

FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, D.C.

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In the Matter of)	
)	
FIRST REGIONAL BANK)	ORDER TO
CENTURY CITY, CALIFORNIA)	CEASE AND DESIST
)	
(INSURED STATE NONMEMBER BANK))	Docket No. FDIC-08-006b
)	
_____)	

First Regional Bank, Century City, 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 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 February 28, 2008, 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 and had committed violations of law and/or regulations. 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, as more fully set forth in the FDIC's Report of Examination dated April 23, 2007:

(a) operating in violation of section 326.8 of the FDIC's Rules and Regulations, 12 C.F.R. § 326.8, regarding a satisfactory Bank Secrecy Act ("BSA") and Anti-Money Laundering ("AML") compliance program with respect to Individual Retirement Accounts administered by third parties;

(b) operating in violation of section 353.3 of the FDIC's Rules and Regulations, 12 C.F.R. § 353.3, regarding Suspicious Activity Report ("SAR") procedures to identify, monitor, and report suspicious activities with respect to Individual Retirement Accounts administered by third parties;

(c) operating without adequate customer due diligence with respect to Individual Retirement Accounts administered by third parties;

(d) operating with a board of directors which has failed to provide adequate supervision over and direction to the active management of the Bank; and

(e) operating with inadequate internal routine and controls policies.

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

1. Within 60 days of the effective date of this ORDER, the Bank shall comply in all material respects with the Bank Secrecy Act ("BSA") and its rules and regulations.

2. Within 60 days of the effective date of this ORDER, the Bank shall correct all violations of law cited in the FDIC's Report of Examination dated April 23, 2007. 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 develop, adopt and implement a written customer due diligence program. Such program and its implementation shall be in a manner acceptable to the Regional Director 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) A risk focused assessment of the customer base of the Bank to determine the appropriate level of enhanced due diligence necessary for those categories of customers that the Bank has reason to believe pose a heightened risk of illicit activities at or through the Bank.

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

(i) determine the appropriate documentation necessary to confirm the identity and business activities of the customer;

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

(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.

4. Within 60 days of the effective date of this ORDER, the Bank shall establish and implement policies and procedures to advise the Bank's Board of Directors of Significant Suspicious Activity Reports. At a minimum, the Board of Directors shall be advised in detail of all Suspicious Activity Reports involving employees, contractors, officers and directors. The policies and procedures shall also include guidelines to determine what Suspicious Activity Reports are significant.

5. Within 60 days of the effective date of this ORDER, the Board's Bank Secrecy Act / Anti-Money Laundering committee shall oversee the Bank's compliance with the BSA and Parts 326 and 353 of the FDIC's Rules and Regulations. The committee shall receive reports from the BSA officer regarding compliance with the BSA and Parts 326 and 353, at least monthly, and shall report to the Bank's Board of Directors at every meeting.

6. 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. The committee shall receive reports from the BSA officer regarding compliance with the BSA and Parts 326 and 353, at least monthly, and shall report to the Bank's Board of Directors at every meeting.

7. 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 Bank's board of directors 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) restore all aspects of the Bank to a safe and sound condition,

including asset quality, capital adequacy, earnings, management effectiveness, liquidity, and sensitivity to market risk.

(c) During the life of this ORDER, the Bank shall notify the Regional Director and the Commissioner, Department of Financial Institutions for the State of California ("Commissioner") in writing when it proposes to add any individual to the Bank's board of directors or employ any individual as a senior executive officer. The notification must be received at least 30 days before such addition or employment is intended to become effective and should include a description of the background and experience of the individual or individuals to be added or employed.

(d) Within 120 days after the effective date of this ORDER, the Bank's board of directors shall obtain an independent study of the management and personnel structure of the Trust Administration Services ("TAS") Division to determine whether additional personnel are needed for the safe and profitable operation of the TAS Division. Such a study shall include, at a minimum, a review of the duties, responsibilities, qualifications, and remuneration of the TAS Division officers. The Bank shall formulate and a plan to implement the recommendations of the study. The plan shall be acceptable to the Regional Director and the Commissioner as determined at subsequent examinations.

8. Within 90 days from the effective date of this ORDER, the Bank shall revise, adopt, and implement written lending and collection policies to provide effective guidance and control over the Bank's lending function, which policies shall include specific guidelines for limiting Concentrations of Credit. In addition, the Bank shall obtain adequate and current documentation for all loans in the Bank's loan portfolio. Such policies and their implementation shall be in a form and manner acceptable to the Regional Director as determined at subsequent examinations and/or visitations.

9. Within 30 days of the end of the first quarter following the effective date of this ORDER, and within 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 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 concur.

10. Within 60 days from the effective date of this ORDER, the Bank shall develop, adopt, and implement all steps necessary to correct all deficiencies related to individual retirement accounts administered by third parties. Specifically, the Bank shall:

(a) Implement controls and proper safeguards over assets held in Individual Retirement Accounts (“IRAs”) administered by third parties;

(b) Develop procedures to ensure that Federal and State Call Reports are completed accurately and timely;

- (c) Approve and implement comprehensive written policies and procedures to guide fiduciary and related activities, including the TAS Division and the IRAs administered by third parties;
- (d) Develop a comprehensive Watch List to identify IRA accounts, groupings of IRA accounts, or IRA assets that warrant management's attention;
- (e) Correct all deficiencies noted in the March 6, 2006 and April 23, 2007 Joint Reports of Examination; and
- (f) Limit the acceptance of new accounts in the TAS Division until the regulatory deficiencies noted in the March 6, 2006 and April 23, 2007 Joint Reports of Examination have been corrected.

11. Within 60 days of the effective date of this ORDER, the Bank shall develop, adopt, and implement a written policy covering the Merchants Services Department which, at a minimum should include the requirement that the Bank obtain certain information on originators (customers) of the third-party senders such as name, tax payer ID, specific principal business activity, geographic location and legitimacy of business either directly or through a third-party sender. Written agreements with each third-party sender should include the following:

- (a) Outline board-approved risk parameters within which the third-party sender must operate;
- (b) Define the information that must be provided to the Bank before the third-party sender can submit transactions for a new originator;
- (c) Provide the Bank ongoing access to all originators' files; and
- (d) Outline the Bank's right to audit files and/or the third-party sender to ensure they are operating in a sound manner.

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 10th day of March, 2008.

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