

FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, D.C.

AND

STATE OF ILLINOIS

DEPARTMENT OF FINANCIAL AND PROFESSIONAL REGULATION

DIVISION OF BANKING

SPRINGFIELD, ILLINOIS

_____)	
In the Matter of)	
SEAWAY BANK AND TRUST COMPANY)	CONSENT ORDER
CHICAGO, ILLINOIS)	
(STATE CHARTERED)	FDIC-14-0147b
INSURED NONMEMBER BANK))	2014-DB-13
_____)	

Seaway Bank and Trust Company, Chicago, Illinois ("Bank"), having been advised of its right to a NOTICE OF CHARGES AND OF HEARING detailing the unsafe or unsound banking practices and violations of law or regulation alleged to have been committed by the Bank, including those related to the Bank Secrecy Act, 31 U.S.C. §§ 5311-5330, and the regulations implementing the Bank Secrecy Act, including 12 C.F.R. Part 326, Subpart B, and 31 C.F.R. Chapter X (hereinafter collectively, the "Bank Secrecy Act" or "BSA"), and of its right to a hearing on the charges

under section 8(b) of the Federal Deposit Insurance Act ("Act"), 12 U.S.C. § 1818(b), and under 38 Ill. Admin. Code Part 392, and having waived those rights, entered into a STIPULATION AND CONSENT TO THE ISSUANCE OF A CONSENT ORDER ("STIPULATION") with representatives of the Federal Deposit Insurance Corporation ("FDIC") and the Illinois Department of Financial and Professional Regulation, Division of Banking, ("Division"), dated DECEMBER 16, 2014, whereby, solely for the purpose of this proceeding and without admitting or denying the charges of unsafe or unsound banking practices and violations of law or regulation relating to Capital, Asset Quality, Management, Earnings, Liquidity, Sensitivity to Market Risk, and compliance with the BSA, and Anti-Money Laundering ("AML") regulations, the Bank consented to the issuance of a CONSENT ORDER ("ORDER") by the FDIC and the Division.

The FDIC and the Division considered the matter and decided to accept the STIPULATION.

Having also determined that the requirements for issuance of an order under 12 U.S.C. § 1818(b) and Section 48(6) of the Illinois Banking Act, 205 ILCS 5/48(6), have been satisfied, the FDIC and the Division HEREBY ORDER that the Bank, its institution-affiliated parties, as that term is defined in

section 3(u) of the Act, 12 U.S.C. § 1813(u), and its successors and assigns, take affirmative action as follows:

RISK MANAGEMENT CORRECTIVE PROVISIONS

MANAGEMENT

1. (a) As of the effective date of this ORDER, the Bank shall have and retain qualified management. Management shall be provided the necessary written authority to implement the provisions of this ORDER. The qualifications of management shall be assessed on its ability to:

- (i) Comply with the requirements of this ORDER;
- (ii) Operate the Bank in a safe and sound manner;
- (iii) Comply with applicable laws, rules, and regulations; and
- (iv) Restore all aspects of the Bank to a safe and sound condition, including capital adequacy, asset quality, management effectiveness, earnings, liquidity, and sensitivity to interest rate risk.

(b) Prior to the addition of any individual to the board of directors ("Board") or the employment of any individual as a senior executive officer, the Bank shall request and obtain

the FDIC's and Division's written approval. For purposes of this ORDER, "senior executive officer" is defined as in section 32 of the Act, 12 U.S.C. § 1831(i), and section 303.101(b) of the FDIC Rules and Regulations, 12 C.F.R. § 303.101(b).

(c) As of the effective date of this ORDER, the Bank shall not enter into any new employment agreement or renew, extend, or revise any existing employment agreement for any "senior executive officer" without receiving the prior written non-objection of the Regional Director of the Chicago Regional Office of the FDIC ("Regional Director") and the Division.

MANAGEMENT PLAN

2. (a) Within forty-five (45) days from the effective date of this ORDER, the Bank shall retain a bank consultant acceptable to the Regional Director and the Division who will develop a written analysis and assessment of the Bank's management needs ("Management Study") for the purpose of providing qualified management for the Bank.

(b) The Bank shall provide the Regional Director and the Division with a copy of the proposed engagement letter or contract with the consultant.

(c) The Management Study shall be developed within one hundred-twenty (120) days from the effective date of this ORDER. The Management Study shall include, at a minimum:

- (i) Identification of both the type and number of officer positions needed to properly manage and supervise the affairs of the Bank;
- (ii) Identification and establishment of such Bank committees as are needed to provide guidance and oversight to active management;
- (iii) Evaluation of all Bank officers and staff members to determine whether these individuals possess the ability, experience and other qualifications required to perform present and anticipated duties, including adherence to the Bank's established policies and practices, and restoration and maintenance of the Bank in a safe and sound condition;
- (iv) Evaluation of all Bank officer's compensation, including salaries, director fees, and other benefits; and

(v) A plan to recruit and hire any additional or replacement personnel with the requisite ability, experience and other qualifications to fill those officer or staff member positions identified by this paragraph of this ORDER.

(d) Within thirty (30) days after receipt of the Management Study the Bank shall formulate a plan to implement the recommendations delineated therein.

(e) A copy of the plan required by this paragraph shall be submitted to, and deemed acceptable by, the Regional Director and the Division.

BOARD PARTICIPATION

3. (a) As of the effective date of this ORDER, the Bank's Board shall increase its participation in the affairs of the Bank, assuming full responsibility for the approval of sound policies and objectives, and for the supervision of all of the Bank's activities, consistent with the role and expertise commonly expected for directors of Banks of comparable size. This participation shall include meetings to be held no less frequently than monthly at which, at a minimum, the following areas shall be reviewed and approved: reports of income and

expenses; new, overdue, renewal, insider, charged off, and recovered loans; investment activity; adoption or modification of operating policies; individual committee reports; audit reports; internal control reviews including management's responses; reconciliation of general ledger accounts; and compliance with this ORDER. Board minutes shall document these reviews and approvals, including the names of any dissenting directors.

(b) Within sixty (60) days from the effective date of this ORDER, the Bank's Board shall develop, adopt, and implement a program that will provide for monitoring of the Bank's compliance with this ORDER.

CAPITAL

4. (a) The Bank shall develop, adopt and implement a plan so that, within sixty (60) days from the effective date of this ORDER, the Bank's level of Tier 1 capital as a percentage of its total assets ("capital ratio") shall be at a minimum of eight (8.0%) percent and its level of qualifying total capital as a percentage of risk-weighted assets ("total risk based capital ratio") shall be at a minimum of twelve (12.0%) percent. For purposes of this ORDER, Tier 1 capital, qualifying total capital, total assets, and risk-weighted assets shall be

calculated in accordance with Part 325 of the FDIC Rules and Regulations, 12 C.F.R. Part 325.

(b) Should the Bank fail to achieve or maintain the levels of capital as specified in subparagraph (a), then within 15 days of the deficiency, the Bank shall submit a written plan to the Regional Director and the Division, for achieving compliance with the specified levels of capital. At a minimum, the plan shall result in compliance with the capital ratio and total risk based capital ratio specified in subparagraph (a) within a sixty (60) day timeframe. The plan required by this subparagraph (b) shall be acceptable to the Regional Director and the Division.

(c) In the event that the Regional Director and the Division determine that the plan is not acceptable, the Bank shall, within thirty (30) days of receipt of written notification from the Regional Director and the Division, develop, adopt, and implement a written plan to sell or merge itself into another federally insured financial institution or to otherwise immediately obtain a sufficient capital investment into the Bank to fully meet the capital requirements of subparagraph (a). A copy of the written plan required by this subparagraph (c) shall be submitted to, and determined to be acceptable by, the Regional Director and the Division.

(d) If, while this ORDER is in effect, the Bank increases capital by the sale of new securities, the Board of the Bank shall adopt and implement a plan for the sale of such additional securities, including the voting of any shares owned or proxies held by or controlled by them in favor of said plan. Should the implementation of the plan involve public distribution of Bank securities, including a distribution limited only to the Bank's existing shareholders, the Bank shall prepare detailed offering materials fully describing the securities being offered, including an accurate description of the financial condition of the Bank and the circumstances giving rise to the offering, and other material disclosures necessary to comply with Federal securities laws. Prior to the implementation of the plan and, in any event, not less than twenty (20) days prior to the dissemination of such materials, the materials used in the sale of the securities shall be submitted to the FDIC Accounting and Securities Disclosure Section, 550 17th Street, N.W., Washington, D.C. 20429 for its review. Any changes requested to be made in the materials by the FDIC shall be made prior to their dissemination.

(e) In complying with the provisions of this paragraph, the Bank shall provide to any subscriber and/or purchaser of Bank securities written notice of any planned or

existing development or other changes which are materially different from the information reflected in any offering materials used in connection with the sale of Bank securities. The written notice required by this paragraph shall be furnished within ten (10) calendar days of the date any material development or change was planned or occurred, whichever is earlier, and shall be furnished to every purchaser and/or subscriber of the Bank's original offering materials.

PROHIBITION OF ADDITIONAL LOANS TO CLASSIFIED BORROWERS

5. (a) As of the effective date of this ORDER, the Bank shall not extend, directly or indirectly, any additional credit to, or for the benefit of, any borrower who is already obligated in any manner to the Bank on any extension of credit (including any portion thereof) that has been charged off the books of the Bank or classified "Loss" in the Report of Examination dated October 21, 2013 ("ROE"), so long as such credit remains uncollected.

(b) As of the effective date of this ORDER, the Bank shall not extend, directly or indirectly, any additional credit to, or for the benefit of, any borrower whose loan or other credit has been classified "Substandard" or "Doubtful", in the ROE, and is uncollected unless the Bank's Board has adopted,

prior to such extension of credit, a detailed written statement giving the reasons why such extension of credit is in the best interest of the Bank. A copy of the statement shall be signed by each Director, and incorporated in the minutes of the applicable Board meeting. A copy of the statement shall be placed in the appropriate loan file.

REDUCTION OF DELINQUENCIES AND CLASSIFIED ASSETS

6. (a) Within sixty (60) days from the effective date of this ORDER, the Bank shall adopt, implement, and adhere to, a written plan to reduce the Bank's risk position in each asset in excess of \$500,000 which is, delinquent or classified "Substandard" or "Doubtful" in the ROE. The plan shall include, but not be limited to, provisions which:

- (i) Prohibit an extension of credit for the payment of interest, unless the Board provides, in writing, a detailed explanation of why the extension is in the best interest of the Bank;
- (ii) Provide for review of the current financial condition of each delinquent or classified borrower, including a review of borrower cash flow and collateral value;

- (iii) Delineate areas of responsibility for loan officers;
- (iv) Establish dollar levels to which the Bank shall reduce delinquencies and classified assets within six (6) and twelve (12) months from the effective date of this ORDER; and
- (v) Provide for the submission of monthly written progress reports to the Bank's Board for review and notation in minutes of the meetings of the Board.

(b) As used in this paragraph, "reduce" means to: (1) collect; (2) charge off; (3) sell; or (4) improve the quality of such assets so as to warrant removal of any adverse classification by the FDIC and the Division.

(c) The plan required by this paragraph shall be acceptable to the Regional Director and the Division.

(d) While this ORDER remains in effect, the plan shall be revised to include assets in excess of \$500,000 which become delinquent after the effective date of this ORDER or are adversely classified at any subsequent examinations.

PROFIT PLAN AND BUDGET

7. (a) Within ninety (90) days from the effective date of this ORDER, the Bank shall develop, adopt, implement, and adhere to a written profit plan and a realistic, comprehensive budget for all categories of income and expense for calendar year 2015. The plans required by this paragraph shall contain formal goals and strategies, consistent with sound banking practices, to reduce discretionary expenses and to improve the Bank's overall earnings, and shall contain a description of the operating assumptions that form the basis for major projected income and expense components.

(b) The written profit plan shall address, at a minimum:

- (i) Realistic and comprehensive budgets;
- (ii) A budget review process to monitor the income and expenses of the Bank to compare actual figures with budgetary projections;
- (iii) Identification of major areas in, and means by which, earnings will be improved; and
- (iv) A description of the operating assumptions that form the basis for and adequately support major projected income and expense components.

(c) During each monthly Board meeting following completion of the profit plans and budgets required by this paragraph, the Bank's Board shall evaluate the Bank's actual performance in relation to the plan and budget, record the results of the evaluation, and note any actions taken by the Bank in the minutes of the Board meeting at which such evaluation is undertaken.

(d) A written profit plan and budget shall be prepared for each calendar year for which this ORDER is in effect.

(e) Copies of the plans and budgets required by this paragraph shall be acceptable to the Regional Director and the Division.

LIQUIDITY PLAN

8. (a) Within forty-five (45) days from the effective date of this ORDER, the Bank shall develop, adopt, implement, and adhere to a written plan, acceptable to the Regional Director and the Division, to increase and thereafter maintain liquid asset levels sufficient to address the concerns set forth within the ROE.

(b) Within ninety (90) days of the effective date of this ORDER, the Bank shall develop, adopt, implement, and adhere

to a comprehensive written Liquidity and Contingency Funding Plan ("Liquidity Plan"), which shall replace the Bank's existing liquidity and contingency policy(ies)/plan(s). At a minimum, the Liquidity Plan shall:

- (i) Fully address the liquidity and funding issues set forth within the ROE;
- (ii) Be prepared in conformance with the Liquidity Risk Management Guidance found at FIL-84-2008, as well as the Supervisory guidance for sound liquidity risk management set forth within the FDIC's Risk Management Manual of Examination Policies, Section 6.1 - Liquidity (February 21, 2005); and
- (iii) Require the Bank to continue to maintain an account relationship with the Federal Reserve Bank of Chicago to exchange and settle payment transactions through a clearing account balance.

(c) Copies of the plans required by this paragraph shall be submitted to the Regional Director and the Division for review prior to adoption.

STRATEGIC PLAN

9. (a) Within ninety (90) days from the effective date of this ORDER, the Bank shall develop, adopt, implement, and adhere to a realistic, comprehensive strategic plan. The plan required by this paragraph shall contain an assessment of the Bank's current financial condition and market area, and a description of the operating assumptions that form the basis for major projected income and expense components.

(b) The written strategic plan shall address, at a minimum:

- (i) Strategies for pricing policies and asset/liability management;
- (ii) Forecasts for maintaining a sound funds management position; and
- (iii) Financial goals, including pro forma statements for asset growth, capital adequacy, and earnings.

(c) The Bank shall approve the plan, which approval shall be recorded in the minutes of a Board meeting.

(d) Within thirty (30) days from the end of each calendar quarter following the effective date of this ORDER, the Bank's Board shall evaluate the Bank's actual performance in relation to the strategic plan required by this paragraph and

record the results of the evaluation, and any actions taken by the Bank, in the minutes of the Board meeting at which such evaluation is undertaken.

(e) The strategic plan required by this ORDER shall be revised thirty (30) days prior to the end of each calendar year for which this ORDER is in effect.

(f) The strategic plan and any revisions thereto shall be acceptable to the Regional Director and the Division.

DIVIDEND RESTRICTION

10. As of the effective date of this ORDER, the Bank shall not declare or pay any dividend without the prior written consent of the Regional Director and the Division.

INTERNAL AUDIT

11. (a) Within sixty (60) days from the effective date of this Order, the Board shall develop, adopt and implement a comprehensive Internal Audit Policy and Plan that addresses the deficiencies contained in the ROE, and which complies with the Interagency Policy Statement on Internal Audit Function and its Outsourcing, found at FIL-21-2003.

(b) A copy of the audit program required by this paragraph shall be submitted to the Regional Director and the Division upon its adoption.

SENSITIVITY TO MARKET RISK

12. (a) Within forty-five(45) days from the effective date of this ORDER, the Bank shall develop, adopt, implement, and adhere to a written plan to reduce the Bank's interest rate risk exposure to levels sufficient to address the concerns set forth within the ROE.

(b) Within ninety (90) days of the effective date of this Order, the Bank shall formulate, adopt, and implement a revised Interest Rate Risk Plan which shall, at a minimum, fully address the regulatory concerns set forth within the ROE and be prepared in conformance with the Joint Agency Policy Statement on Interest Rate Risk (FIL 52-1996) and the Advisory on Interest Rate Risk Management (FIL 2-2010).

(c) Copies of the plans required by this paragraph shall be submitted to the Regional Director and the Division for review prior to adoption.

INVESTMENT POLICY

13. (a) Within ninety (90) days from the effective date of this ORDER, the Bank shall revise its investment policy and procedures for managing and controlling risks associated with investment activities to address, at a minimum, the exceptions noted within the ROE, including, but not limited to, the comments associated with the Bank's loss share program investments. The revised investment policy shall also include provisions establishing/maintaining an investment committee, which shall be assigned responsibility for ensuring the Bank's compliance with the investment policy.

(b) A copy of the revised policy and procedures required by this paragraph shall be submitted to the Regional Director and Division for review and comment. Within ten (10) days of receipt of any comments from the Regional Director or Division the Bank shall incorporate any changes required by the Regional Director or Division and thereafter adopt, implement, and adhere to the policies and procedures.

CORRECTION OF RISK MANAGEMENT VIOLATIONS

14. Within forty-five(45) days from the effective date of this ORDER, the Bank shall eliminate and/or correct all

violations of law, rule, and regulations listed in the ROE and implement procedures to ensure future compliance with all applicable laws, rules, and regulations.

INTERNAL ROUTINE AND CONTROLS

15. (a) Within sixty (60) days from the effective date of this ORDER, the Bank shall develop, adopt, implement, and adhere to a policy for the operation of the Bank in such a manner as to provide adequate internal routine and controls consistent with safe and sound banking practices, which policy shall include, but not be limited to, ensuring timely and accurate financial, operational and regulatory reporting.

(b) A copy of the policy required by this paragraph shall be submitted to the Regional Director and Division.

BSA/AML CORRECTIVE PROVISIONS

QUALIFIED BSA MANAGEMENT

16. (a) Within sixty (60) days from the effective date of this ORDER, the Bank shall have employed a BSA Compliance Officer to oversee all aspects of the Bank's BSA Compliance Program and to assure compliance with all applicable BSA laws and regulations. The BSA Compliance Officer shall have the

necessary knowledge and expertise to effectively oversee the Bank's BSA program commensurate with the level of risk in the Bank's operations.

(b) The Board shall ensure that the Bank's BSA officer and all Bank personnel with BSA responsibilities be provided the written authority and the necessary training, time, and resources to fully implement and comply with all requirements of this ORDER.

(c) As of the effective date of this ORDER, the Bank's Board shall be fully responsible for the ongoing approval of sound policies for the supervision of all of the Bank's BSA/AML functions, consistent with the role and expertise commonly expected for directors of banks of comparable size and similar banking activities.

WRITTEN BSA COMPLIANCE PROGRAM

17. Within sixty (60) days from the effective date of this ORDER, the Bank shall revise its current written BSA compliance program to fully meet all applicable requirements of section 326.8 of the FDIC's Rules and Regulations, 12 C.F.R. § 326.8, and which will be designed to, among other things, assure and maintain full compliance by the Bank with the BSA.

(a) The program shall, at a minimum:

- (i) Require the Bank to implement policies, procedures, and a system of internal controls to ensure full compliance with the BSA and all implementing rules and regulations;
- (ii) Require comprehensive independent audit testing of compliance with all applicable rules and regulations related to the BSA, annually. Written findings of each audit shall be presented to the Board and noted in the minutes of the Board meeting at which received;
- (iii) Require written guidelines establishing due diligence processes for all Bank customers commensurate with the level of BSA and AML risk posed by each customer; and
- (iv) Require effective and documented training for all appropriate Bank personnel.

(b) Within ten (10) days of completing revisions to its current written BSA compliance program, as required pursuant to this paragraph, the Bank shall provide the Regional Director and the Division with a copy of the Bank's revised written BSA compliance program for review and comment.

(c) Within thirty (30) days of receiving comments from the Regional Director and the Division, the Board shall incorporate such comments within the revised written BSA compliance program, and then adopt and implement the revised written BSA compliance program.

BSA/AML RISK ASSESSMENT

18. Within forty-five (45) days from the effective date of this ORDER, and at least annually thereafter, the Bank shall revise and update its BSA/AML/Office of Foreign Assets Control ("OFAC") Risk Assessment to appropriately address the various types of products, services, customers, entities, transactions, and geographic locations in which the Bank is engaged, including those that are processed by, through, or to the Bank. The risk assessment required pursuant to this paragraph shall address all of the Bank's high risk products and services, including, but not limited to, foreign currency exchange operations.

BSA TRAINING PROGRAM

19. Within sixty (60) days from the effective date of this ORDER, the Bank shall document and implement an improved, comprehensive BSA training program for all appropriate personnel, including, without limitation, tellers, customer

service representatives, lending officers, private and personal banking officers, and all other customer contact personnel. Required training, which shall be conducted by qualified staff and/or independent contractors, shall include training in all aspects of regulatory and internal policies and procedures related to the BSA, and shall provide enhanced training with regard to job-specific policies, procedures and responsibilities for Customer Due Diligence, Enhanced Due Diligence, Currency Transaction Reporting, customer risk rating, account monitoring, and Suspicious Activity Report ("SAR") filing.

DUE DILIGENCE PROGRAM

20. Within sixty (60) days of the effective date of this ORDER, the Bank shall adopt and implement a revised written Customer Due Diligence ("CDD") Program. The CDD Program and its implementation shall be prepared and conducted in a manner acceptable to the Regional Director and Division as determined at subsequent examinations and/or visitations of the Bank.

(a) The revised CDD Program shall require a risk focused assessment of the customer base of the Bank to determine the appropriate level of ongoing monitoring required to ensure that the Bank can reasonably detect suspicious activity, and determine which customers require Enhanced Due Diligence

necessary for those categories of customers that pose a heightened risk of illicit activity.

(b) The revised CDD Program shall require:

- (i) Risk rating of the Bank's customers, based on the potential risk for money laundering or other unlawful 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;
- (ii) Obtaining, analyzing, and maintaining sufficient customer information necessary to allow effective suspicious activity monitoring, including, but not limited to, documentation of normal and expected transactions of the customer;
- (iii) Guidance for documenting the analysis conducted under the CDD process, including guidance for resolving issues when insufficient or inaccurate information is obtained;

- (iv) Monitoring procedures required for each customer category under the BSA/AML risk ratings, including guidelines for on-site visitation of high-risk customers;
- (v) Guidelines to reasonably ensure the identification of and timely, accurate reporting of known or suspected criminal activity, as required by the suspicious activity reporting provisions of Part 353 of the FDIC Rules, 12 C.F.R. § 353; and
- (vi) Periodic, risk-based monitoring of customer relationships to determine whether the original risk profile remains accurate.

ACCOUNT MONITORING

21. (a) Within forty-five(45) days from the effective date of this ORDER, the Bank shall develop, adopt and implement detailed written procedures and controls, which are focused on the Bank's automated account transaction monitoring system. Such detailed written procedures and controls shall include, at a minimum:

- (i) Procedures to ensure timely reviews of system generated alerts/cases for potentially suspicious activity;
- (ii) Procedures, controls, and delegations of authority for determining when alerts/cases should be closed or further evaluated;
- (iii) Procedures detailing the minimum level of documentation supporting the basis for decisions to close alerts/cases with no further investigation; and
- (iv) Procedures and controls for establishing or making changes to the various settings and parameters used by the system to generate transaction alerts/cases.

(b) Within forty-five(45) days from the effective date of this ORDER, the Bank shall engage a qualified independent third-party to conduct a review of the effectiveness of the Bank's automated account transaction monitoring process. The independent review shall evaluate the various settings and parameters used by the automated account transaction monitoring system to generate appropriate transaction alerts/cases and the effectiveness of the Bank's utilization of the automated system to identify and investigate potentially suspicious account

transactions. The findings and recommendations of the independent review shall be reported to the Bank's Board and recorded in the minutes thereof.

(c) Within ninety (90) days from the effective date of this ORDER, the Bank shall submit to the Regional Director and the Division a copy of the independent review required pursuant to this paragraph, which shall contain the findings and recommendations of the independent third-party.

(d) Within forty-five(45) days from the effective date of this ORDER, the Bank shall develop, adopt and implement procedures to ensure timely aggregation of all currency transactions conducted by customers for purposes of filing Currency Transaction Reports ("CTRs") and monitoring for suspicious activity. Aggregation of cash transactions shall include, without limitation, cash transactions conducted at bank branches as well as foreign currency exchange transactions.

(e) Within forty-five(45) days from the effective date of this ORDER, the Bank shall revise, adopt and implement procedures to fully comply with the requirements of Section 314(a) of the USA PATRIOT Act (31 C.F.R. Part 1010.520). The revised procedures shall include, but not be limited to, conducting appropriate records searches for any accounts or timeframes not previously searched.

(f) Within sixty (60) days from the effective date of this ORDER, the Bank shall complete all searches for any accounts or timeframes not previously searched pursuant to the Bank's revised procedures, as required pursuant to this paragraph, related to Section 314(a) of the USA PATRIOT Act (31 C.F.R. Part 1010.520).

INDEPENDENT TESTING

22. (a) Within one hundred-eighty (180) days from the effective date of this ORDER, the Bank shall ensure that an effective and comprehensive independent test of compliance with the BSA and 31 C.F.R. 31 C.F.R. Chapter X is completed. The independent testing should thereafter be conducted on an annual basis.

(b) The Bank shall provide to the Regional Director and Division a copy of the written reports documenting the scope of testing procedures performed, the findings and results made, and any recommendations for improvement based on those findings. At a minimum, the independent testing shall include, and the contract or engagement letter entered into with any third-party performing the testing shall provide for, the following:

- (i) Testing of the Bank's internal procedures for monitoring BSA compliance;
- (ii) Testing to ensure all reportable transactions have been identified and CTRs have been filed within the prescribed time frames;
- (iii) Testing to ensure the Bank is reviewing all applicable reports;
- (iv) Testing to ensure the Bank has implemented an effective Customer Due Diligence program;
- (v) Testing to ensure Bank personnel are reviewing and monitoring reports for unusual activities and, if applicable, that appropriate SARs are filed in a timely manner with the appropriate law enforcement agencies;
- (vi) Testing of the Bank's recordkeeping system for compliance with the BSA;
- (vii) Testing to ensure that the Bank is in compliance with rules and regulations related to:

- Foreign banks;

- Identifying and reporting suspicious activities;
 - Funds transfer operations;
 - On-going training of appropriate personnel;
 - OFAC restrictions and requirements;
 - High-risk activities related to customers and other areas of the Bank;
 - Compliance with information sharing requirements;
 - Testing of the accuracy and validity of the automated large transaction monitoring system;
 - Confirming the integrity and accuracy of management information reports used in the AML compliance program;
 - Retention of required records; and
- (viii) Unrestricted examiner access to auditor work papers if testing is conducted by an outside third party.

LOOK BACK REVIEW

23. (a) Within ninety (90) days from the effective date of this ORDER, the Bank shall engage an independent and qualified third-party consultant ("Reviewer") to conduct a review of deposit account and transaction activity for the time period beginning January 1, 2013 through the effective date of this ORDER, to ensure that all suspicious activity involving any accounts of, or transactions through, the Bank were properly identified and reported in accordance with all applicable BSA reporting requirements, including any transactions or messages involving cash intensive business accounts, customers with high, frequent, or international wire transactions, and customers with transactions potentially linked to any suspicious activity ("Look Back Review").

(b) The contract or engagement letter entered into with the Reviewer performing the Look Back Review, shall include, at a minimum:

- (i) The scope of the review to be conducted, which shall specify the types of accounts and transactions to be reviewed, including
 - (1) Any transactions or accounts identified in the FDIC Report of Examination, dated June 2, 2014 ("June 2014 Report") as

requiring additional investigation or documentation, (2) cash intensive customers whether businesses or individuals, (3) Money Service Business customers, (4) customers with international wire transactions, (5) non-governmental organizations and charitable organizations, (6) all customers identified by the Bank as high risk, and (7) customers on whom the bank has ever filed a suspicious activity report, and all customers related to any of these types of customers;

- (ii) The methodology for conducting the Look Back Review, including any sampling procedures to be followed;
- (iii) The resources and expertise to be dedicated to the Look Back Review;
- (iv) The anticipated date of completion of the Look Back Review;
- (v) A provision for unrestricted examiner access to Reviewer work papers; and
- (vi) A provision that the Reviewer will present its findings from the Look Back Review

directly to both the Bank's Audit Committee and Board.

(c) The contract or engagement letter for the Look Back Review, and any subsequent modifications thereof, shall be prepared and implemented in a manner acceptable to the Regional Director and Division. For this purpose, the contract or engagement letter shall be submitted to the Regional Director and Division for review and comment prior to authorization/execution by the Bank. After consideration of all such comments, and adoption of any recommended changes, the Board shall authorize/execute the contract or engagement letter, which approval shall be recorded in the minutes of the Board meeting at which approved.

(d) Within thirty (30) days of receipt of written notice from the Regional Director and Division indicating acceptability of the contract or engagement letter, the Bank shall ensure commencement of the Look Back Review.

(e) Within one hundred-twenty (120) days from the effective date of this ORDER, the Look Back Review shall be completed and the Reviewer shall be required to provide a copy of its report detailing its findings to the Regional Director and Division at the same time the report is provided to the Audit Committee and Board.

(f) Within thirty (30) days of completion of the Look Back Review, the Bank shall provide a list to the Regional Director and Division, specifying all outstanding matters or transactions identified by the Look Back Review that have yet to be appropriately addressed, and detailing how and when these matters will be resolved in accordance with applicable law and regulation.

(g) Within ninety (90) days of the Bank's receipt of the Look Back Review, the Bank shall ensure that all matters or transactions identified as requiring further resolution are in fact resolved in accordance with applicable laws and regulations. Copies of any additional required BSA filings made by the Bank as a result of the Look Back Review shall be provided to the Regional Director and Division.

CORRECTION OF BSA VIOLATIONS

24. Within ninety (90) days from the effective date of this ORDER, the Bank shall eliminate and/or correct all violations of law or regulation and contraventions of policy related to BSA detailed in the June 2014 Report, or provide a written explanation acceptable to the Regional Director and the Division as to why they cannot be corrected and/or eliminated.

NOTIFICATION TO SHAREHOLDER

25. Following the effective date of this ORDER, the Bank shall send to its shareholder a copy of this ORDER: (a) 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.

PROGRESS REPORTS

26. Within thirty (30) days from the end of each calendar quarter following the effective date of this ORDER, the Bank shall furnish to the Regional Director and the Division written progress reports signed by each member of the Bank's Board, detailing the actions taken to secure compliance with the ORDER and the results thereof.

CLOSING PARAGRAPHS

The effective date of this ORDER shall be the date of its issuance by the FDIC and the Division.

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 FDIC and the Division.

Pursuant to delegated authority.

Dated: December 19, 2014.

M. Anthony Lowe
Regional Director
Chicago Regional Office
Federal Deposit Insurance
Corporation

Sheila Saegh Henretta
Acting Division Director
Illinois Department of Financial
and Professional Regulation
Division of Banking