

FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, D.C.

In the Matter of)	
)	
BANK OF WESTMINSTER)	ORDER TO CEASE AND DESIST
WESTMINSTER, SOUTH CAROLINA)	
)	FDIC-08-309b
(Insured State Nonmember Bank))	
)	

BANK OF WESTMINSTER, WESTMINSTER, SOUTH CAROLINA ("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 a representative of the Legal Division of the Federal Deposit Insurance Corporation ("FDIC") dated February 5, 2009, whereby, solely for the purpose of this proceeding and without admitting or denying any of 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 there is reason to believe that the Bank has engaged in unsafe or unsound banking practices and has 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 such 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 or unsound banking practices and violations of law and/or regulations:

(a) operating without effective Board of Directors (“Board”) oversight and executive management supervision to prevent unsafe or unsound banking practices and violations of law and regulations related to the Bank Secrecy Act (“BSA”), subchapter II of Chapter 53 of Title 31 of the United States Code, and its implementing rules issued by the U.S. Department of Treasury, 31 C.F.R. Part 103; the regulations of the Office of Foreign Asset Control (“OFAC”); the FDIC’s BSA compliance regulations, 12 C.F.R. § 326.8, and the FDIC’s Suspicious Activity Report (“SAR”) regulations, 12 C.F.R. Part 353 (“Part 353”) (collectively, “BSA Rules”);

(b) operating in violation of law, regulations, and/or Statements of policy as identified on pages 12-16 of the Joint FDIC and South Carolina State Board of Financial Institutions Report of Examination of the Bank dated September 2, 2008 (“Report”);

(c) operating with an ineffective system of internal controls to ensure ongoing compliance with the BSA Rules;

(d) operating without effective coordinating and monitoring procedures by a designated individual responsible for ensuring day-to-day compliance with the BSA Rules;

(e) operating with an ineffective training program for appropriate Bank personnel to ensure compliance with the BSA Rules;

(f) operating without an effective system of independent testing for compliance with the BSA Rules; and

(g) operating with an ineffective customer identification program (“CIP”). CIP is the collective reference to section 103.121 of the Rules and Regulations of the Department of Treasury, 31 C.F.R. § 103.121.

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

BSA COMPLIANCE PLAN

1. a. Within sixty (60) days from the effective date of this ORDER, the Bank shall develop, adopt, and implement a written plan for continued administration of a program reasonably designed to ensure and maintain compliance with the BSA Rules (“Compliance Plan”). The Bank shall submit the Compliance Plan to the Regional Director of the FDIC’s Atlanta Regional Office (“Regional Director”) for review and comment. Upon receipt of the Regional Director’s comments, if any, the Board shall review, approve, and implement the Compliance Plan. After the Board has approved the Compliance Plan, the review and approval shall be recorded in the minutes of the Board. Thereafter, the Bank shall ensure future compliance with the BSA Rules. At a minimum, the Compliance Plan shall require the review, enhancement, or restatement, as appropriate of:

- (i) a system of internal controls, including policies and procedures to detect and monitor all transactions to ensure compliance with the BSA Rules, Such controls shall specifically address the opening and monitoring of accounts with frequent wire and check activity, the monitoring of high-risk and suspicious activities for all types of accounts, products, services, and geographic areas;
- (ii) procedures for the Bank's CIP and account opening procedures as further required by paragraph 2 including, but not limited to:

policies and procedures with respect to high-risk accounts and customers, including the adequacy of methods for identifying and conducting due diligence on high-risk accounts and customers at account opening and thereafter, and for monitoring high-risk client relationships on a transaction basis as well as by account and customer;

- (iii) policies, procedures, and systems for identifying, evaluating, monitoring, investigating, and reporting suspicious activity, particularly including transactions involving high-risk customers or accounts, and/or high-risk jurisdictions, and the appropriateness of the Bank's criteria for designating an account as high-risk and assessing the Bank's procedures and systems for identifying and monitoring customer transactions in accordance with the BSA Rules;
- (iv) policies and procedures regarding the identification and reporting of cash transactions;
- (v) the designation of a senior Bank official ("BSA Officer") responsible for coordinating and monitoring day-to-day compliance with the BSA Rules and adequate, qualified staffing in the BSA area as further described in paragraph 10;
- (vi) independent annual testing for compliance with the BSA in accordance with the procedures described in section 326.8 of the FDIC's Rules and Regulations, 12 C.F.R. § 326.8;
- (vii) implementation of the recommendations in the Report for an

appropriate training program for the Bank to assure that appropriate personnel are regularly trained to comply with the BSA Rules.

b. The Bank shall at all times provide for the continued administration of the Compliance Plan designed to assure and monitor compliance with the BSA Rules.

CUSTOMER IDENTIFICATION PROGRAM

2. Within sixty (60) days from the effective date of the ORDER, the Bank shall review, enhance, and implement a written customer CIP as required by 31 C.F.R. § 103.121, appropriate for the Bank's size and type of business, consistent with the requirements of the BSA Rules and which addresses the criticisms enumerated in the Report. The Bank shall submit the CIP to the Regional Director for review and comment. Upon receipt of the Regional Director's comments, if any, the Board shall review and approve the CIP. After the Board has approved the CIP, the review and approval shall be recorded in the minutes of the Board. Thereafter, the Bank shall implement the CIP.

RISK ASSESSMENT

3. Within one hundred twenty (120) days from the effective date of the ORDER, the Board shall update the Bank's overall BSA risk assessment of the Bank's compliance with the BSA Rules that considers all major risks, including but not limited to products, services, types of customers, and geographic locations, with analysis of the major risk categories. The Board shall specify in the Compliance Plan how frequently the risk assessment will be updated or reassessed.

SAR AND CTR PROCEDURES

4. a. Within sixty (60) days from the effective date of this ORDER, the Bank shall establish and implement monitoring and reporting procedures for SARs and Currency Transaction Reports ("CTRs") to ensure that all appropriate Bank employees are aware of the

procedures, including accurate recordkeeping, form completion and the detection and reporting of known and/or suspected criminal activity, and their responsibilities in implementing the procedures.

b. Within sixty (60) days of the effective date of the ORDER, the Bank shall contract with an independent auditor to conduct a forensic review of all high-risk accounts and high-risk transactions since January 1, 2008, to the present and determine whether SARs and CTRs should be filed. This forensic review shall be completed within 180 days of the effective date of this ORDER and the written report provided to the Board and the Regional Director. The BSA Officer shall prepare and file any additional SARs and CTRs necessary based upon the review. 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 and regulations.

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

BSA, AML, AND OFAC POLICIES

5. Within sixty (60) days from the effective date of the ORDER, the Board shall revise BSA, AML, and OFAC policies, procedures, and practices to provide for:

a. Methods of determining, reviewing, and validating risk ratings of customers, with standards for periodic reassessments.

b. Comprehensive monitoring of high-risk accounts, with full utilization of account monitoring software.

c. Adequate systems for account aggregation to ensure sufficient data to determine if SARs and CTRs should be filed.

d. Standards for documentation of new accounts, both to meet the minimum standards in regulation and to capture sufficient data for customer due diligence, with specification of the time and responsibility for obtaining missing documentation.

e. Methods of enforcing the Bank's BSA, AML, and OFAC policies, procedures, and practices with consequence specified for noncompliance.

DUE DILIGENCE PROGRAM

6. Within sixty (60) days from the effective date of the ORDER, and as acceptable to the Regional Director, the Bank shall review, enhance, and implement a written customer due diligence program ("Due Diligence Program"). At a minimum, the customer Due Diligence Program shall provide for a risk focused assessment of the customer base of the Bank to determine the appropriate level of Enhanced Due Diligence ("EDD") necessary for those categories of customers that the Bank has reason to believe pose a heightened risk of illicit activities at the Bank.

a. The Due Diligence Program shall provide for, at a minimum:

- (i) time limits for Bank personnel to respond to account activity exceptions;
- (ii) time limits for determining if exceptions require a SAR; and
- (iii) identification of customers requiring site visitations and frequency of visitations.

b. EDD shall include the following procedures:

- (i) determine the appropriate documentation necessary to confirm the identity and business activity 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 the Regional Director, as required by the suspicious activity reporting provisions of Part 353.

INDEPENDENT TESTING

7. Within sixty (60) days from the effective date of the ORDER, the Board shall establish written standards for independent testing of BSA, AML, and OFAC compliance, as required by paragraph 1. The testing program shall focus on ensuring adequate and accurate evaluations of the overall integrity and effectiveness of the BSA and AML compliance program, including policies, procedures, and processes. Standards shall specify who will conduct independent tests or, if to be conducted by an external party, who will select the independent testers and the minimum qualifications of the independent testers. Standards will specify in-house responsibility for reviews of findings and for implementing or otherwise resolving recommendations in reports of BSA, AML, and OFAC compliance testing, to include a comparison of major findings against other sources of external and internal information about the BSA, AML, and OFAC program. The independent testing shall, at a minimum:

- (i) test the Bank's internal procedures for monitoring compliance with the BSA Rules, including interviews of employees who handle cash transactions;
- (ii) sample large currency transactions followed by a review of the CTR filings;
- (iii) test the validity and reasonableness of the customer exemptions granted by the Bank;

- (iv) test the Bank's recordkeeping system for compliance with the BSA Rules; and
- (v) document the scope of the testing procedures performed and the findings of the testing.

The results of each independent test as well as any apparent exceptions noted during the testing shall be presented to the Board. The Board shall record the steps taken to correct any exceptions noted and address any recommendations made during each independent test in the minutes of the meeting.

AUDITS

8. a. Within sixty (60) days from the effective date of this ORDER, the Bank shall adopt and implement a comprehensive written audit program, which shall include periodic and thorough reviews of the Bank's compliance with the BSA Rules with significant exceptions reported directly to the Board. The minutes of the meetings of the Board shall reflect consideration of these reports and describe any action taken as a result thereof.

b. The audit program and its implementation shall be approved by the Board and shall be in a form and manner acceptable to the Regional Director as determined at subsequent examinations and/or visitations. The Bank shall thereafter implement and enforce an effective system of internal and external audits, which includes a tracking and follow-up action matrix reviewed by the Board for audit exceptions.

TRAINING

9. a. Within thirty (30) days from the effective date of the ORDER, the Bank shall identify staff positions and personnel whose duties, assignments, and responsibilities call for knowledge of the compliance requirements for BSA, AML, and OFAC regulations, as required by paragraph

1. Such personnel shall include, but not necessarily be limited to, directors, executive officers,

department heads, supervisors, loan officers, loan operations staff, tellers, bookkeepers, couriers, proof operators, information technology staff, and wire-transfer staff.

b. Within sixty (60) days from the effective date of the ORDER, the Bank shall develop a comprehensive training program that shall have a general component for all directors and staff and specific components that are tailored to the needs of specific positions, departments, and personnel, as required by paragraph 1. The training program shall provide for both initial and periodic refresher training, and shall specify who is responsible for dissemination of changes in BSA, AML, and OFAC requirements and in what media and time notifications of changes are to be made. The training program shall require documentation of attendance at training with full explanations of absences with notation of when absentees will be trained.

c. The comprehensive training program shall be approved by the Board and forwarded to the Regional Director with the progress report required by paragraph 13 of this ORDER that is next due following the Board's approval.

BSA STAFF

10. Within thirty (30) days from the effective date of this ORDER, the Bank shall analyze and assess the Bank's staffing needs to provide an adequate number of qualified staff for the Bank's BSA Department. The BSA Department staff shall be evaluated to determine whether these individuals possess the ability, experience, training and other necessary qualifications required to perform present and anticipated duties, including adherence to the Bank's BSA Compliance Program, the requirements of the BSA Rules, and the provisions of this ORDER.

BSA OFFICER

11. Within thirty (30) days from the effective date of the ORDER, the Board shall designate a BSA Officer who is qualified and responsible for managing, coordinating, and monitoring the Bank's BSA compliance program. The BSA Officer shall have the responsibility and necessary

authority to ensure the Bank's compliance with the BSA Rules and related matters, including, without limitation, the identification of timely, accurate and complete reporting to law enforcement and supervisory authorities of unusual or suspicious activity, or known or suspected criminal activity perpetrated against or involving the Bank. The BSA Officer shall report directly to the Board. The Board shall ensure the BSA Officer has the necessary authority to implement all aspects of the Compliance Plan. The BSA Officer shall provide monthly comprehensive written reports to the Board regarding the Bank's adherence to the Compliance Plan and this ORDER.

VIOLATIONS OF LAW AND REGULATION

12. Within ninety (90) days from the effective date of this ORDER, the Bank shall take steps necessary, consistent with sound banking practices, to eliminate and/or correct all violations of laws, regulations, and/or Statements of Policy on pages 12-16 in the Report and shall adopt and implement appropriate procedures to ensure future compliance with all such applicable laws and regulations.

PROGRESS REPORTS

13. Within thirty (30) days from the end of the first calendar 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. Such written progress reports shall provide cumulative detail of the Bank's progress toward achieving compliance with each provision of the ORDER, including at a minimum:

- a. description of the identified weaknesses and deficiencies;

- b. provision(s) of the ORDER pertaining to each weakness or deficiency;
- c. actions taken or in-process for addressing each deficiency;
- d. results of the corrective actions taken;
- e. the Bank's status of compliance with each provision of the ORDER; and
- f. appropriate supporting documentation.

All progress reports and other written responses to this ORDER shall be reviewed by the Board and made a part of the minutes of the appropriate Board meeting.

DISCLOSURE TO SHAREHOLDERS

14. Following the issuance of this ORDER, the Bank shall provide to its shareholders or otherwise furnish a description of this ORDER (i) in conjunction with the Bank's next shareholder communication or (ii) 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, Division of Supervision and Consumer Protection, Accounting and Securities Disclosure Section, 550 17th Street, N.W., Room F-6066, Washington, D.C. 20429 to review at least twenty (20) 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 shall become effective immediately upon issuance. 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 in writing by the FDIC.

Pursuant to delegated authority.

Dated this 24th day of February, 2009.

Mark S. Schmidt
Regional Director
Division of Supervision and Consumer
Protection
Atlanta Region
Federal Deposit Insurance Corporation