

FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, D.C.

_____)	
In the Matter of:)	
)	
ARLENE SHIH, individually, and as an)	
institution-affiliated party of)	NOTICE OF INTENTION TO
)	PROHIBIT FROM FURTHER
CHINATRUST BANK (U.S.A.))	PARTICIPATION
TORRANCE, CALIFORNIA)	
)	
)	FDIC-10-335e
)	
(INSURED STATE NONMEMBER BANK))	
_____)	

The Federal Deposit Insurance Corporation ("FDIC"), has determined that Arlene Shih ("Respondent" or "Shih"), as an institution-affiliated party of Chinatrust Bank (U.S.A.), Torrance, California ("Bank"), has directly or indirectly participated or engaged in unsafe or unsound banking practices, and/or acts, omissions or practices which constitute breaches of her fiduciary duty as an officer of the Bank; that the Bank has suffered financial loss or other damage, that the interests of its depositors have been prejudiced or could be prejudiced and/or that the Respondent has received financial gain or other benefit by reason of such practices and/or breaches of fiduciary duty; and that such practices and/or breaches of fiduciary duty demonstrate the Respondent's personal dishonesty and/or her willful or continuing disregard for the safety or soundness of the Bank.

The FDIC, therefore, institutes this proceeding for the purpose of determining whether an appropriate order should be issued against the Respondent under the provisions of section 8(e) of the Federal Deposit Insurance Act ("Act"), 12 U.S.C. § 1818(e), prohibiting the Respondent from further participation in the conduct of the affairs of the Bank, and any other insured depository institution or organization listed in section 8(e)(7)(A) of the Act, 12 U.S.C. § 1818(e)(7)(A), without the prior written approval of the FDIC and such other appropriate Federal financial institutions regulatory agency, as that term is defined in section 8(e)(7)(D) of the Act, 12 U.S.C. § 1818(e)(7)(D).

The FDIC hereby issues this NOTICE OF INTENTION TO PROHIBIT FROM FURTHER PARTICIPATION ("NOTICE TO PROHIBIT") pursuant to section 8(e) of the Act, 12 U.S.C. § 1818(e), and the FDIC's Rules of Practice and Procedure, 12 C.F.R. Part 308, and alleges as follows:

FINDINGS OF FACT AND CONCLUSIONS OF LAW

A. Preliminary Allegations

1. At all times pertinent to this proceeding, the Bank was a corporation existing and doing business under the laws of the State of California, having its principal place of business at Torrance, California.

2. The Bank is and has been, at all times pertinent to this proceeding, an insured State nonmember bank, subject to the Act, 12 U.S.C. §§ 1811-1831aa, the Rules and Regulations of the FDIC, 12 C.F.R. Chapter III; and the laws of the State of California.

3. Shih was hired by the Bank on June 28, 1996 as Branch Manager of the City of Industry branch of the Bank and retained that title until May 10, 2004, while adding the title of Vice-President on January 1, 2000.

4. On January 1, 2001, Shih retained her title as Branch Manager and became First Vice-President of the City of Industry branch.

5. On May 11, 2004, Shih became First Vice-President and Team Leader of the Bank's Small Business Lending department until December 31, 2005.

6. On January 1, 2006, Shih became First Vice-President and Manager of the Bank's Small Business Lending/VIP Banking department.

7. Shih resigned from the Bank in December of 2007.

8. At all times pertinent to the charges herein, the Respondent was an "institution-affiliated party" as that term is defined in section 3(u) of the Act, 12 U.S.C. § 1813(u), and for purposes of sections 8(e)(7), 8(i) and 8(j) of the Act, 12 U.S.C. §§ 1818(e)(7), 1818(i) and 1818(j).

9. The FDIC has jurisdiction over the Bank, the Respondent and the subject matter of this proceeding.

B. The Line of Credit

10. On or about June 15, 2000, Kou-Tjen Chow and Ing-Nan Yu, husband and wife ("Borrowers"), signed a promissory note payable to the Bank in the amount of \$1,000,000 in order to obtain a line of credit ("Line of Credit") in that amount.

11. Respondent facilitated the origination of the Line of Credit.

12. All outstanding amounts on the Line of Credit had an original maturity date of June 15, 2001 ("Maturity Date").

13. Nine disbursements were made on the Line of Credit in 2000 on or about the following dates in the following amounts:

<u>Date of Cashier's Check</u>	<u>Payable To</u>	<u>Amount</u>
06-30-00	C.C.S	\$100,000
08-15-00	C.C.S	\$100,000
09-07-00	C.C.S	\$100,000
09-27-00	C.C.S	\$100,000
10-03-00	Fire River.com	\$ 50,000
10-10-00	C.C.S	\$100,000
11-30-00	C.C.S	\$150,000
12-15-00	C.C.S.	\$ 30,000
12-15-00	C.C.S.	\$270,000
	Total:	<u>\$1,000,000</u>

14. Eight of the disbursements on the Line of Credit were used to issue cashier's checks payable to "C.C.S." which is also known as Computer Clearing Services. The remaining disbursement in the amount of \$50,000 on October 3, 2000 was used to issued a cashier's check payable to "Fire River.Com."

15. The Maturity Date of the Line of Credit was extended on or about June 15, 2001 to June 15, 2002. The Maturity Date was subsequently extended for an additional twelve months on a yearly basis until the final extension expired on June 15, 2008.

16. Respondent was responsible for the extensions of the Maturity Date.

17. The last payment received on the Line of Credit was on May 20, 2008.

18. On or about June 18, 2008, following Respondent's departure from the Bank, a Bank employee contacted the Borrowers to obtain updated financial statements in connection with a proposed renewal of the Line of Credit and was informed by the Borrowers that they had not used the Line of Credit and did not wish to renew it.

C. Respondent's Confession

19. On or about June 19, 2008, Respondent met with representatives of the Bank and confessed that she had used the funds disbursed from the Line of Credit for her own benefit.

20. On September 9, 2008, Respondent testified under oath in a deposition ("Deposition") in connection with a civil complaint filed by the Bank against Respondent related to the Line of Credit.

21. In the Deposition, Respondent admitted to using the Line of Credit for personal investment purposes.

22. In the Deposition, Respondent admitted that a total of \$1,000,000 was disbursed by Respondent from the Line of Credit without authorization from the Borrowers.

23. In the Deposition, Respondent admitted that to effect each of the disbursements on the Line of Credit, she used a blank disbursement authorization form that had been pre-signed by the Borrowers.

24. In the Deposition, Respondent explained that "C.C.S.", the recipient of eight of the cashier's checks funded by the Line of Credit, stands for Computer Clearing Services, and that the cashier's checks issued to C.C.S. were ultimately deposited into accounts at Global American Investments, an investment firm.

25. In the Deposition, Respondent testified that the funds from the Line of Credit that were deposited at Global American Investments were deposited in accounts in the names of Respondent's brother and sister.

26. In the Deposition, Respondent testified that she had signing authority on her brother's and sister's accounts at Global American Investments.

27. On April 22, 2009, Respondent stipulated to a judgment against her in favor of the Bank in the principal amount of \$1,000,000 relating to the facts described above (“Judgment”).

28. Respondent and the Bank stipulated to stay entry and execution of the Judgment conditioned upon Respondent’s timely payment of the sum of \$604,000 by December 15, 2009 in monthly installments (“Judgment Payments”).

29. Respondent failed to make any Judgment Payments.

30. The Bank has been unable to locate Respondent to obtain payment of the amounts due under the Judgment.

C. Grounds for Section 8(e) Prohibition Order

31. As a result of the Respondent's foregoing acts, omissions and/or practices, the Respondent has engaged and/or participated in unsafe or unsound banking practices in connection with the Bank.

32. As a result of the Respondent's foregoing acts, omissions and/or practices, the Respondent breached her fiduciary duty as an officer of the Bank.

33. By reason of the Respondent’ unsafe or unsound practices or breaches of fiduciary duty specified in paragraphs 10 through 30, the Bank has suffered or will probably suffer financial loss or other damage.

34. By reason of the Respondent’s unsafe or unsound practices or breaches of fiduciary duty specified in paragraphs 10 through 30, Respondent has received financial gain or other benefit.

35. The acts, omissions and/or practices of the Respondent as set forth in paragraphs 10 through 30 demonstrate a willful or continuing disregard for the safety or soundness of the Bank and/or evidence the Respondent's personal dishonesty.

NOTICE OF HEARING

Notice is hereby given that a hearing shall commence sixty (60) days from the date of service of this NOTICE TO PROHIBIT upon the Respondent, or on such date as may be set by the Administrative Law Judge assigned to hear this matter at Los Angeles, California, or at such other place as the parties to this proceeding and the Administrative Law Judge may agree, for the purpose of taking evidence on the charges herein specified, in order to determine whether a permanent order should be issued to prohibit the Respondent from further participation in the conduct of the affairs of the Bank and any insured depository institution or organization enumerated in section 8(e)(7)(A) of the Act, 12 U.S.C. § 1818(e)(7)(A), without the prior permission of the FDIC and the appropriate Federal financial institutions regulatory agency, as that term is defined in section 8(e)(7)(D) of the Act, 12 U.S.C. § 1818(e)(7)(D).

The hearing will be public, and in all respects conducted in accordance with the provisions of the Act, 12 U.S.C. §§ 1811-1831aa, the Administrative Procedure Act, 5 U.S.C. §§ 551-559, and the FDIC's Rules of Practice and Procedure, 12 C.F.R. Part 308. The hearing will be held before an Administrative Law Judge to be appointed by the Office of Financial Institution Adjudication pursuant to 5 U.S.C. § 3105. The exact time and precise location of the hearing will be determined by the Administrative Law Judge.

Respondent is hereby directed to file an answer to the NOTICE TO PROHIBIT within twenty (20) days from the date of service, as provided by section 308.19 of the FDIC's Rules of Practice and Procedure, 12 C.F.R. § 308.19. An original and one copy of all papers filed in this proceeding shall be served upon the Office of Financial Institution Adjudication, 3501 N. Fairfax Drive, Suite VS-D8116, Arlington, VA 22226-3500. Copies of all papers filed in this proceeding shall be served upon the Executive Secretary Section, Federal Deposit Insurance

Corporation, 550 17th Street, N.W., Washington, D.C. 20429, A.T. Dill, III, Assistant General Counsel, Legal Division, Enforcement Section, Federal Deposit Insurance Corporation, 550 17th Street, N.W., Washington, D. C. 20429, and Joseph J. Sano, Regional Counsel, Federal Deposit Insurance Corporation, 25 Jessie Street at Ecker Square, Suite 1400, San Francisco, California 94105.

Pursuant to delegated authority.

Dated at Washington, D.C., this 20th day of July, 2010.

/s/

Serena L. Owens
Associate Director
Division of Supervision and Consumer Protection