relationship to the primary obligor identified under subparagraph (i), and an assessment of the risk exposure from the aggregate relationship;

(iii) assessment of the overall quality of the loan portfolio, including, but not limited to the review, analysis and assignment of an appropriate credit grade to all loans originated or renewed by the Insured Institution on or after September 1, 2004 through the effective date of this ORDER;

(iv) identification and status of violations of laws, rules, or regulations with respect to the lending function and an action plan to address the identified violations;

(v) identification of loans that are 30 days or more delinquent or otherwise not in conformance with the Insured Institution's lending policy and an action plan to address the identified delinquencies and deficiencies; and

(vi) a mechanism for reporting periodically, but in no event less than quarterly, the information developed in connection with (i) through (v) above to the Board. This report should also describe the action(s) taken by management with respect to problem credits.

(b) The Insured Institution shall submit the Loan Review Program to the Regional Director and the Commissioner for review and comment. Within 30 days from receipt of any comment from the Regional Director and the Commissioner and after due consideration of any recommended changes, the Insured Institution shall approve the Loan Review Program, which approval shall be recorded in the Board meeting minutes.

(c) The Insured Institution shall implement and fully comply with the Loan Review Program after completion of the requirements of subparagraph (b) above.

#### IMPLEMENTATION OF LOAN POLICY

8. (a) Within 60 days from the effective date of this

ORDER, and annually thereafter, the Board shall review the Insured Institution's written loan policies, procedures and processes ("Loan Policy") for adequacy and, based upon this review, shall make all appropriate revisions to the Loan Policy necessary to strengthen the Insured Institution's asset quality and lending functions and to prevent further deterioration. As required by this paragraph, the Insured Institution's Loan Policy shall be enhanced to include, at a minimum, provisions that:

(i) require a determination that loan officers have the necessary expertise to make, monitor, and service the types and kinds of loans that will be assigned to them, and that appropriate supervision by a qualified loan officer will be provided if the assigned loan officer does not possess the necessary expertise;

(ii) establish review and monitoring procedures to ensure that all lending personnel are adhering to the Loan Policy and that the directorate is receiving timely and fully documented reports on loan activity, including reports that identify deviations from the Loan Policy and the loan officers responsible for the deviations;

(iii) require the establishment and maintenance of a loan grading system and internal loan watch list;

(iv) require loan committee review and monitoring of the status of repayment and collection of overdue and maturing loans, as well as all loans classified or listed for

"Special Mention" in Reports of Examination; and

(v) require compliance with the Revised Interagency Statement of Policy on the Allowance for Loan and Lease Losses, FIL-105-2006, dated December 13, 2006;

(b) The Insured Institution shall submit the revised Loan Policy to the Regional Director and the Commissioner for review and comment. Within 30 days from receipt of any comment from the Regional Director and the Commissioner and after due consideration of any recommended changes, the Insured Institution shall approve the Loan Policy, with its approval recorded in the Board meeting minutes.

(c) The Insured Institution shall implement and fully comply with the Loan Policy after completion of the requirements of subparagraph (b) above.

#### SYSTEM OF BSA INTERNAL CONTROLS

9. Within 120 days from the effective date of this ORDER, the Insured Institution shall develop, adopt, and implement a system of internal controls designed to ensure full compliance with the BSA ("BSA Internal Controls") taking into consideration its size and risk profile. At a minimum, such system of BSA Internal Controls shall include written policies, procedures and processes addressing the following areas:

(a) Risk Assessment: The Insured Institution shall conduct an initial BSA/AML risk assessment of the Insured

Institution's operations ("Risk Assessment") taking into consideration its customers, their geographic locations, the types of accounts, products and services offered and the geographic areas in which these accounts, products and services are offered to enable it to stratify its customers, products, services and geographies by risk category and determine the Insured Institution's overall risk profile. The Insured Institution shall establish written policies, procedures and processes to conduct periodic Risk Assessments and to adjust its stratifications and risk profile as appropriate, but in no event less frequently than every twelve to eighteen months;

(b) Customer Due Diligence: The Insured Institution shall develop, adopt and implement written policies, procedures and processes to operate in conjunction with the customer identification program required by subparagraph (h) below for:

(i) establishing customer profiles based upon the business activity, ownership structure, anticipated or actual volume and types of transactions (including those transactions involving high-risk jurisdictions) of that customer and determining whether the customer should be subject to the Insured Institution's enhanced due diligence policies, procedures and processes required by subparagraph (c) below;

(ii) assigning risk ratings to each customer based upon their profile and the results of the Risk Assessment required by subparagraph (a) above;

(iii) maintaining and periodically updating customer profiles and risk ratings; and

(iv) resolving issues when insufficient or inaccurate information is obtained to appropriately establish a customer profile and risk rating;

(c) Enhanced Due Diligence: The Insured Institution shall develop, adopt and implement written policies, procedures and processes to operate in conjunction with the due diligence policies, procedures and processes required by subparagraph (b) above and the customer identification program required by subparagraph (h) below with respect to high-risk customers to:

(i) determine whether additional information, such as the purpose of the account, source of funds and wealth, the beneficial owners of the account, customer's occupation or type of business, financial statements, banking references, domicile of the customer's business, proximity of customer's residence, place of employment or place of business to the Insured Institution, description of primary trade area of customer or beneficial owner and whether international transactions are expected to be routine, description of the business operations, the anticipated volume of currency and total sales and a list of major customers and suppliers and explanations for changes in account activity should be required and collected for that customer's profile; and

(ii) determine whether on-site visits to collect and verify information for the customer profile are warranted;

(d) Account/Transaction Monitoring: The Insured Institution shall develop, adopt and implement written policies, procedures and processes appropriate to the Insured Institution considering its size and risk profile (based upon the Risk Assessment) to operate in conjunction with the policies, procedures and processes required by subparagraph (e) below and to monitor and aggregate currency activity, funds transfers, and monetary instrument sales to ensure the timely, accurate and complete filing of Currency Transaction Reports ("CTRs"), Reports of International Transportation of Currency or Monetary Instruments ("CMIRs"), Reports of Foreign Bank and Financial Accounts ("FBARs") and any other similar or related reports required by law or regulation;

(e) Suspicious Activity Reporting: The Insured Institution shall, taking into account its size and risk profile (based upon the Risk Assessment), develop, adopt and implement appropriate written policies, procedures, processes and systems for monitoring, detecting and reporting suspicious activity being conducted within or through the Insured Institution. These policies, procedures, processes and systems should:

(i) collect and analyze data from each branch and business area of the Insured Institution on a centralized basis for the production of periodic reports designed



to identify unusual or suspicious activity, to monitor and evaluate unusual or suspicious activity, and to maintain accurate information needed to produce these reports;

(ii) be able to identify related accounts, countries of origin, location of the customer's businesses and residences to evaluate patterns of activity;

(iii) cover a broad range of timeframes, including individual days, a number of days, and a number of months, as appropriate, and should segregate transactions that pose a greater than normal risk for non-compliance with the BSA;

(iv) establish risk based monitoring of high-risk customers enabling the Insured Institution to identify transactions for further monitoring, analysis and possible reporting;

(v) establish periodic testing and appropriate adjustment to the policies, procedures and processes utilized to monitor high risk customers;

(vi) ensure adequate referral of information about potentially suspicious activity through appropriate levels of management for appropriate investigation and follow-up, including a policy for determining action to be taken in the event of multiple filings of SARs on the same customer, or in the event information requested during the investigation is not provided or does not satisfactorily explain the purpose of the potentially suspicious activity. Such procedures shall describe

the circumstances under which an account should be closed and the processes and procedures to be followed in doing so;

(vii) require the documentation of management's decisions to file or not to file a SAR; and

(viii) ensure the timely, accurate and complete filing of required SARs and any other similar or related reports required by law or regulation;

(f) Wire Transfer Transactions: The Insured Institution shall develop, adopt and implement written policies, procedures and processes with respect to wire transfer recordkeeping, including requirements for complete information on beneficiaries and originators, as required by 31 C.F.R. 103.33;

(g) Monetary Instrument Sales: The Insured Institution shall develop, adopt and implement written policies, procedures and processes with respect to monetary instrument sales recordkeeping, as required by 31 C.F.R. 103.29;

(h) Customer Identification Program: The Insured Institution shall develop, adopt and implement written policies, procedures and processes enhancing its customer identification program ("CIP") required by 12 C.F.R. § 326.8(b) to ensure that the Insured Institution's CIP contains at a minimum:

(i) account opening procedures specifying the identifying information required for each customer type;

(ii) risk-based procedures for verifying the identity of new customers within a reasonable time after the account is opened;

(iii) procedures for circumstances in which the Insured Institution is unable to form a reasonable belief that it knows the true identity of a customer;

(iv) risk based procedures for reviewing existing customer records to determine whether sufficient information has been obtained to establish the customer profiles and risk ratings required by subparagraph (b) above; and procedures for obtaining any information necessary for such profiles and risk ratings;

(v) procedures for verifying the identity of customers purchasing monetary instruments for currency in amounts between \$3,000 and \$10,000 as required by 31 C.F.R. § 103.29;

(vi) procedures for recordkeeping and retention;

(vii) procedures to determine whether a customer appears on any federal government list of known or suspected terrorists or terrorist organizations when such list is generated;

(viii) procedures to provide adequate notice to customers that the Insured Institution will be requesting information to verify their identities;

(ix) if applicable, procedures for reliance upon another financial institution to perform one or more elements of its CIP. Such procedures shall require at a minimum, confirmation that the relied-upon financial institution is subject to a rule implementing the program requirements of 31 U.S.C. § 5318(h) and is regulated by a federal functional regulator, confirmation that the customer at issue has an account or is opening an account at the relied-upon financial institution, a determination that the Insured Institution's reliance upon the financial institution is justified under the circumstances and confirmation that the relied-upon financial institution has entered into a contract with the Insured Institution requiring it to certify annually to the Insured Institution that it has implemented its BSA/AML Compliance Program and will perform the specified requirements of the Insured Institution's CIP;

(i) Information Sharing: The Insured Institution shall enhance its written policies, procedures and processes regarding information sharing to ensure the Insured Institution's compliance with 31 C.F.R. §§ 103.100 and 103.110. These enhanced policies, procedures and processes should, at a minimum:

(i) designate a point of contact within the Insured Institution for receiving information requests;

(ii) ensure that the confidentiality of requested information is adequately safeguarded;

(iii) establish a process for responding to requests from the Financial Crime Enforcement Network, FinCEN; and

(iv) establish a process for determining whether and when a SAR should be filed;

(v) establish appropriate recordkeeping procedures and provide for appropriate retention and maintenance of these records; and

(j) BSA/AML Staffing and Resources: The Insured Institution shall establish written policies, procedures and processes requiring the periodic review of BSA/AML compliance staffing and resources taking into consideration its size and risk profile (based upon the Risk Assessment) and shall make such modifications to its BSA/AML staffing and resources as are appropriate.

SYSTEM OF OFAC INTERNAL CONTROLS

10. Within 90 days of the effective date of this ORDER, the Insured Institution shall develop, adopt, and implement a system of internal controls designed to ensure full compliance with the OFAC Provisions ("OFAC Internal Controls") taking into consideration its customers, their geographic locations, the types of accounts, products and services it offers these customers and the geographic areas in which these accounts,

products and services are offered. At a minimum, such system of OFAC Internal Controls shall include:

(a) written policies, procedures and processes for identifying and reviewing transactions and accounts for possible violations of OFAC Provisions, including procedures for comparing names provided on a list from OFAC ("OFAC List") against the names on accounts at the Insured Institution and names associated with transactions performed at the Insured Institution, including transactions involving sanctioned countries("OFAC Searches");

(b) written policies, procedures, and processes for conducting OFAC Searches of new and current customers and account parties, including, but not limited to, beneficiaries, guarantors, principals, beneficial owners, nominee shareholders, directors, signatories and powers of attorney;

(c) written policies, procedures and processes for obtaining and updating OFAC Lists or filtering criteria;

(d) written policies, procedures and processes for identifying and investigating potential matches to names on OFAC Lists;

(e) written policies, procedures and processes for blocking and rejecting transactions;

(f) written policies, procedures and processes to inform OFAC and the Insured Institution's Board or its designee of blocked or rejected transactions;

(g) written policies, procedures and processes to manage blocked accounts; and

(h) written policies, procedures and processes to retain OFAC records in accordance with the OFAC Provisions.

#### INDEPENDENT TESTING

11. Within 180 days from the effective date of this ORDER, the Insured Institution shall establish independent testing programs for compliance with the BSA and OFAC Provisions, to be performed on no less than an annual basis. The scope of the testing procedures to be performed, and testing results, shall be documented in writing and approved by the Insured Institution's Board or its designee. The testing procedures, at a minimum, should include the following:

(a) compliance testing for all appropriate business lines conducted by qualified staff independent of the Insured Institution's compliance, BSA/AML and OFAC functions;

(b) formal, documented testing programs, including adequately detailed reports and workpapers;

(c) testing of the adequacy of the Insured Institution's Risk Assessment;

(d) testing of the adequacy of the BSA and OFAC Internal Controls designed to ensure compliance with both the BSA and OFAC Provisions;

(e) testing of the adequacy of the Insured Institution's BSA/OFAC Training Program, as that term is defined in paragraph 13;

(f) a risk-based approach that includes transactional testing and verification of data for higher risk accounts;

(g) review of independent testing results by senior management;

(h) procedures to ensure that senior management institutes appropriate actions in response to independent testing results; and

(i) direct lines of reporting between the independent testing function and the Board or its designee.

#### BSA/OFAC TRAINING

12. Beginning on the effective date of the ORDER, the Insured Institution shall take all steps necessary, consistent with sound banking practices, to ensure that all appropriate personnel are aware of, and can comply with, the requirements of the BSA and OFAC Provisions applicable to the individual's specific responsibilities to assure the Insured Institution's compliance with the BSA and OFAC Provisions.

13. Within 90 days from the effective date of this ORDER, the Insured Institution shall develop, adopt and implement effective training programs designed for the Board, management and staff and their specific compliance responsibilities on all relevant aspects of laws, regulations, and Insured Institution



policies, procedures and processes relating to the BSA and the OFAC Provisions ("BSA/OFAC Training Program"). This BSA/OFAC Training Program shall ensure that all appropriate personnel are aware of, and can comply with, the requirements of both the BSA and OFAC Provisions on an ongoing basis. The BSA/OFAC Training Program shall include:

(a) an overview of the BSA/AML and OFAC Provisions for new staff along with specific training designed for their specific duties and responsibilities upon hiring;

(b) training on the Insured Institution's BSA/AML policies, procedures and processes along with new rules and requirements as they arise for appropriate personnel designed to address their specific duties and responsibilities;

(c) training on the Insured Institution's OFAC policies, procedures and processes along with new rules and requirements as they arise for appropriate personnel designed to address their specific duties and responsibilities;

(d) a requirement that the Board fully document the training of each employee with respect to both the BSA/AML and OFAC policies, procedures and processes, including the designated BSA and OFAC Compliance Officer(s); and

(e) a requirement that training in these areas be conducted no less frequently than annually.

DESIGNATION OF BSA AND OFAC OFFICERS

14. Within 60 days from the effective date of this ORDER, the Insured Institution shall provide for the designation of a qualified individual or individuals ("BSA Officer") responsible for coordinating and monitoring day-to-day compliance with the BSA Provisions. The BSA Officer shall: (i) have sufficient executive authority to monitor and ensure compliance with the BSA; (ii) be responsible for determining the adequacy of the Insured Institution's BSA/AML staffing given its size and risk profile (based upon the Risk Assessment) and for supervising such staff; (iii) report directly to the Insured Institution's Board, the committee established pursuant to paragraph 21 of this ORDER, or the Insured Institution's chief executive officer; (iv) report to the Insured Institution's Audit Committee on a regular basis, not less than quarterly, with respect to BSA/AML matters; and (v) be responsible for assuring the proper and timely filing of CTRs, CMIRs, FBARs, SARs and any other BSA required reports.

15. Within 60 days from the effective date of this ORDER, the Insured Institution shall provide for the designation of a qualified individual or individuals ("OFAC Officer") responsible for coordinating and monitoring day-to-day compliance with the OFAC Internal Controls and the oversight of blocked funds. The OFAC Officer shall (i) have sufficient executive authority to monitor and ensure compliance with the OFAC Provisions; (ii) report directly to the Insured Institution's Board, the committee

established pursuant to paragraph 21 of this ORDER, or the Insured Institution's chief executive officer; (iii) report to the Insured Institution's Audit Committee on a regular basis, not less than quarterly, with respect to OFAC matters; and (iv) be responsible for assuring the proper and timely filing of, reports of blocked or rejected transactions with OFAC and any other reports required by the OFAC Provisions.

16. The designated BSA Officer and the OFAC Officer may be the same qualified individual or individuals.

#### AUDIT POLICY

17. Beginning on the effective date of this ORDER, the Insured Institution shall take such steps as are necessary to ensure that its internal auditors fully complete each step of the Insured Institution's audit policies and procedures and that any significant findings and recommendations resulting from an internal audit are reported both to the Board's Audit Committee and to the Board directly. The Board shall duly consider any significant findings and recommendations of the internal audit and take appropriate action, with such consideration and action to be taken recorded in the Board meeting minutes. Thereafter, the Insured Institution shall implement any modifications and enhancements necessary to carry out the action approved by the Board.

THIRD PARTY LOOK BACK REVIEW

18. (a) Within 30 days from the effective date of this ORDER, the Insured Institution shall engage a qualified independent firm ("Consultant") acceptable to the Regional Director and the Commissioner to conduct a review of account and transaction activity for the six-month time period beginning October 1, 2006 and ending March 31, 2007 to determine whether suspicious activity involving any accounts of or transactions within or through the Insured Institution was properly identified and reported in accordance with the applicable suspicious activity reporting requirements ("Initial Look Back Review").

(b) Within 10 days of the engagement of the Consultant, but prior to the commencement of the Initial Look Back Review, the Insured Institution shall submit to the Regional Director and the Commissioner for approval an engagement letter that sets forth:

(i) the scope of the Initial Look Back Review and any subsequent Look Back Reviews, including the types of accounts and transactions to be reviewed which shall, at a minimum, include cash intensive business accounts; customers assigned a "high-risk" rating based upon their profiles and the results of the Risk Assessment, including, but not limited to, any auto dealers, professional service providers, jewelers, and freight companies; customers with high, frequent or international wire transactions; customers with financial transactions in

locations linked to terrorist, drug trafficking or money laundering; and any transactions or accounts identified in the ROE as requiring additional investigation by the Insured Institution;

(ii) the methodology for conducting the Initial Look Back Review and any subsequent Look Back Reviews, including any sampling procedures to be followed;

(iii) the expertise and resources to be dedicated to the Initial Look Back Review and any subsequent Look Back Reviews; and

(iv) the anticipated completion date of the Initial Look Back Review and any subsequent Look Back Reviews.

(c) Upon completion of the Initial Look Back Review and any subsequent Look Back Review, the Consultant shall provide a copy of the report detailing its findings to the Regional Director and the Commissioner at the same time the report is provided to the Insured Institution. The Regional Director or the Commission may determine, in their sole discretion, that one or more additional Look Back Reviews must be performed. Any additional Look Back review shall be conducted by the Consultant in accordance with the provisions of the engagement letter previously approved by the Regional Director and the Commissioner and be for the six-month time period immediately prior to the preceding Look Back Review.

(d) Within 30 days of its receipt of the Initial Look Back Review report and any subsequent Look Back Review reports,

the Insured Institution shall ensure that all matters or transactions required to be reported, that have not previously been reported, are reported in accordance with applicable laws and regulations.

#### THIRD PARTY REVIEW

19. Within 210 days of the effective date of this ORDER, an independent third party, engaged by the Insured Institution, shall begin a comprehensive review ("Review") of the actions taken by the Insured Institution in connection with paragraphs 9 through 13 of this ORDER and the Insured Institution's compliance with the BSA and OFAC Provisions. At a minimum, this Review shall include the effectiveness of the policies, procedures and processes adopted by the Insured Institution pursuant to paragraphs 9 through 13 of this ORDER and their implementation. The independent third party shall prepare and submit a written report of its findings (the "Review Report") to the Board and the Regional Director and the Commissioner within 30 days of the completion of the Review.

19. (a) Within 30 days of receipt of the Review Report, the Board shall appropriately amend its policies, procedures and processes to implement any recommendations made in the Review Report and address any concerns or deficiencies noted in the Review Report.

(b) Within 45 days of receipt of the Review Report, the Board shall provide a written response to the Review Report to the Regional Director and the Commissioner outlining the steps it has taken to implement the recommendations made in the Review Report and to address any concerns or deficiencies noted in the Review Report. If the Board fails to implement any of the Review Report's recommendations or address any concerns or deficiencies noted in the Review Report, it shall provide to the Regional Director and the Commissioner in its response a comprehensive explanation of its rationale for not implementing the Review Report's recommendations or addressing any concerns or deficiencies noted in the Review Report.

SHAREHOLDERS

20. Following the effective date of this ORDER, the Insured Institution shall send to its parent holding company the ORDER or otherwise furnish a description of the ORDER in conjunction with the Insured Institution's next communication with such parent holding company. The description shall fully describe the ORDER in all material respects.

COMPLIANCE COMMITTEE

21. Within 30 days from the effective date of this ORDER, the Insured Institution's Board shall appoint a committee ("Compliance Committee") composed of at least three directors who are not now, and have never been, involved in the daily operations of the Insured Institution, and whose composition is acceptable to the Regional Director and the Commissioner, to monitor the Insured Institution's compliance with this ORDER. Within 30 days from the effective date of this ORDER, and at monthly intervals thereafter, such Compliance Committee shall prepare and present to the Insured Institution's Board a written report of its findings, detailing the form, content, and manner of any action taken to ensure compliance with this ORDER and the results thereof, and any recommendations with respect to such compliance. Such progress reports shall be included in the Board



meeting minutes. Nothing contained herein shall diminish the responsibility of the entire Board to ensure compliance with the provisions of this ORDER.

#### PROGRESS REPORTS

22. By the 30<sup>th</sup> day after the end of the calendar quarter following the effective date of this ORDER, and by the 15<sup>th</sup> day after the end of every calendar quarter thereafter, the Insured Institution shall furnish written progress reports to the Regional Director and the Commissioner detailing the form, content, and manner of any actions taken to secure compliance with this ORDER, and the results thereof.

#### OTHER ACTIONS

23. It is expressly and clearly understood that if, at any time, the Regional Director and the Commissioner shall deem it appropriate in fulfilling the responsibilities placed upon him or her under applicable law to undertake any further action affecting the Insured Institution, nothing in this ORDER shall in any way inhibit, estop, bar or otherwise prevent him or her from doing so, including, but not limited to, the imposition of civil money penalties.

24. It is expressly and clearly understood that nothing herein shall preclude any proceedings brought by the Regional Director and the Commissioner to enforce the terms of this ORDER,

and that nothing herein constitutes, nor shall the Insured Institution contend that it constitutes, a waiver of any right, power, or authority of any other representatives of the United States or agencies thereof, Department of Justice or any other representatives of the State of New Jersey or any other agencies thereof, including any prosecutorial agency, to bring other actions deemed appropriate.

ORDER EFFECTIVE

25. The effective date of this ORDER shall be the date of issuance.

26. The provisions of this ORDER shall be binding upon the Insured Institution, its directors, officers, employees, agents, successors, assigns, and other institution-affiliated parties of the Insured Institution.

27. 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 have been modified.

Pursuant to delegated authority.

Dated: August 6, 2007.

---

Doreen R. Eberley  
Regional Director

**ACKNOWLEDGEMENT OF FDIC ORDER BETWEEN COMMISSIONER OF BANKING AND  
INSURANCE AND FIRST BANKAMERICANO**

The Commissioner of Banking and Insurance for the State of New Jersey (the "Commissioner"), having duly approved the foregoing ORDER, and First BankAmericano, Elizabeth, New Jersey (the "Bank"), agree that upon issuance of the said ORDER by the Federal Deposit Insurance Corporation such ORDER shall be binding as between the Bank and the Commissioner with the same legal effect and to the same degree that such ORDER would be binding on the Bank if the Commissioner had issued a separate ORDER, pursuant to the provisions of N.J.S.A. 17:9A-267, that included and incorporated all of the provisions of the foregoing ORDER.

The Commissioner and the Bank further agree that the provisions of this ORDER shall remain effective and enforceable by the Commissioner against the Bank 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 Commissioner.

\_\_\_\_\_  
Terry K. McEwen, Director  
Division of Banking

7/31/07  
Date

Acknowledged:  
First BankAmericano, Elizabeth, New Jersey

By:

\_\_\_\_\_  
Francisco Dominguez  
Director

7/31/07  
Date

\_\_\_\_\_  
Joseph M. Gillis  
Director

7/31/07  
Date

---

Joseph A. Ginarte  
Director

7/31/07  
Date

---

Arthur S. Guida  
Director

7/31/07  
Date

---

Stephen S. Laine  
Director

7/31/07  
Date

---

Fredric K. Leighton  
Director

7/31/07  
Date

---

Raymond J. Lesniak  
Director

7/31/07  
Date

---

Wilson Londono  
Director

7/31/07  
Date

---

Roberto A. Madan  
Director

8/3/07  
Date

---

Francisco P. Mejia  
Director

7/31/07  
Date

---

Armenio Monteiro  
Director

7/31/07  
Date

---

Remberto Perez  
Director

7/31/07  
Date

\_\_\_\_\_  
Dr. George V. Thalody  
Director

7/31/07\_\_\_\_\_  
Date

\_\_\_\_\_  
Dr. Saul Unter  
Director

7/31/07\_\_\_\_\_  
Date

\_\_\_\_\_  
Philip M. Waldorf  
Director

7/31/07\_\_\_\_\_  
Date

Comprising the Board of Directors of  
First BankAmericano  
Elizabeth, New Jersey