

FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, D.C.

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In the Matter of)	
)	
PIERMONT BANK)	
New York, New York)	CONSENT ORDER
)	
)	FDIC-23-0038b
(INSURED STATE NONMEMBER BANK))	
)	
_____)	

The Federal Deposit Insurance Corporation (**FDIC**) is the appropriate Federal banking agency for Piermont Bank, New York, New York (**Bank**), under 12 U.S.C. § 1813(q).

The FDIC considered the matter and determined, and the Bank neither admits or denies, the Bank engaged in (i) unsafe and unsound banking practices relating to, among other things, the failure to have internal controls and information systems appropriate for the size of the Bank and the nature, scope, complexity, and risk of its Third-Party Relationships, as defined below, and its activities, including products and services, and whether conducted or performed by the Bank, or on behalf of the Bank through one or more Third-Party Relationships (**Bank Activities**); weaknesses in board and management oversight and monitoring of asset growth; weaknesses in board supervision and direction of management; management performance, oversight and monitoring of business arrangements between the Bank and another person or entity, by contract or otherwise, and any business arrangements with an entity conducting one or more Bank Activities, or a component of a Bank Activity, for or on behalf of another entity with a direct business arrangement with the Bank (collectively, **Third-Party Relationships**); integrity

of Data and Systems, both as defined below; corporate governance; strategic planning; liquidity and funds management; interest rate risk; and earnings; (ii) violations of law or regulations relating to, among other things, the Bank Secrecy Act, 31 U.S.C. § 5311 *et seq.*, 12 U.S.C. § 1829b, and 12 U.S.C. §§ 1951-60; 31 C.F.R. Chapter X; and 12 U.S.C. § 1818(s) and the FDIC's implementing regulations, 12 C.F.R. § 326.8 and 12 C.F.R. Part 353 (collectively, the **BSA**), the Electronic Fund Transfers Act, 15 U.S.C. § 1693 *et seq.*, as implemented by Regulation E, 12 C.F.R. part 1005 (**EFTA**), and the Truth in Savings Act, 12 U.S.C. § 4301 *et seq.*, as implemented by Regulation DD, 12 C.F.R. part 1030 (**TISA**); and (iii) nonconformance with Appendix A, the *Interagency Guidelines Establishing Standards for Safety and Soundness*, to 12 C.F.R. part 364, Appendix A, (**Part 364**).

The Bank, by and through its duly elected and acting board of directors (**Board**), has executed a Stipulation and Consent to the Issuance of a Consent Order (**Consent Agreement**), dated February 26, 2024, that is accepted by the FDIC. With the Consent Agreement, the Bank has consented, without admitting or denying any charges of unsafe or unsound banking practices, violations of law or regulation, or nonconformance with Part 364, to the issuance of this Consent Order (**Order**) by the FDIC.

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

I. Board Requirements

A. Supervision, Direction, and Oversight. The Board must appropriately increase, commensurate with the size of the Bank and the nature, scope, complexity, and risk of Bank Activities and Third-Party Relationships, its supervision and direction of management, and its oversight and monitoring of the Bank's financial condition; risk profile; Bank Activities; Third-

Party Relationships; Anti-Money Laundering/Countering the Financing of Terrorism (AML/CFT) Program; and the Bank's system of internal controls, information systems, and internal audit systems related to Consumer Laws & Regulations, as defined below, including Board and management oversight and commitment, comprehension, identification, and management of compliance risk related to consumers, including all end-users of Bank Activities (**Consumers**), corrective action and self-identification, management of risk related to Third-Party Relationships, written policies, procedures, processes, and/or practices as applicable (collectively, **Procedures**), training, monitoring and testing, audit, and response programs for Consumer complaints (all, including the CC Program, defined below, collectively referred to as the Bank's **Compliance Management System** or **CMS**). The Board must also, at a minimum:

1. *Officers.* Ensure that the Bank has and maintains an appropriate number of Bank officers with the experience and expertise, sufficient authority, independence, and the resources necessary to enable them to satisfactorily oversee and manage Bank Activities and Third-Party Relationships and assure compliance with this Order, Bank Procedures, and applicable laws and regulations (**Applicable Laws & Regulations**);

2. *Systems and Procedures.* Ensure the Bank has Systems, as defined below, and Procedures that enable the Board to monitor and regularly evaluate the adherence to and effectiveness of these Bank Procedures and that Bank Procedures include clear and measurable parameters and limits and are appropriately revised in a timely manner to assure on-going and proactive compliance with Applicable Laws & Regulations. The Board must also ensure that it is provided with the information and documentation necessary to fulfill its duties and responsibilities under this Order;

3. *Internal Audit.* Ensure the Bank's internal audit function (**Internal Audit**) is independent and appropriate for the size of the Bank and the nature, complexity, and scope and risk of Bank Activities and Third-Party Relationships, includes an effective quality assurance program with appropriate workpaper review, and satisfactory transaction testing. The Board must also ensure that Internal Audit appropriately considers all available Risk Assessments, as defined below, and assesses the Bank's implementation of and adherence to Bank Procedures; and

4. *Committee Governance and Meetings.* Review and assess whether the organizational documents and delegated authority of the Board and Bank Committees (collectively, **Committees**), and the experience and expertise of Committee members are appropriate for the Committee's assigned duties and responsibilities. The Board must also ensure that Board and Committee meeting minutes are sufficiently detailed and reflect the discussion of and rationale for material decisions and any specific actions taken or to be taken and/or any requirements of or directions to Bank management as a result of the discussions. The Board must also prepare an action plan detailing the specific steps the Board and/or Bank management will take with timeframes for completion to address any deficiencies or weaknesses identified during this review and assessment and those identified in the December 19, 2022 Report of Examination issued jointly by the FDIC and the New York State Department of Financial Services (**2022 S&S ROE**), and the January 18, 2023 Consumer Compliance Report of Examination issued by the FDIC (**2023 CC ROE**, collectively, **ROEs**) related to the Board's supervision and oversight of the Bank.

B. Corrective Action. The Board must also ensure that the Board and the Bank take all steps necessary, consistent with other provisions of this Order, and safe and sound banking

practices to:

1. *Banking Practices, Violations, and Nonconformance.* Eliminate or correct, and prevent the unsafe or unsound banking practices, the violations of law or regulation, and nonconformance with Part 364 identified in the ROEs and establish and maintain Bank Procedures to eliminate or correct, and prevent any unsafe or unsound banking practices, violations of law or regulation, or nonconformance with Part 364 identified in future reports of examination or visitation reports;
2. *Deficiencies and Weaknesses.* Appropriately address the deficiencies and weaknesses identified in the ROEs and establish Bank Procedures to appropriately address any deficiencies or weaknesses identified in future reports of examination or visitation reports; and
3. *Order Compliance.* Fully comply with the provisions of this Order in a timely manner.

II. Data and Systems

A. Data and Systems Review. Within 90 days from the effective date of this Order, the Board must ensure that:

1. *Review and Assessment.* The data, documents, records and/or any other information, in any medium or form (collectively, **Data**), used either directly or indirectly by the Bank in connection with its operations, and/or related to any Bank Activity or Third-Party Relationship, and the networks, systems, models, or other information resource (collectively, **Systems**), are reviewed and assessed (**Data and Systems Assessment**), and that the Data and Systems Assessment, at a minimum, includes:

- (a) a review of the Data, including its mapping or use in a System, pertaining to each Bank Activity, Third-Party Relationship, and Bank System, and an assessment

of whether the Data appropriately enables the Bank to operate and conduct Bank Activities in a safe and sound manner and to determine whether Bank Activities, Third-Party Relationships, and Bank Systems comply with Applicable Laws & Regulations and to effectively monitor such compliance; and

(b) a review of the Systems used by the Bank to comply with Applicable Laws & Regulations, including the EFTA, TISA, and the reporting of suspicious activity and the filing of BSA Reports; and an assessment of whether the Systems appropriately enable the Bank to operate and conduct Bank Activities in a safe and sound manner and in compliance with Applicable Laws & Regulations including the EFTA, TISA, and the reporting of suspicious activity and the filing of BSA Reports, with appropriate validation of such Bank Systems to do so; and

2. *Data and Systems Report.* A written report reflecting the findings of the Data and System Assessment with a detailed schedule and description of any deficiencies, weaknesses, issues and/or concerns identified during the assessment, including those identified in the ROEs (**Data and Systems Report**) is prepared.

B. Data and Systems Action Plan. Within 120 days from the effective date of this Order, the Board must ensure that Bank has developed a written plan of action (**Data and Systems Action Plan**) appropriately addressing each deficiency, weaknesses, issue or concern identified in the Data and Systems Report with a time frame for completing each action. The Data and Systems Action Plan must be submitted to the Regional Director of the FDIC's New York Regional Office (**Regional Director**) for review, and comment or non-objection in accordance with Paragraph XI of this Order. The Data and Systems Report and the Data and Systems Action Plan must be provided to Internal Audit promptly after receipt of the Regional

Director's non-objection.

III. Third-Party Relationships

The Board must ensure that the Bank's Procedures, Data, and Systems related to Third-Party Relationships and Bank Activities conducted through Third-Party Relationships (collectively, **TPR Program**), include clear lines of authority and responsibility for monitoring adherence to applicable Bank Procedures, effective risk assessment with appropriate consideration and coordination with each of the other Risk Assessments, as defined below, timely and accurate reporting, and the development of Procedures to ensure compliance with Applicable Laws & Regulations, and satisfactory monitoring of implementation and adherence to Bank Procedures and Applicable Laws & Regulations. The TPR Program must also, at a minimum, require:

A. Third-Party Relationship Review and Assessment. Within 120 days from the effective date of this Order, the Board must ensure that the Bank has reviewed and assessed whether the components of the TPR Program listed below are appropriate for the size of the Bank, and the nature, scope, complexity, and risk of the Bank's Third-Party Relationships and related Bank Activities, and satisfactorily ensures that these Bank Activities are conducted in a safe and sound manner and in compliance with Applicable Laws & Regulations (**TPR Assessment**). The Board must also ensure that a written report reflecting the findings of the TRP Assessment is prepared at its conclusion with a detailed schedule and description of any deficiencies, weaknesses, issues, and/or concerns identified during the TPR Assessment, including those identified in the ROEs (**TPR Report**). The TPR Assessment must, at a minimum, include the following:

1. *Due Diligence*. A review of the Bank's due diligence Procedures for

proposed new Third-Party Relationships and on-going due diligence of existing Third-Party Relationships and an assessment of whether these Bank Procedures appropriately require, at a minimum:

(a) the collection of sufficient Data about the Third-Party Relationship, including the nature of the business arrangement and any associated Bank Activities or proposed new Bank Activities and the anticipated volume of these Bank Activities, to appropriately assess associated risk and the Third-Party Relationship's ability to comply with Bank Procedures, and Applicable Laws & Regulations, including the existence and adequacy of the programs the Third-Party Relationship has or will establish to ensure compliance with Bank Procedures, and Applicable Laws & Regulations while conducting Bank Activities, including monitoring and testing of compliance with Bank Procedures, and Applicable Laws & Regulations, and training related to compliance with Bank Procedures, and Applicable Laws & Regulations;

(b) comprehensive, thorough, well-supported, and consistently applied initial and then periodic risk assessments of Third-Party Relationships (**TPR Risk Assessment**) that appropriately consider all risks assessed in the Bank's risk assessment required by the ERM Policy (**ERM Risk Assessment**), the CC Risk Assessment, as defined below, and the AML/CFT Risk Assessment, as defined below, (collectively, **Risk Assessments**);

(c) identification and detailed description of the action(s) necessary to satisfactorily mitigate any identified risks and ensure the Third-Party Relationship's compliance with Bank Procedures and Applicable Laws & Regulations;

(d) identification and description of the processes necessary for the appropriate ongoing oversight, monitoring and testing of the Third-Party Relationship for

compliance with Bank Procedures, and Applicable Laws & Regulations and for appropriately addressing and preventing any non-compliance; and

(e) a written assessment and recommendation be submitted to the Board for approval regarding whether the Third-Party Relationship meets or continues to meet the Bank's due diligence standards and whether the Bank should proceed with adding or maintaining the Third-Party Relationship, and that no new Third-Party Relationship be entered into or action taken to extend or renew a Third-Party Relationship without the prior written approval of the Board;

2. *Written Agreement.* A review of the Bank's Procedures for proposed new Third-Party Relationships and the renewal and/or extension of existing Third-Party Relationships, and an assessment of whether these Bank Procedures appropriately require a written agreement that is sufficiently detailed with respect to assigned duties and responsibilities and includes appropriate performance metrics and standards, and provides for the collection, maintenance, and timely access to all Data necessary to assess, monitor, and test for compliance with the written agreement, Bank Procedures, and Applicable Laws & Regulations to the Bank and appropriate federal and state regulatory agencies;

3. *Oversight, Monitoring, and Testing.* A review of the Bank's Procedures for oversight, monitoring, and testing of Third-Party Relationships, and an assessment of whether these Bank Procedures satisfactorily enable the Bank to assess the Third-Party Relationship's compliance with Bank Procedures, Applicable Laws & Regulations, and its agreement(s) with the Bank;

4. *Data, Systems, and Reporting.* A review of the Bank's Data recordkeeping Systems and reporting Procedures regarding Third-Party Relationships,

appropriately considering the findings of the Data and Systems Report and the requirements of the Data and Systems Action Plan, and an assessment of whether these Bank Procedures appropriately require, at a minimum:

(a) the collection and maintenance of sufficiently detailed descriptions of the Bank Activities conducted through each Third-Party Relationship and noting the Applicable Laws & Regulations pertaining to those Bank Activities;

(b) adequate and accurate recordkeeping Systems; and

(c) satisfactory reporting regarding Third-Party Relationship due diligence, oversight, monitoring, and testing of compliance with Bank Procedures, Applicable Laws & Regulations and its agreement(s) with the Bank; and

5. *Recommendation and Approval.* A review of the Bank's Procedures for recommending and approving proposed new Third-Party Relationships and renewing or extending existing Third-Party Relationships, and an assessment of whether these Bank Procedures appropriately require, at a minimum:

(a) a written and well-supported summary of the due diligence results with a recommendation on whether the Bank should proceed with executing a binding commitment or agreement with the proposed new Third-Party Relationship to be submitted to the Board for approval; and

(b) written approval from the Board to enter into any binding commitment or agreement with a Third-Party Relationship.

B. TPR Action Plan. Within 150 days from the effective date of this Order, the Board must ensure that the Bank has developed a written plan of action (**TPR Action Plan**) appropriately addressing each deficiency, weakness, issue, or concern identified in the TPR

Report with a time frame for completing each action. The TPR Action Plan must be submitted to the Regional Director for review, and comment or non-objection in accordance with Paragraph XI.

IV. AML/CFT

The Board must ensure that the Bank's written AML/CFT Program is reasonably designed to assure and monitor the Bank's compliance with the BSA. At a minimum, the AML/CFT Program must (i) be commensurate with the Bank's money laundering (ML), terrorist financing (TF), and other illicit financial activity risk profile (collectively, **ML/TF Risk Profile**); (ii) address the BSA related deficiencies and weaknesses identified in the 2022 S&S ROE; (iii) comply with the requirements of this Order; (iv) include Procedures for monitoring the performance of and the Bank's adherence to the AML/CFT Program and documenting, tracking, and reporting such performance and adherence; and (v) include Procedures for periodically reviewing and revising the AML/CFT Program to ensure that it is and continues to be reasonably designed to assure and monitor the Bank's compliance with the BSA.

A. ML/TF Risk Assessment. The Board must ensure that:

1. *Procedures*. Within 120 days from the effective date of this Order, appropriate Procedures regarding the assessment of ML, TF, and other illicit financial activity risks (collectively, **ML/TF Risk Assessment**) and the frequency of ML/TF Risk Assessments are implemented by the Bank. These Bank Procedures must, at a minimum, require:

(a) appropriate consideration and coordination with each of the other Risk Assessments and that appropriate adjustments be made to each of the other Risk Assessments to reflect any changes made to the Bank's ML/TF Risk Profile and/or ML/TF Risk Assessment;

- (b) the reassessment of the Bank's ML/TF Risk Profile when appropriate;
- (c) the development, adoption, and implementation of appropriate risk-mitigation strategies using current Data; and
- (d) satisfactory documentation and analysis supporting the resulting ML/TF Risk Assessment;

2. *Assessment.* Within 150 days from the effective date of this Order, the ML/TF Risk Assessment accurately reflects the Bank's ML/TF Risk Profile. The ML/TF Risk Assessment must, at a minimum:

- (a) appropriately consider all pertinent information including each of the other Risk Assessments, Bank Activities, Third-Party Relationships, customers, transactions, and geographic locations;
- (b) include a detailed qualitative and quantitative written analysis of the risks of ML, TF, and other illicit financial activity (collectively, **ML/TF Risks**) within each identified category;
- (c) include the appropriate risk-mitigating strategies for the ML/TF Risks identified in the ML/TF Risk Assessment that will be implemented; and
- (d) ensure adjustments are made to each of the other Risk Assessments to appropriately incorporate and reflect any changes in the Bank's ML/TF Risk Profile and/or ML/TF Risk Assessment.

B. System of AML/CFT Internal Controls. The Board must ensure that, within 180 days from the effective date of this Order, the Bank has a system of internal controls in place that assures and monitors compliance with the BSA (**AML/CFT Internal Controls**).

The AML/CFT Internal Controls must appropriately consider the Bank's size, organizational structure and complexity; the current and anticipated number of Bank Activities and their respective complexity, scope, and volumes; the current and anticipated number of Third-Party Relationships and their complexity and scope; ML/TF Risk Assessment; and ML/TF Risk Profile. The AML/CFT Internal Controls must also, at a minimum, include satisfactory Procedures that reflect the Bank's actual practices and require:

1. *AML/CFT Resources Reviews*. The performance of an initial and then periodic risk-based reviews and assessments of the adequacy and appropriateness of the Bank's current AML/CFT related resources (**AML/CFT Resources Review**). An AML/CFT Resources Review must, at a minimum:

(a) review and appropriately consider the Bank's size and growth plans, complexity and organizational structure; the current and anticipated number of Bank Activities and their respective complexity, scope, and volumes; the current and anticipated number of Third-Party Relationships and their complexity and scope; Bank Systems; the ML/TF Risk Assessment; and the ML/TF Risk Profile;

(b) assess whether the Bank has the appropriate level and type of AML/CFT related resources to effectively mitigate ML/TF Risks and to ensure appropriate oversight and supervision of the AML/CFT Program and ensure compliance with the BSA;

(c) identify any deficiencies, including those due to employee turnover, and/or additional AML/CFT resource needs with recommendations on how they should be addressed;

(d) be documented and satisfactorily supported in a written report (**AML/CFT Resources Report**) that includes an action plan to address any identified

deficiencies and/or additional AML/CFT resource needs with timeframes for completion; and

(e) be submitted to the Compliance Committee and Internal Audit immediately upon completion.

2. *AML/CFT Reporting Reviews.* The performance of an initial and then periodic risk-based comprehensive reviews (**AML/CFT Reporting Reviews**) to:

(a) assess, appropriately taking the Data Integrity Report and Data Integrity Action Plan into account, the accuracy, completeness, and consistency of the Data used to monitor, detect, and report suspicious activity and/or identify transactions for which Currency Transaction Reports or other BSA-related reports (collectively, **BSA Reports**) are required to be filed and identify any Data related deficiencies, weaknesses or gaps;

(b) assess, appropriately taking the Data Integrity Report and Data Integrity Action Plan into account, and validate each of the Systems used by the Bank to risk rate Customers, monitor, detect, and report suspicious activity and/or identify and file BSA Reports based on the current ML/TF Risk Assessment and ML/TF Risk Profile;

(c) assess whether the Bank's System documentation and related Procedures accurately reflect the rules, thresholds and scenarios in use and are appropriately supported; and

(d) assess whether decisions to adjust or not adjust Bank System parameters resulting from an AML/CFT Reporting Review are appropriately documented and supported.

AML/CFT Reporting Reviews must be documented and satisfactorily supported in a written report (**AML/CFT Reporting Review Report**) that includes an action plan to address any identified deficiencies or weaknesses with timeframes for completion. AML/CFT

Reporting Review Reports must be submitted to the Compliance Committee and Internal Audit immediately upon completion.

3. *Suspicious Activity.* The review and appropriate revision of Bank's Procedures and Systems for monitoring, detecting, and reporting suspicious activity to, at a minimum:

(a) ensure the timely detection, investigation, and reporting of suspicious activity with the filing of accurate and complete suspicious activity reports (**SARs**);

(b) address all stages of suspicious activity monitoring, including alert reviews, investigations, requests for information, case reviews, escalations, case closings, the filing of SARs, and SAR follow-ups and be comprehensive, clear, and consistent; and

(c) require appropriate levels of documentation, analysis, and support for each stage of the suspicious activity monitoring and reporting process.

4. *Customer Due Diligence.* The review and appropriate revision of the Bank's due diligence (**CDD**) Procedures for new and existing customers, including Third-Party Relationships as applicable, (**Customers**) to, at a minimum:

(a) ensure consistency with the ML/TF Risk Profile and ML/TF Risk Assessment and require an increased focus on Customers identified by the Bank as posing a heightened risk of ML, TF, or other illicit financial activities;

(b) establish a standardized methodology designed to ensure the risk level of the Bank's Customers is appropriately identified and assessed based on the potential for ML, TF, or other illicit financial activity posed by the Customer's activities, with appropriate consideration given to the nature and purpose of the account, including the anticipated type and volume of account activity, types of products and services offered, and locations and markets

served by the Customer;

(c) ensure the Bank has sufficient Data to understand the nature and purpose of Customer relationships for purposes of developing a Customer Risk Profile and address the means by which Data will be requested and collected from Customers;

(d) ensure an appropriate level of ongoing monitoring commensurate with Customer Risk Profiles to ensure that the Bank can accurately identify those Customers the Bank has reason to believe pose a heightened risk of ML, TF, or other illicit financial activities and require additional due diligence;

(e) establish when, what, and how additional Data will be collected for Customers the Bank has identified as posing a heightened risk of ML, TF, or other illicit financial activities, taking into account the Customer Risk Profile and the specific risks posed by the Customer;

(f) establish whether and when Customer Data, including Data regarding the beneficial owner(s) of legal entity Customers, should be updated to ensure it is current and accurate;

(g) establish standards for conducting and documenting analysis associated with the due diligence process, including guidance for resolving issues when insufficient or inaccurate Data is obtained;

(h) establish specific staff responsibilities, including who is responsible for requesting and collecting Data from account officers and/or customers, determining whether collected Customer Data is sufficient, and reviewing and/or authorizing changes to Customer Risk Profiles and/or CDD information; and

(i) establish processes to appropriately address any backlogs and

better ensure the timely identification and accurate reporting of known or suspected criminal violation of federal law or a suspicious transaction related to a money laundering activity or a violation of the BSA, as required by the suspicious activity reporting provisions of 12 C.F.R. part 353.

C. AML/CFT Independent Testing. Within 150 days from the effective date of this Order, the Board must ensure the Bank has implemented Procedures for the independent testing of the AML/CFT Program and the Bank's compliance with the BSA (**AML/CFT Independent Testing Procedures**) that, at a minimum, require:

1. *AML/CFT Program Evaluation*. The evaluation of the overall adequacy and effectiveness of the AML/CFT Program, including Bank Procedures, and whether the Board, Bank management, staff, agents, and consultants satisfactorily adhere to the AML/CFT Program;
2. *AML/CFT Risk Assessment and Profile Review*. A review of the ML/TF Risk Assessment and ML/TF Profile;
3. *Transaction Testing*. Appropriate risk-based transaction testing to verify the Bank's compliance with the BSA;
4. *Management Evaluation*. An evaluation of Bank management's efforts to resolve apparent violations and deficiencies noted in previous audits and regulatory examinations;
5. *AML/CFT Training Program Review*. A review of the AML/CFT Training Program, defined below, for completeness and effectiveness;
6. *Systems and Data Assessment*. An assessment of the quality, completeness, reliability, and accuracy of AML/CFT Program Systems and Data;
7. *Suspicious Activity Reporting Assessment*. An assessment of the

effectiveness of the Bank’s identification and reporting of suspicious activity, including a review of SAR-related documentation to determine its accuracy, timeliness, and completeness;

8. *Testing Documentation Assessment.* An assessment of the documentation prepared in connection with the scope of the testing procedures performed, each step of the testing process, including the escalation and exclusion process for issues or concerns, and whether they include appropriately detailed descriptions and are satisfactory supported by workpapers that have undergone an appropriate quality assurance review; and

9. *AML/CFT Audit Report.* Preparation of a report reflecting the results of the testing (**AML/CFT Audit Report**) that, at a minimum:

- (a) includes a root cause analysis for each identified issue or concern;
- (b) indicates whether the identified issue or concern is new or was previously identified;
- (c) reflects the employee(s) or business line responsible for the identified issue or concern;
- (d) summarizes management’s response to the identified issue or concern noting concurrence or disagreement with the finding, an explanation for the existence of the issue or concern, and management’s plans for and timing of remediation of the issue or concern; and
- (e) require the submission of AML/CFT Audit Reports to the Audit Committee and the Compliance Committee immediately upon completion.

D. AML/CFT Officer. The Board must ensure that the Bank has a designated individual or individuals (**AML/CFT Officer**) with qualifications commensurate with the ML/TF Risk Assessment, ML/TF Risk Profile, size, and complexity of the Bank, Bank

Activities, and Third-Party Relationships. The AML/CFT Officer must have sufficient delegated authority and requisite skills and ability to effectively coordinate and monitor day-to-day compliance, and administer all aspects of the AML/CFT Program, including the Bank's compliance with the BSA. Within 120 days of the effective date of this Order, the Board must, at a minimum, ensure that the Bank has:

1. *Designated AML/CFT Officer.* A designated AML/CFT Officer with the appropriate qualifications and skills and sufficient delegated authority to effectively coordinate, monitor, and ensure the Bank's compliance with the BSA;

2. *Reporting Procedures.* Procedures requiring the AML/CFT Officer to report directly to the Board or the Compliance Committee with regard to all matters related to the BSA; and

3. *AML/CFT Action Plan Procedures.* Procedures requiring the AML/CFT Officer to periodically prepare and submit an action plan to address and correct all identified AML/CFT Program weaknesses and deficiencies (**AML/CFT Action Plan**) to the Compliance Committee and to Internal Audit. The AML/CFT Action Plan must, at a minimum:

(a) list and describe in detail all identified weaknesses and deficiencies;

(b) establish and describe in detail the means by which each identified weakness and deficiency will be addressed and corrected;

(c) identify the parties responsible for implementing corrective action;

(d) establish a timeframe for executing and completing each corrective action;

(e) provide the status of any weakness or deficiency where corrective

action has not been completed; and

(f) establish the manner and process for testing the corrective action once completed to ensure it appropriately addressed the identified weakness or deficiency; and

4. *AML/CFT Consultant Procedures.* Procedures regarding the retention, use, and oversight of agents, consultants, or other third parties and their respective staffs for AML/CFT related services (**AML/CFT Consultants**) that require, at a minimum:

(a) appropriate written agreements or contracts with the AML/CFT Consultants clearly establishing the services to be provided and/or work to be performed with appropriate qualification and performance standards and metrics along with timelines for completion; and

(b) appropriate monitoring of AML/CFT Consultants while providing services and/or performing assigned work and review of the services and/or work to ensure established timelines, and qualification and performance standards and metrics were met.

E. AML/CFT Training. The Board must ensure all appropriate personnel are aware of, and can comply with, the requirements of the BSA applicable to the individual's specific duties and responsibilities to assure the Bank's compliance with the BSA and ensure that the Bank implements effective training for the Board, Bank management, staff with assigned duties under the AML/CFT Program, and other Bank staff (collectively, **Bank Personnel**) regarding the BSA generally and with respect to the compliance of Bank Activities and Bank Procedures with the BSA (**AML/CFT Training Program**) within 90 days from the effective date of this Order. The AML/CFT Training Program must, at a minimum:

1. *Tailored Training.* Ensure training is tailored to address the specific duties and responsibilities of the Bank Personnel for which the training is being provided;

2. *Initial and Periodic Training.* Require initial and periodic tailored training, updated as appropriate; and

3. *Documentation.* Require full documentation of the AML/CFT Training Program and its implementation including type of training, training materials, dates of the training sessions, and attendance records.

V. Look Back Reviews

A. Engagement and Reports. Within 30 days from the effective date of this Order, the Bank must submit proposed engagement letters or contracts for review and non-objection to retain one or more qualified firms acceptable to the Regional Director to conduct a review of:

1. *BSA Look Back Review.* All accounts and transaction activity for the time period beginning September 30, 2022, through the effective date of this Order to determine whether reportable transactions and suspicious activity involving any accounts or transactions within or through the Bank were properly identified and reported in accordance with the applicable reporting requirements (**BSA Look Back Review**); and

2. *EFTA Look Back Review.* All EFTA error disputes submitted by Consumers for the time period beginning August 24, 2020 through the effective date of this Order to determine whether such disputes were appropriately logged and processed in accordance with the EFTA (**EFTA Look Back Review**).

The engagement letter(s) or contract(s) must, at a minimum, (i) describe the work to be performed under the engagement letter or contract with a written protocol of such work; (ii) provide for unrestricted access to work papers of the third party by the FDIC; and (iii) require that the BSA Look Back Review and the EFTA Look Back Review be completed and summarized in written reports reflecting the findings of the BSA Look Back Review (**BSA Look**

Back Report) and the findings of the EFTA Look Back Review (**EFTA Look Back Report**) and delivered to the Compliance Committee within 180 days of the Regional Director's non-objection to the proposed engagement letter(s) or contract(s).

B. Filings and Action Plan. The Board must ensure:

1. *BSA Look Back Filings*. The Bank prepares and files any additional SARs and BSA Reports necessary based upon the BSA Look Back Review and BSA Look Back Report and provide a schedule of the BSA Identification Numbers assigned to them by Financial Crime Enforcement Network to the Regional Director within 60 days of the delivery of the BSA Look Back Report; and

2. *EFTA Look Back Action Plan*. The Bank prepares and submits an action plan to the Regional Director to satisfactorily address any logging or processing deficiencies identified in the EFTA Look Back Report within 60 days of the delivery of the EFTA Look Back Report.

VI. Consumer Compliance

A. General Requirements: Within 120 days of the effective date of this Order, the Board must ensure that Bank's program to ensure compliance with applicable Consumer-related laws and regulations (**CC Program**) is reviewed and appropriately enhanced to, at a minimum, (i) appropriately address the deficiencies and weaknesses identified in the 2023 CC ROE; (ii) be commensurate with the nature, scope, and complexity of the Consumer compliance risk associated with Bank Activities conducted through and/or performed by Third-Party Relationships (**CC Risk**); and (iii) ensure the Bank's proactive and effective compliance with all applicable Consumer-related laws and regulations (**Consumer Laws & Regulations**). The Board must ensure that the CC Program appropriately takes into account and is consistent with

all other requirements of this Order, includes satisfactory Procedures for each CC Program component listed below, and is reviewed and appropriately revised periodically on a risk basis, but not less than annually.

B. CC Risk Assessments. The Board must ensure that:

1. *Procedures*: Within 90 days from the effective date of this Order, the Bank has implemented appropriate Procedures for the assessment of CC Risk (**CC Risk Assessments**) and their timing. These Bank Procedures must, at a minimum, require:

(a) appropriate action to address the deficiencies and weaknesses identified in the 2023 CC ROE related to CC Risk Assessments;

(b) appropriate consideration of the other Risk Assessments and all other pertinent information available, including prior CC Risk Assessments; audit findings, internal or external, regarding any Third-Party Relationship, including the adequacy of Third-Party Relationship's compliance program, any application programming interface and/or processor used to conduct or perform the Bank Activity by and/or through the Third-Party Relationship; the specific features of the Bank Activity; actual or anticipated transaction volumes; complaint data; and changes in Consumer Laws & Regulations and/or the Bank Activities conducted by and/or performed through a Third-Party Relationship;

(c) preparation of detailed and well-documented analyses supporting the CC Risk Assessments that effectively and accurately identify and measure the risk of non-compliance with Consumer Laws & Regulations, and the risk of associated harm to the end user related to each Bank Activity conducted by and/or performed through a Third-Party Relationship;

(d) CC Risk levels be accurately identified using a consistent scoring

methodology;

(e) the assessment of all proposed new Third-Party Relationships, and any proposed new Bank Activities to be conducted by and/or performed through a Third-Party Relationship, to identify CC Risks prior to entering into a contractual relationship in connection with the new Third-Party Relationship and/or conducting or performing a new Bank Activity, and periodic reassessment of Third-Party Relationships conducting and/or performing Bank Activities, at least annually, and when changes are made to Consumer Laws & Regulations or the Bank's Procedures, with timeframes and tracking mechanisms to assure timely completion;

(f) implementation of appropriate risk-mitigating strategies for CC Risks identified in the CC Risk Assessments;

(g) prompt delivery of each CC Risk Assessment to the Board, and/or appropriate Board committees, and Internal Audit; and

(h) adjustments be made to the other Risk Assessments to appropriately incorporate and reflect any changes made to CC Risk Assessments; and

2. *Assessment:* Within 120 days from the effective date of this Order, the Bank must complete a CC Risk Assessment for each Third-Party Relationship conducting and/or performing a Bank Activity. These CC Risk Assessments must be conducted in accordance with the Bank Procedures implemented as a result of the requirements in the preceding subparagraph. CC Risks Assessment must be submitted to the Compliance Committee for review immediately upon completion, and must be provided to Internal Audit after approved by the Compliance Committee.

C. Training. Within 60 days of the effective date of this Order, the Board must ensure that the Bank has implemented Procedures requiring appropriate training regarding the

oversight of Third-Party Relationships conducting and/or performing Bank Activities to ensure compliance with Consumer Laws & Regulations (**CC Training**) for all members of the Board, including training on the Board's and the Bank's role in identifying and mitigating the risk of non-compliance with Consumer Laws & Regulations by Third-Party Relationships conducting and/or performing Bank Activities; and any managers, Internal Audit personnel, and other personnel, including employees of third parties, with roles and responsibilities related to or involving compliance with Consumer Laws & Regulations by Third-Party Relationships conducting and/or performing Bank Activities (**Trainee or Trainees**). The Bank Procedures related to CC Training must, at a minimum, require:

1. *Address Deficiencies and Weaknesses.* Appropriate action to address the deficiencies and weaknesses identified in the 2023 CC ROE pertaining to training;

2. *Tailored Training.* Training designed to be commensurate with the Trainee's respective duties and responsibilities with respect to CC Risk Assessments and to enable the Trainee to satisfactorily fulfill their role(s) and responsibilities, including those related to due diligence, oversight, and monitoring of Third-Party Relationships, with respect to ensuring compliance with Consumer Laws & Regulations, including EFTA and TISA; and

3. *Updated Training.* Prompt and appropriate updating and provision of CC Training to affected Trainees regarding any changes involving Bank Activities, Third-Party Relationships, Consumer Laws & Regulations, and/or Bank Procedures related to Third-Party Relationships conducting and/or performing Bank Activities.

D. CC Monitoring and Testing. Within 90 days of the effective date of this Order, the Board must ensure the Bank has implemented Procedures providing for the satisfactory monitoring and testing of Bank Activities conducted through or performed by a Third-Party

Relationship for compliance with Consumer Laws & Regulations, including EFTA and TISA, **(CC Monitoring and Testing)**. The Bank Procedures related to CC Monitoring and Testing must, at minimum;

1. *Address Deficiencies and Weaknesses.* Appropriately address the deficiencies and weaknesses identified in the 2023 CC ROE pertaining to monitoring and testing;
2. *Identified Risks.* Appropriately monitor and transaction test identified risks, including those identified in CC Risk Assessments; audit reports, whether issued by Internal Audit or an auditor associated with a Third-Party Relationship; reports prepared relating to a Third-Party Relationship's compliance with Consumer Laws & Regulations; or any other analyses and reviews related to such compliance;
3. require an assessment of the adequacy of any related mitigation efforts and recommendations for any additional or enhanced mitigation as appropriate;
4. *Transaction Testing.* Ensure comprehensive transaction testing for compliance of Third-Party Relationships conducting and/or performing Bank Activities with Consumer Laws & Regulations with appropriate frequency, coverage and scope, taking into account the complexity, risk profile, and transaction volume relating to each Third Party Relationship, the specific risks posed by the Bank Activity, the adequacy of the Third-Party Relationship's compliance program, and the nature of the end-users of the Bank Activity;
5. *Disclosures, Statements, and Other Communications.* Require monitoring, transaction testing, and validation of all disclosures, periodic statements, and other communications, including oral communications, made through or issued by a Third-Party Relationship related to Bank Activities to ensure compliance with Consumer Laws & Regulations, including EFTA and TISA;

6. *Detection of Non-Compliance.* Detect non-compliance with Consumer Laws & Regulations, including EFTA and TISA, by Third-Party Relationships conducting and/or performing Bank Activities, identify the deficiencies, weaknesses, and/or root causes in the CMS or CC Program for any such non-compliance, and recommend corrective and preventive action to address such deficiencies, weakness, and/or root causes;

7. *Identification of Consumer Harm.* Identify any harm to Consumers resulting from apparent non-compliance with Consumer Laws & Regulations, including EFTA and TISA, by Third-Party Relationships conducting and/or performing Bank Activities, recommend appropriate remedial action to address such harm, and monitor completion of any such remedial action; and

8. *Third-Party CC Monitoring and Testing Reports.* Require the preparation and issuance of an initial and then periodic risk-based, but in no event less than annual, written reports for each Bank Activity conducted through or performed by a Third-Party Relationship analyzing the monitoring and testing data and results (Third-Party CC Monitoring and Testing Reports). Third-Party CC Monitoring and Testing Reports must be submitted to the Compliance Committee for review immediately upon completion, and be provided to Internal Audit after approved by the Compliance Committee. Third-Party CC Monitoring and Testing Reports must, at a minimum, include:

(a) a detailed description of the scope of the monitoring and testing conducted;

(b) detailed description of any identified violations of Consumer Laws or Regulations, including EFTA and TISA;

(c) a detailed description of the actions taken to correct and prevent

reoccurrences of such violations; and

(d) a detailed summary regarding any remedial action taken or to be taken to address any violations of law or regulation identified and if no remedial action has been or will be taken, a detailed explanation of why remedial action is not necessary.

E. Resources. Within 60 days from the effective date of this Order, the Board must ensure the Bank has implemented Procedures that, at a minimum, appropriately address the deficiencies and weaknesses identified in the 2023 CC ROE pertaining to the Bank's Consumer compliance staffing, and require regular assessment of whether the type and number of managers and staff for ensuring compliance with Consumer Laws & Regulations (**CC Personnel**) and existing non-staff resources are adequate, and whether any additional CC Personnel or non-staff resources are necessary to ensure compliance with Consumer Laws & Regulations, including EFTA and TISA, for all Bank Activities and Third-Party Relationships and appropriately and timely address identified deficiencies and weaknesses, including those identified in supervisory communications, internal or external audit communications, or otherwise coming to the attention of the Board and/or management, related to compliance with Consumer Laws & Regulations, including EFTA and TISA.

F. Audit Function. Within 60 days from the effective date of this Order, the Board must ensure the Bank has implemented audit Procedures with respect to the compliance of Bank Activities conducted through and/or performed by a Third-Party Relationships for compliance with Consumer Laws & Regulations, including EFTA and TISA, (**CC Third-Party Relationship Audit Procedures**) that, at a minimum, appropriately address the deficiencies and weaknesses identified in the 2023 CC ROE pertaining to Internal Audit, and assure:

1. *Staffing*. The audit function and staffing is appropriate for the size of the

Bank and the nature, scope, complexity, and risk of Bank Activities conducted through and/or performed by Third-Party Relationships;

2. *Structure.* Audits are appropriate in number, scope, coverage, and frequency, and include all aspects of the Bank's CMS and/or CC Program, and compliance with Consumer Laws & Regulations, including EFTA and TISA;

3. *Documentation.* Audit documentation clearly describing audit scope;

4. *Considerations.* Audits appropriately consider available Risk Assessments and any changes to Consumer Laws & Regulations, including EFTA and TISA;

5. *Assessments.* Audits appropriately assess the implementation of and adherence to any Board adopted action plans and Procedures related to the compliance of Third-Party Relationships conducting and/or performing Bank Activities compliance with Consumer Laws & Regulations, including EFTA and TISA; and

6. *Monitoring and Oversight.* Appropriate Board and Board committee monitoring and oversight of Internal Audit, including the critical evaluation of the effectiveness, implementation and adherence to the CC Audit Procedures.

VII. Funds Management

Within 45 days from the effective date of this Order, the Board must ensure that the Bank's funds management and contingency funding Procedures and plans (collectively, **Funds Management Program**) are appropriately revised and submitted to the Regional Director for review, and comment or non-objection in accordance with Paragraph XI of this Order. The Funds Management Program must, consistent with safe and sound banking practices, and appropriately taking into account the other requirements of this Order, at a minimum, satisfactorily (i) address the deficiencies and weaknesses identified in the 2022 S&S ROE; (ii)

identify and document the liquidity risks arising from the Bank's key funding sources, Bank Activities, Third-Party Relationships, and any related concentrations; (iii) include a detailed and well-supported statement and analysis of the Bank's short-term and long-term liquidity needs and plans, including the retention of highly liquid assets in appropriate amounts, for ensuring that such needs are met appropriately taking into account available funding sources, liquidity risks, and the Bank's strategic objectives; (iv) provide for a periodic risk-based review of the Bank's deposit structure identifying any concentrations, and provide a detailed description of the Bank's strategy for reducing any identified concentrations; (v) require the performance of scenario-based liquidity stress tests relating to the bank-specific stresses, market-wide stresses, and a combination of both; (vi) establish, and satisfactorily support, early warning indicators designed to recognize potential stress events and initiate contingency funding plans; (vii) establish, and satisfactorily support, a minimum liquidity ratio based on stress-testing results clearly defining how the ratio is to be calculated; (viii) establish a contingency funding plan with alternative plans to meet liquidity needs and clearly identify projected contingent funding sources and include the amount, ability, and speed of access for each; and (ix) require periodic risk-based reviews and updating of the Funds Management Program.

VIII. Strategic Plan

Within 60 days from the effective date of this Order and then no later than December 15 of each calendar year thereafter, the Board must revise and submit the Bank's written three-year strategic plan (**Strategic Plan**) to the Regional Director for review, and comment or non-objection in accordance with Paragraph XI of this Order. The Strategic Plan must, consistent with safe and sound banking practices, and appropriately taking into account the other requirements of this Order, at a minimum, satisfactorily (i) address the deficiencies and

weaknesses related to earnings, liquidity, IRR exposure, capital, growth, and concentrations identified in the 2022 S&S ROE; (ii) assess the Bank's current financial condition, market area, and capital needs taking into account stress testing results, and current and projected assets, liabilities, earnings, Bank Activities, Third-Party Relationships, capital distributions, and concentrations; (iii) establish specific goals and measurable performance metrics for managing earnings, liquidity, IRR exposure, growth, concentrations and ensuring capital is commensurate with the size, financial condition, operations, and strategic objectives of the Bank, the nature, scope, complexity, and risk of Bank Activities and Third-Party Relationships, and projected capital distributions; (iv) establish risk-based growth and concentration limits and parameters justified by well-supported analysis; (v) establish minimum capital levels supported by well-documented analysis identifying the primary and contingent sources of capital through which the Bank will meet its capital needs with triggers for the contingent sources and plans for sale, merger, or liquidation in the event primary and contingent sources of capital are not available or insufficient to maintain established minimum capital levels; (vi) include a comprehensive operating budget addressing all categories of income and expense with formal goals and strategies with a detailed description of the operating assumptions forming the basis for major projected income and expense components; (vii) establish pricing policies and asset/liability management strategies supported by well-documented analysis; (viii) include pro forma statements for asset growth and earnings for each of three years covered by the Strategic Plan; (ix) require periodic evaluations of actual performance in relation to the Strategic Plan, document the results of the evaluation and detail any action to be taken as a result of the evaluation, and provide them to the Compliance Committee and Internal Audit; and (x) require periodic risk-based reviews and appropriate update of the Strategic Plan.

IX. Interest Rate Risk

Within 90 days from the effective date of this Order, the Board must ensure the Bank appropriately revises and has adopted an interest rate risk (**IRR**) action plan (**IRR Action Plan**). The IRR Action Plan must, consistent with safe and sound banking practices, and appropriately taking into account the other requirements of this Order, at a minimum, satisfactorily (i) address the IRR-related deficiencies and weaknesses identified in the 2022 S&S ROE; (ii) detail the actions the Bank will take to reduce its interest rate exposure to a level supported by earnings and capital and improve IRR measurement practices; (iii) establish measurable target metrics, with short- and intermediate- timeframes, and strategies to reduce the level of IRR; (iv) establish a IRR measurement and modeling System appropriate for the Bank's size, and the nature, scope, and complexity and risk of Third-Party Relationships and Bank Activities; and (v) establish Bank Procedures for monitoring and reporting risk exposures to the Board and for addressing exposures outside of established risk limits.

X. Directors' Compliance Committee

The Board must have a Compliance Committee comprised of a majority of directors who independent of management and who are not now, and have not previously been, involved in the daily operations of the Bank and are acceptable to the Regional Director. The Compliance Committee will have the responsibility of overseeing the Bank's compliance with this Order. The Compliance Committee must ensure it receives detailed monthly reports from Bank management regarding the Bank's compliance with this Order and must present a detailed written report to the Board at each regularly scheduled Board meeting regarding the Bank's compliance with this Order. This report must be recorded in the appropriate minutes of the Board meeting and retained in the Bank's records. The existence of the Compliance Committee

does not diminish the responsibility or liability of the full Board to ensure timely compliance with this Order.

XI. Non-objection, Implementation and Adherence

A. Review, Comment or Non-objection. When a provision of this Order requires the submission of a matter to the Regional Director for review, and comment or non-objection (**Submission**), the Bank will make the Submission to the Regional Director as a PDF document through the FDIC's Secure Email portal (securemail.fdic.gov) using e-mail address: NYMailRoom@fdic.gov. Within 30 days from receipt of comments from the Regional Director, the Board or Bank will make such modifications as may be necessary to respond to the Regional Director's comments and resubmit the Submission for review, and additional comments or non-objection.

B. Adoption, Implementation and Adherence. The Board will adopt any Submission, at its next regularly scheduled meeting following receipt of the Regional Director's written non-objection to such Submission. For any matter required by this Order but not requiring the written non-objection of the Regional Director, the Board must act on such matter within the timeframe required for such action in this Order. All actions must be appropriately reflected in the Board minutes. Thereafter, the Board must ensure that the Bank fully implements and adheres to the action plan, Procedure, or other matter as adopted. In the event a Submission required by this Order and adopted by the Board, or any portion thereof, is not fully implemented or adhered to, the Board must promptly, in no instance more than 30 days from the event, advise the Regional Director in writing of the specific reasons for the deviation or delay and the steps it will take to address the deviation or delay. The Regional Director may either provide a written non-objection to any such deviation or delay or require compliance with the

Submission as adopted by the Board.

XII. Progress Reports

Within 45 days of the end of each calendar quarter following the effective date of this Order, the Board must furnish to the Regional Director written progress reports detailing the form, manner, and results of any actions taken to secure compliance with this Order. All progress reports and other written responses to this Order must be reviewed and approved by the Board and be made a part of the Board minutes.

XIII. Notice to Shareholders

The Bank must provide either a copy of this Order or an accurate and complete description of all material aspects of the Order to its shareholders, in conjunction with the Bank's next shareholder communication and in conjunction with its notice or proxy statement preceding the Bank's next shareholder meeting after issuance of this Order.

XIV. Miscellaneous

The provisions of this Order do 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.

This Order is effective on the date of issuance and its provisions will remain effective and enforceable until a provision is modified, terminated, suspended, or set aside in writing by the

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

Issued Under Delegated Authority.

Dated: February 27, 2024

By: */s/*
John F. Vogel
Regional Director
New York Region
Federal Deposit Insurance Corporation