

FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, D.C.

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In the Matter of	)	
	)	CONSENT ORDER
SUNWEST BANK	)	
TUSTIN, CALIFORNIA	)	FDIC-10-663b
	)	
(INSURED STATE NONMEMBER BANK)	)	
	)	
_____	)	

The Federal Deposit Insurance Corporation (“FDIC”) is the appropriate Federal banking agency for Sunwest Bank, Tustin, California (“Bank”) under Section 3(q) of the Federal Deposit Insurance Act (“FDI Act”), 12 U.S.C. § 1813(q)(3).

The Bank, by and through its duly elected and acting Board of Directors (“Board”), has executed a Stipulation to the Issuance of a Consent Order (“Stipulation”), dated January 18, 2011, that is accepted by the FDIC. With the Stipulation, the Bank has consented, without admitting or denying any charges of unsafe or unsound banking practices relating to the Bank Secrecy Act, to the issuance of this Consent Order (“Order”) by the FDIC pursuant to Section 8(b)(1) of the FDI Act.

Having determined that the requirements for issuance of an order under Section 8(b) of the FDI Act, 12 U.S.C. § 1818(b) have been satisfied, the FDIC hereby order that:

1. Within 90 days of the effective date of this Order, the Bank shall comply in all material respects with the 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, as more fully set forth in the Report of Examination dated December 14, 2009, Report of Visitation dated August 31, 2010 (“ROV”) and the Report of Examination dated October 18, 2010 (hereinafter such visitation and examination reports shall be referred to as “ROE”). In addition, the Bank shall take all necessary steps to ensure future compliance with all applicable laws and regulations.

3. Within 90 days of the effective date of this Order, the Bank shall develop, adopt, and implement a written compliance program, as required by the applicable provisions of section 326.8 of the FDIC's Rules and Regulations, 12 C.F.R. § 326.8, designed to, among other things, ensure and maintain compliance by the Bank with the 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 (“Board”) on a monthly basis. Such program and its implementation shall be in a manner acceptable to the Regional Director of the FDIC's San Francisco Regional Office (“Regional Director”) as determined at subsequent examinations and/or visitations of the Bank. At a minimum, the program shall:

(a) Establish a system of internal controls to ensure compliance with the BSA and the rules and regulations issued pursuant thereto, including policies and procedures to detect and monitor all transactions to ensure that they are not being conducted for illegitimate purposes and that there is full compliance with all applicable laws and regulations.

(b) Provide for independent testing of compliance with the BSA, all applicable rules and regulations related to the BSA, and the reporting of suspicious transactions required to be reported pursuant to Part 353 of the FDIC’s Rules and Regulations, 12 C.F.R. Part 353. The independent testing shall be conducted on an annual basis and in accordance with the

procedures described in the Federal Financial Institutions Examination Council (“FFIEC”) Bank Secrecy Act/Anti-Money (“BSA/AML”) Laundering Examination Manual 2010. The independent testing, at a minimum, should address the following:

- (i) overall integrity and effectiveness of the BSA/AML compliance program, including policies, procedures, and processes;
- (ii) BSA/AML risk assessment;
- (iii) BSA reporting and recordkeeping requirements;
- (iv) Customer Identification Program (“CIP”) implementation;
- (v) adequacy of customer due diligence (“CDD”) policies, procedure, and processes and whether they comply with internal requirements;
- (vi) implementation of a revised and effective Office of Foreign Asset Control (“OFAC”) compliance program for screening Bank transactions and accounts against the OFAC Specially Designated Nationals list (“SDN”), training of employees, and independent testing of compliance with the program;
- (vii) personnel adherence to the Bank’s BSA/AML policies, procedures, and processes;
- (viii) appropriate transaction testing, with particular emphasis on high-risk operations (products, service, customers, and geographic locations);
- (ix) training adequacy, including its comprehensiveness, accuracy of materials, the training schedule, and attendance tracking;
- (x) integrity and accuracy of management information systems used in the BSA/AML compliance program;

(xi) an evaluation of management's efforts to resolve violations and deficiencies noted in the previous tests or audits and regulatory examinations; and

(xii) an assessment of the overall process for identifying and reporting suspicious activity, including a review of filed or prepared Suspicious Activity Reports ("SARs") to determine their accuracy, timeliness, completeness, and effectiveness of the Bank's policy.

(c) Written reports shall be prepared which document the testing results and provide recommendations for improvement. Such reports shall be presented to the Bank's Board;

(d) Ensure that the Bank's BSA compliance program is managed by a qualified officer who has the required authority, responsibility, training, resources, and management reporting structure to ensure compliance with the Bank's BSA program requirements and BSA-related regulations, including without limitation;

(i) 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; and

(ii) monitoring the Bank's compliance and ensuring that full and complete corrective action is taken with respect to previously identified violations and deficiencies.

(e) Provide and document training by competent staff and/or independent contractors of all Bank's Board members and all appropriate personnel, including, without limitation, senior management, tellers, customer service representatives, lending officers, private and personal banking officers and all other customer contact personnel. Training shall encompass, as appropriate to job responsibilities, all aspects of regulatory and internal policies

and procedures related to the BSA, with a specific concentration on accurate recordkeeping, form completion and the detection and reporting of known and/or suspected criminal 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.

(f) The Bank's BSA Officer shall attend specific BSA/AML training a minimum of annually that covers, among other things, BSA/AML best practices and current BSA/AML issues.

4. Within 45 days from the effective date of this ORDER, and annually thereafter, the Bank will perform a review of its BSA staffing needs to ensure adequate resources are in place at all times. The review should include, at a minimum, consideration of the institution's size and growth plans, geographical areas served, products and services offered, and changes in the BSA/AML practices, rules and regulations.

5. Within 60 days from the effective date of this ORDER, the Management shall develop and the Board shall approve a plan to review all high-risk accounts and high-risk transactions ("Transaction Review/Look-Back Plan"), including but not limited to the Bank's large currency aggregation reports, cash purchases of monetary instruments, wire transfer activity, and foreign exchange services for the 12-month period and shall prepare and file any additional CTRs and SARs necessary based upon the review. Such plan shall also include the review of transactions designated as suspicious activities and file SARs as necessary based upon the review. Based upon the results of the review, the Regional Director may extend the time period for the transaction Review/Look-Back Plan, if necessary. Within 10 days of preparing a plan for the Transaction Review/Look-Back Plan, but prior to commencement of the transactions review, the Bank shall submit to the Regional Director a written plan for approval that sets forth:

(a) The scope of the Transaction Review/Look-Back Plan, including the types of accounts and transactions to be reviewed;

(b) The methodology for conducting the Transaction Review/Look-Back Plan, including any sampling procedures to be followed;

(c) The expertise and resources to be dedicated to the Transaction Review/Look-Back Plan;

(d) The anticipated date of completion of the Transaction Review/Look-Back Plan; and

(e) A listing of interim reports, draft reports or work papers to be used to comply with the Plan. Such reports associated with the Transaction Review-Look-Back Plan will be made available to the Regional Director upon request.

(f) Throughout the Transaction Review-Look-back Period, the Bank shall ensure that all matters or transactions required to be reported that have not previously been reported are reported in accordance with applicable rules and regulations.

(g) Documentation supporting any determination made pursuant to the above paragraph 5 shall be retained in the Bank's records for such period of time as may be required by any applicable rules or regulations.

(h) On completion of the reviews required pursuant to the paragraphs above, the Bank shall submit the written findings of the review and copies of any additional SARS and CTRs filed to the Regional Director.

6. Within 60 days of the effective date of this Order, the Bank shall improve and implement policies, procedures and processes which are designed to ensure compliance with the

CIP Regulations, 31 C. F. R.. 103.121. At a minimum, the Bank's CIP shall provide for the following:

(a) account-opening procedures that specify the identifying information that will be obtained from each Bank customer, such as the name, date of birth, for individuals, address and taxpayer identification number or social security number. Such procedures must be reasonable and practical risk-based procedures for verifying the identity of each customer., such as the various types of accounts maintained by the Bank, the Bank's various methods of opening accounts, the various types of identifying information available and the Bank's size, location and customer base;

(b) Bank record-keeping requirement and retention procedures. At a minimum, the Bank must retain the identifying information and any other information obtained at account opening for a period of five years after the account is closed. The Bank must also keep a description of the following for five years after the record was made: any document that was relied to verify identity, the method and the results of any measures undertaken to verify identity and the results of any subsequent discrepancy discovered when verifying identity; and

(c) the Bank's CIP must include procedures for determining whether the customer appears on any known federal government list of suspected terrorists or terrorist organizations.

7. Within 90 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.

8. (a) 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 Significant SARs. In addition to summary SAR reporting, the Bank's Board must also be advised in detail of all SARs involving employees, contractors, officers, and directors. The plan shall also delineate reporting mechanisms to alert the Board to repeat SAR filings. The policies and procedures shall also include guidelines to determine what SARs are significant.

(b) The Bank shall establish and implement policies and procedures to ensure that SARs are filed within 30 days of identifying a suspect or unusual and suspicious activity (or a total of 60 days if a suspect is unknown or once per quarter for ongoing transactions). Such a program must also ensure that timely identification of suspicious activity occurs; that timely



investigation into unusual activity is undertaken; that related accounts are considered and discussed in the SARs filing; and that a detailed, accurate, comprehensive, and readable narrative description of the activity is included in the SARs filing.

9. Within 90 days of the effective date of this ORDER, the Bank shall revise, adopt and implement its BSA Policy to include provisions which implement the requirements of paragraphs 1-7 of this ORDER. The Bank's Board and management shall fully implement the provisions of the revised BSA Policy. The revised BSA Policy, and its implementation, shall be in a form and manner acceptable to the Regional Director as determined at subsequent examinations and/or visitations of the Bank.

10. Following the effective date of this Order, the Bank's Board shall monitor and confirm the completion of actions taken by management to comply with the terms of this Order. The Bank's Board, or a designated Committee thereof, shall certify in writing to the Regional Director when all of the above actions have been accomplished. All actions taken by the Bank's Board or committee pursuant to this Order shall be duly noted in the minutes of its meetings. Such committee shall receive reports from the qualified officer appointed in Paragraph 3 regarding compliance with the BSA and Parts 326 and 353, at least monthly, and shall report to the Bank's Board at every meeting.

11. 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 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.

12. Following the effective date of this Order, the Bank shall send to its shareholder(s) or otherwise furnish a description of this Order in conjunction with the Bank's next shareholder communication and also 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, Accounting and Securities Section, Washington, D.C. 20429, at least 15 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.

The provisions of this Order shall not bar, estop, or otherwise prevent the FDIC or any other federal or state agency or department from taking any other action against the Bank or any of the Bank's current or former institution-affiliated parties, as that term is defined in Section 3(u) of the FDI Act, 12 U.S.C. § 1813(u).

This Order will become effective upon its issuance by the FDIC.

The provisions of this Order shall be binding upon the Bank, its institution-affiliated parties, and any successors and assigns thereof.

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The provisions of this Order shall remain effective and enforceable except to the extent that and until such time as any provision has been modified, terminated, suspended, or set aside by the FDIC.

Issued pursuant to delegated authority

Dated at San Francisco, California, this 21<sup>st</sup> day of January, 2011.

/s/

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J. George Doerr  
Deputy Regional Director  
Division of Supervision and Consumer Protection  
San Francisco Region  
Federal Deposit Insurance Corporation