

NEW YORK STATE
DEPARTMENT OF FINANCIAL SERVICES

_____)	
In the Matter of)	ORDER ISSUED
)	UPON CONSENT
)	PURSUANT TO SECTION 39
ALMA BANK)	OF THE NEW YORK
ASTORIA, NEW YORK)	BANKING LAW
)	
_____)	

WHEREAS, in recognition of their common goals to ensure compliance with all applicable federal and state laws, rules and regulations, and the conduct of safe and sound banking operations, by ALMA BANK (the “Bank”), a New York State-chartered institution, the deposits of which are insured by the Federal Deposit Insurance Corporation (the “FDIC”), the New York State Department of Financial Services (the “Department”) and the Bank have mutually agreed to enter into this Consent Order (the “Order”) issued pursuant to Section 39 of the New York Banking Law (the “Banking Law”); and

WHEREAS, the Department conducted a joint safety and soundness examination of the Bank with the FDIC as of April 28, 2014 (“Examination”); and

WHEREAS, it has been determined that the requirements for issuance of a Consent Order under Section 39 have been satisfied; and

WHEREAS, the Examination raised noncompliance issues with the Bank Secrecy Act (the “BSA”), 31 U.S.C. Section 5311 *et seq.*, as amended by the USA Patriot Act; Section 7005 of the Banking Law, Part 11 of the General Regulations of the Superintendent, 3 N.Y.C.R.R. Part 11, Part 116 of the General Regulations of the Superintendent, 3 N.Y.C.R.R. Part 116 and Part

321 of the Superintendent's Regulations, 3 N.Y.C.R.R. Part 321, and the Regulations of the FDIC and Office of Foreign Assets Control ("OFAC"); and

WHEREAS, additional enforcement action consistent with the duties, powers and obligations of the Superintendent of Financial Services of the State of New York (the "Superintendent") may be taken as required and if necessary to address these and any other supervisory concerns of the Department with respect to the Bank; and

WHEREAS, on May 26, 2015, the Board of Directors of the Bank (the "Board"), by unanimous written consent, adopted a resolution:

1. Stipulating and consenting to the issuance of this Order on behalf of the Bank and consenting to compliance on behalf of the Bank with each and every provision of this Order;
2. Waiving any and all rights to judicial review of this Order;
3. Waiving any and all rights to challenge or contest the validity, effectiveness, terms or enforceability of the provisions of this Order.

NOW, THEREFORE, IT IS HEREBY ORDERED pursuant to Section 39 of the Banking Law that the Bank shall not engage in unsafe or unsound banking practices and not commit violations of the law and/or regulation.

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

BSA/AML OVERSIGHT

1. (a) The Board shall increase its supervision and direction of the Bank's BSA Compliance Program, assuming full responsibility for the approval of sound policies, procedures and processes, including holding meetings at least once a month, at which it shall review the Bank's compliance with this Order. The Bank's Board minutes shall document these reviews.

(b) Within 90 days of the effective date of this Order (the "Effective Date"), the Bank shall develop a written plan to ensure satisfactory Board oversight of the Bank's compliance with applicable BSA statutory and regulatory requirements ("Board Oversight Plan"). At a minimum, the Board Oversight Plan should provide for a sustainable governance framework that includes the following:

(i) Ongoing effective control and oversight of the Bank Secrecy Act/Anti-Money Laundering ("BSA/AML") and OFAC requirements;

(ii) Clearly defined roles and accountabilities regarding BSA/AML and OFAC compliance, including policies and procedures to ensure appropriate qualifications on the part of those entrusted with such responsibilities;

(iii) Adequate resources to ensure compliance with this Order and applicable regulations and requirements; and

(iv) Measures to ensure proper oversight of outsourced audit engagements.

(c) Within 30 days of completion, the Board Oversight Plan shall be submitted to the Regional Director of the Federal Deposit Insurance Corporation New York Region (the "Regional Director") and the Superintendent for non-objection or comment. Within 30 days of receipt of non-objection or comments from the Regional Director and the Superintendent, and after incorporation and adoption of any and all comments, the Board shall approve the Board Oversight Plan and record such approval in the minutes of the Board meeting. Thereafter, the Board shall implement and fully comply with the Board Oversight Plan.

(d) The Bank shall have and retain management qualified to oversee all aspects of the Bank's BSA Compliance Program, including a BSA Officer (defined herein) and an OFAC Officer (defined herein), as described in paragraphs 8 and 9 of this Order. Management shall ensure compliance with all applicable BSA laws and regulations. The BSA Officer and the OFAC Officer shall have the qualifications, authority and experience commensurate with his or her duties and responsibilities related to applicable laws and regulations.

WRITTEN BSA COMPLIANCE PROGRAM

2. (a) Within 120 days of the Effective Date, the Bank shall develop and the Board shall approve a revised, written BSA Compliance Program, including policies and procedures, which fully meets all applicable requirements of section 326.8 of the FDIC's Rules and Regulations, 12 C.F.R. § 326.8 and all applicable BSA laws and regulations, and which is designed to, among other things, ensure and maintain full compliance by the Bank with the BSA and the rules and regulations issued pursuant thereto.

(b) Within 120 days of the Effective Date, the Bank shall provide the Regional Director and the Superintendent with a copy of the revised, written BSA Compliance Program for non-objection or comment. Thereafter, the revised BSA Compliance Program shall be implemented in a manner acceptable to the Regional Director and the Superintendent, as determined at subsequent examinations and/or visitations of the Bank.

RISK ASSESSMENT

3. Within 90 days of the Effective Date, the Bank shall review and enhance its risk assessment of the Bank's operations ("Risk Assessment"), as detailed in the April 28, 2014

Report of Examination issued jointly by the FDIC and the Department (“2014 ROE”), consistent with the guidance for risk assessments set forth in the Federal Financial Institutions Examination Council’s BSA/AML Examination Manual (the “Manual”), and shall establish appropriate written policies, procedures, and processes regarding Risk Assessment. The Risk Assessment shall address all pertinent risk factors that affect the overall BSA/AML risk profile of the Bank, and ensure that risk ratings are accurate and well supported through qualitative and quantitative data. The Bank shall conduct a periodic Risk Assessment no less than annually.

BSA INTERNAL CONTROLS

4. (a) Within 120 days of the Effective Date, the Bank shall develop a system of internal controls designed to ensure full compliance with the BSA (“BSA Internal Controls”) taking into consideration the Bank’s size and risk profile, as determined by the Risk Assessment required by paragraph 3 of this Order.

(b) At a minimum, such system of BSA Internal Controls shall include policies, procedures, and processes addressing the following areas:

(i) Suspicious Activity Monitoring and Reporting: The Bank shall, taking into account its size and risk profile, develop, adopt and implement policies, procedures, processes, and systems for monitoring, detecting, and reporting suspicious activity being conducted in all areas within or through the Bank; and ensure the timely, accurate, and complete filing of Suspicious Activity Reports (“SARs”) as required by law, with an appropriate level of documentation and support for management’s decisions to file or not to file a SAR. Such policies, procedures, processes and systems should ensure that all relevant areas of the Bank are

monitored for suspicious activity, including, but not limited to: cash transactions, international and domestic wire transfers, ATM transactions, brokered deposits, non-governmental organizations and charities, subpoenaed accounts, remote deposit capture activities, and attorneys' trust accounts. Any systems the Bank plans to utilize to assist in monitoring, detecting and reporting suspicious activity shall be validated, and parameters which are established shall be supported through a documented analysis of appropriate information.

(ii) Due Diligence: The Bank shall review and enhance its customer due diligence ("CDD") policies, procedures and processes for new and existing customers to:

- a. be consistent with the guidance for CDD set forth in the Manual;
- b. operate in conjunction with its Customer Identification Program ("CIP"); and
- c. enable the Bank to predict with relative certainty the types of transactions in which a customer is likely to engage.

(iii) At a minimum, the CDD program shall provide for:

- a. a risk assessment of the customer base through an appropriate risk rating system to ensure that the risk level of the Bank's customers is accurately identified based on the potential for money laundering or other illicit activity posed by the customer's activities, with consideration given to the purpose of the account, the anticipated type and volume of account activity, types of products and services offered, and locations and markets served by the customer;

b. an appropriate level of ongoing monitoring commensurate with the risk level to ensure that the Bank can reasonably detect suspicious activity and accurately determine which customers require enhanced due diligence (“EDD”);

c. processes to obtain and analyze a sufficient level of customer information at account opening to assist and support the risk ratings assigned;

d. processes to document and support the CDD analysis, including a method to validate risk ratings assigned at account opening, and resolve issues when insufficient or inaccurate information is obtained; and

e. processes to reasonably ensure the timely identification and accurate reporting of known or suspected criminal activity, as required by the suspicious activity reporting provisions of Part 353 of the FDIC’s Rules and Regulations, 12 C.F.R. Part 353 and any other applicable laws and regulations.

(iv) Enhanced Customer Due Diligence: The Bank shall review and enhance its EDD policies, procedures and processes to conduct EDD necessary for those categories of customers the Bank has reason to believe pose a heightened risk of suspicious activity, including, but not limited to, the high-risk accounts described in the 2014 ROE. The EDD policies, procedures and processes should:

a. be consistent with the guidance for EDD set forth in the Manual;
and

b. operate in conjunction with its CIP and CDD policies, procedures and processes.

(v) At a minimum, the EDD program shall include procedures to:

a. determine the appropriate frequency for conducting ongoing reviews based on customer risk level;

b. determine the appropriate documentation necessary to conduct and support ongoing reviews and analyses in order to reasonably understand the normal and expected transactions of the customer; and

c. reasonably ensure the timely identification and accurate reporting of known or suspected criminal activity, as required by the suspicious activity reporting provisions of Part 353 of the FDIC's Rules and Regulations, 12 C.F.R. Part 353 and all applicable laws and regulations.

(vi) Within 120 days of the Effective Date, the Bank shall develop a remediation plan ("Remediation Plan") to address the CDD and EDD deficiencies identified in the 2014 ROE within the Bank's customer accounts. The Remediation Plan shall include methods to ensure that all necessary CDD and EDD is performed and documented in accordance with the relevant provisions of this paragraph.

(vii) The BSA internal control policies, procedures, processes, and practices shall operate in conjunction with each other and be consistent with the guidance for account/transaction monitoring and reporting set forth in the Manual, including arranging for the dissemination of a high-risk customer list to appropriate departments within the Bank.

(c) Within 10 days of completion, the Bank shall submit the revised internal control policies, procedures and processes and the Remediation Plan to the Regional Director and the

Superintendent for non-objection or comment. Within 30 days of receipt of non-objection or comments from the Regional Director and the Superintendent, and after incorporation and adoption of all comments, the Board shall approve the revised BSA internal control policies, procedures, processes and practices, and the Remediation Plan and record such approvals in the minutes of the Board meeting. Thereafter, the Bank shall implement and fully comply with the revised internal control policies, procedures, processes and practices, and the Remediation Plan.

OFAC INTERNAL CONTROLS

5. Within 120 days of the Effective Date, the Bank shall develop, adopt, and implement a system of internal controls designed to ensure full compliance with applicable OFAC laws and regulations, taking into consideration the recommendations contained in the 2014 ROE and in a manner consistent with the guidance for OFAC compliance in the Manual.

BSA TRAINING

6. Within 120 days of the Effective Date, the Bank shall develop, adopt and implement effective training programs designed for the Board, management and staff and their specific responsibilities for compliance with all relevant laws, regulations, and Bank policies, procedures and processes relating to the BSA and its implementing laws and regulations ("Training Program"). This Training Program shall ensure that all appropriate personnel are aware of, and can effectively comply with, the requirements of the BSA on an ongoing basis, including as they relate to high risk products and services, as described in the 2014 ROE. The Training Program shall, at a minimum, include:

- (a) an overview of the BSA for new staff along with specific training designed for their specific duties and responsibilities upon hiring;
- (b) training on the Bank's BSA policies, procedures and processes along with new rules and requirements as they arise for appropriate personnel designed to address their specific duties and responsibilities;
- (c) a requirement that the Bank fully document the training of each employee with respect to BSA policies, procedures and processes, including the designated BSA Officer; and
- (d) a requirement that training in these areas be conducted no less frequently than annually.

BSA INDEPENDENT TESTING

7. (a) Within 90 days of the Effective Date, the Bank shall establish an independent testing program for compliance with BSA rules and regulations, to be performed no less than annually, which independent testing program may be developed and written by a third party service provider. The scope of the testing procedures to be performed shall be documented in writing and approved by the Board or its designee. Testing procedures shall be consistent with the guidance for independent testing as set forth in the Manual, include the testing of high-risk products and services as described in the 2014 ROE, and, at a minimum, 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) CIP implementation;
- (v) adequacy of CDD and EDD policies, procedures, and processes and whether they comply with internal requirements;
- (vi) adherence of personnel to the Bank's BSA/AML policies, procedures, and processes;
- (vii) appropriate transaction testing, with particular emphasis on high-risk operations;
- (viii) training adequacy, including its comprehensiveness, accuracy of materials, the training schedule, and attendance tracking;
- (ix) a summary and assessment of management's efforts to resolve violations and deficiencies noted in the previous tests or audits and regulatory examinations;
- (x) an assessment of the overall process for identifying and reporting suspicious activity, including a review of filed or prepared SARs to determine their accuracy, timeliness, completeness, and effectiveness of the Bank's policies;
- (xi) the accuracy and completeness of account risk profiles; and
- (xii) the integrity and accuracy of the Bank's automated suspicious activity monitoring system.

(b) The Bank shall prepare or receive from a third party, as applicable, written reports documenting the testing results and providing recommendations for improvement. Such reports shall be presented to the Board.

DESIGNATION OF BSA OFFICER

8. Within 60 days of the Effective Date of this Order, the Bank shall submit the name, resume, biographical, financial, and conflict disclosures, completed Interagency Biographical and Financial Report (FDIC Form No. 3064-0006) (to the extent not already submitted) and any other applicable information as the Regional Director or Superintendent may request, of a qualified individual or individuals to be responsible for coordinating and monitoring day-to-day compliance with the BSA ("BSA Officer") for review and non-objection by the Regional Director and Superintendent. The BSA Officer shall:

- (a) have sufficient experience, executive authority and independence to monitor and ensure compliance with the BSA, including the ability to develop and implement BSA policies and procedures;
- (b) be responsible for determining the adequacy of the Bank's BSA staffing given its size and risk profile (based upon the Risk Assessment, as previously defined) and for supervising such staff;
- (c) report directly to the Board or the committee established pursuant to paragraph 14 of this Order;
- (d) report to the Bank's Audit Committee on a regular basis, not less than quarterly, with respect to BSA matters; and

(e) be responsible for assuring the proper and timely filing of SARs, Currency Transaction Reports (“CTRs”), Reports of International Transportation of Currency or Monetary Instruments (“CMIRs”), Reports of Foreign Bank and Financial Accounts (“FBARs”) and any other reports required by the BSA or its implementing laws or regulations.

DESIGNATION OF OFAC OFFICER

9. (a) Within 60 days of the Effective Date, the Bank shall submit the name, resume biographical, financial, and conflict disclosures, and any other information as the Regional Director or the Superintendent may request, of a qualified individual or individuals to be responsible for coordinating and monitoring day-to-day compliance with OFAC laws and regulations and the oversight of blocked funds (“OFAC Officer”) for review and non-objection by the Regional Director and the Superintendent. The OFAC Officer shall:

(i) have sufficient experience, executive authority and independence to monitor and ensure compliance with OFAC laws and regulations, including the ability to develop and implement OFAC policies and procedures;

(ii) report directly to the Board or the committee established pursuant to paragraph 14 of this Order;

(iii) report to the Bank's Audit Committee on a regular basis, not less than quarterly, with respect to OFAC matters; and

(iv) be responsible for assuring the proper and timely filing of, reports of blocked or rejected transactions with OFAC and any other reports required by OFAC laws and regulations.

(b) The designated BSA Officer and the OFAC Officer may be the same qualified individual.

BSA STAFFING

10. Within 90 days of the Effective Date, and periodically thereafter, no less than annually, the committee established pursuant to paragraph 14 of this Order shall perform a review of the Bank's BSA staffing needs to ensure adequate and appropriate resources are in place at all times. The review shall include, at a minimum, consideration of the Bank's size and growth plans, geographical areas served, products and services offered, and any changes in BSA/AML practices, rules and regulations.

REPORTS

11. The Bank shall ensure that all required reports, including CTRs, SARs, CMIRs, FBARs, and any other reports required by applicable BSA laws or regulations are completed accurately and properly filed within required timeframes.

LOOK BACK REVIEW

12. (a) Within 30 days of the Effective Date, the Bank shall engage an independent third party, acceptable to the Regional Director and the Superintendent, to conduct a review of all accounts and transaction activity for the time period beginning January 2, 2013 through the Effective Date to determine whether any suspicious activity involving any accounts or transactions within or through the Bank was properly identified and reported in accordance with the applicable suspicious activity reporting requirements ("Look Back Review").

(b) Within 10 days of the engagement, but prior to the commencement of the Look Back Review, the Bank shall submit the engagement letter to the Regional Director and the Superintendent for non-objection with respect to the scope, methodology and timing of the Look Back Review. The engagement letter submitted shall, at a minimum, include:

- (i) a description of the work to be performed under the engagement letter, the fees for each significant element of the engagement, and the aggregate fee;
- (ii) the responsibilities of the firm or individual;
- (iii) identification of the professional standards covering the work to be performed;
- (iv) identification of the specific procedures to be used when carrying out the work to be performed;
- (v) the qualifications of the employee(s) of the independent third-party who is to perform the work;
- (vi) the time frame for completion of the work, which may in no event exceed 120 days;
- (vii) any restrictions on the use of the reported findings;
- (viii) a provision for unrestricted access to work papers of the third party by the FDIC and the Department;

(ix) the independent third party's agreement to hold any information, communication or material used in its review and any reports issued as a result thereof as confidential supervisory material governed by Banking Law Section 36 (10) and to establish and maintain such safeguards as are necessary and appropriate to protect the confidentiality thereof; and

(x) a certification that the independent third party, including all individuals designated by the independent third party, is not affiliated, and has not been engaged in business, in any manner with a current or former employee of the Bank or any of its senior executive officers (as that term is defined in 12 C.F.R. § 303.101(b)) or directors (current or former) and has not had any business, investment or commercial relationship with the Bank or any affiliate of the Bank at any time over the last five years.

(c) the independent third party shall provide the Department on a weekly basis, a report on the status of its review including preliminary findings; such reporting shall continue until termination of the engagement or advised by the Department that such reporting is no longer required.

(d) Within 120 days of receipt of the Regional Director's and the Superintendent's non-objection, the third party shall provide a copy of the report detailing its Look Back Review findings, along with copies of any additional SARs and CTRs filed, to the Regional Director and the Superintendent simultaneously with its delivery of the report to the Board.

CORRECTIVE ACTION

13. The Bank shall take all steps necessary, consistent with other provisions of this Order and sound banking practices, to eliminate and correct any unsafe or unsound banking practices and any violations of law or regulation cited in the 2014 ROE.

COMPLIANCE COMMITTEE

14. Within 30 days of the Effective Date, the Board shall establish a directors' compliance committee ("Compliance Committee"), a majority of which shall consist of members who are not now, and have never been, involved in the daily operations of the Bank, and whose composition is acceptable to the Regional Director and the Superintendent, with the responsibility of ensuring the Bank's compliance with this Order, BSA regulations and the Bank's BSA Compliance Program. The Compliance Committee shall perform a review of the Bank's BSA staffing needs, as specified in paragraph 10 of this Order, and receive comprehensive monthly reports from the BSA Officer regarding the Bank's compliance with BSA regulations and the Bank's BSA Compliance Program. The Compliance Committee shall present a report to the Board at each regularly scheduled Board meeting regarding the Bank's compliance with the provisions of this Order, the BSA and its implementing laws and regulations and the Bank's BSA Compliance Program, which shall be recorded in the appropriate minutes of the Board meeting and retained in the Bank's records.

AUDIT PROGRAM

15. (a) Within 60 days of the Effective Date, the Bank shall develop an internal audit program ("Audit Program") that establishes procedures to protect the integrity of the Bank's operational and accounting systems. At a minimum, the Audit Program shall:

- (i) comply with the *Interagency Policy Statement on the Internal Audit Function and its Outsourcing* (FIL-21-2003, issued March 17, 2003);
 - (ii) provide procedures to test the validity and reliability of operating systems, procedural controls, and resulting records; and
 - (iii) provide the Board with quarterly reports of audit findings and the status of efforts to remediate all audit findings directly from the auditors. The minutes of the Board shall reflect its consideration of these reports and describe any discussion or action taken as a result thereof.
- (b) The Board shall address all findings of the internal audit reports at its next regular meeting following its receipt of the reports. Any action or inaction taken as a result of addressing the reports shall be noted in the minutes of the Board meeting with each individual member's vote recorded.
- (c) The Audit Program shall be submitted to the Regional Director and the Superintendent for non-objection or comment. Within 30 days of receipt of non-objection or any comments from the Regional Director and the Superintendent, and after incorporation and adoption of any and all comments, the Board shall approve the Audit Program and record such approval in the minutes of the Board meeting. Thereafter, the Bank shall implement and fully comply with the Audit Program.

PROGRESS REPORTS

16. Within 30 days of the end of each calendar quarter following the Effective Date, the Bank shall furnish to the Regional Director and the Superintendent 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 shall be reviewed and approved by the Board, and made a part of the Board minutes.

SHAREHOLDER DISCLOSURE

17. Following the Effective Date, the Bank shall provide to its shareholders or otherwise furnish a description of this Order: (1) in conjunction with the Bank's next shareholder communication, or (b) 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 Superintendent for non-objection or comment within 30 days of the Effective Date and prior to dissemination to shareholders. Any changes requested to be made by the FDIC or the Department shall be made prior to the dissemination of the description, communication, notice, or statement.

MISCELLANEOUS

It is expressly understood that if, at any time, the Regional Director and the Superintendent shall deem it appropriate in fulfilling the responsibilities placed upon them under applicable law to undertake any further action affecting the Bank, nothing in this Order shall bar, estop, or otherwise prevent the Department or any other state or federal 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 shall be effective on the date of issuance.

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

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 Department.

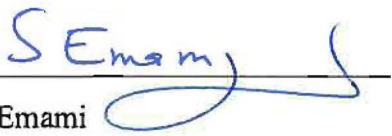
NOTICES

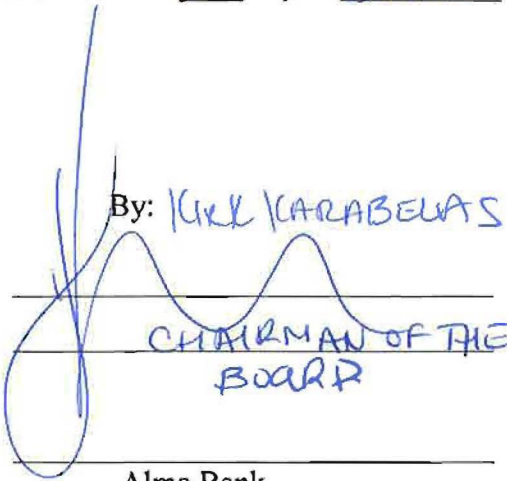
All communications regarding this Order shall be sent to:

Ruth Adams
Deputy Superintendent of Banks
New York State Departments of Financial Services
One State Street
New York, New York, 10004

By Order of the Superintendent of Financial Services this 3rd day of June,
2015.

By:


Shirin Emami
Executive Deputy Superintendent,
Banking Division
New York State Department of Financial
Services

By: 
KIRK KARABELAS
CHAIRMAN OF THE
BOARD
Alma Bank