

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)	
PEOPLEFIRST BANK)	CONSENT ORDER
JOLIET, ILLINOIS)	
)	FDIC-19-0103b
)	2019-DB-04
(Insured State Nonmember Savings Bank))	
_____)	

PeopleFirst Bank, Joliet, 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 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 12 U.S.C. § 1818(b), and under 38 Ill. Adm. Code Part 392 regarding hearings before the Division, 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 November 8, 2019, 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 the Bank Secrecy Act, 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 determined that they had reason to believe the Bank had engaged in unsafe or unsound practices related to the Bank Secrecy Act and therefore accepted 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 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:

WRITTEN BSA COMPLIANCE PROGRAM

1. (a) Within ninety (90) days from the effective date of this ORDER, the Board shall develop, adopt, and implement a revised written BSA compliance program (“Revised BSA Program”), which fully meets all applicable requirements of 12 C.F.R. § 326.8 and 21 C.F.R. Chapter X and is designed to, among other things, assure and maintain full compliance with BSA and the rules and regulations issued pursuant thereto by the Bank. At a minimum, the Revised BSA Program shall:

- i. Require the Bank to develop, adopt, and implement a revised, effective written policy designed to assure full compliance with all provisions of the BSA and FinCen Regulations, including, but not

limited to: Suspicious Activity Reporting, Customer Due Diligence, and Beneficial Ownership;

- ii. Require the Bank to develop a system of internal controls to assure full compliance with the BSA and the rules and regulations issued pursuant thereto, including policies and procedures to detect and monitor all transactions including, but not limited to, those conducted by wire transfer, automated clearing house ("ACH"), and bulk currency shipment services, to assure the identification and proper reporting of all known or suspicious criminal activity, money laundering, activity, or violations of the BSA;
- iii. Provide for written detailed guidelines regarding the administration of the Bank's internally-identified high-risk business customers, including the solicitation, opening, site visits, and ongoing monitoring of all such accounts for suspicious activity and the filing of all required reports resulting therefrom;
- iv. Establish due diligence practices and written guidelines for all customers that are commensurate with the level of BSA and money laundering risk posed by each customer; and
- v. Provide for accurate and comprehensive risk assessments for BSA and Office of Foreign Assets Control ("OFAC") compliance procedures which fully take into account the nature

of the Bank's operations including, but not limited to, the Bank's internally-identified high-risk business customers and the geographic risk of the Bank.

(b) Within ninety (90) days from the effective date of this ORDER, the Board shall provide the Regional Director of the FDIC's Chicago Regional Office ("Regional Director") and the Division with a copy of the Revised BSA Program for review. Thereafter, the Revised BSA Program and its implementation shall be conducted in a manner acceptable to the Division and the Regional Director, as determined during subsequent examinations and/or visitations of the Bank.

DUE DILIGENCE PROGRAM

2. (a) Within ninety (90) days from the effective date of this ORDER, the Bank shall update the Bank's Customer Due Diligence ("CDD") Program. The CDD Program and its implementation shall be prepared and implemented in a manner acceptable to the FDIC and to the Division as determined at subsequent examinations and/or visitations of the Bank.

(b) At a minimum, the CDD Program shall provide a risk-focused assessment of the Bank's customer base and records to determine the appropriate level of ongoing monitoring required to assure that the Bank can reasonably detect suspicious activity, and determine which customers require additional due diligence necessary for those categories of higher risk customers.

- (c) At a minimum, the CDD Program shall provide for:
- i. Risk rating of the Bank's customers based on the potential for money laundering risk or other unlawful activity (e.g., terrorist financing) 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 utilized, and locations and markets served by the customer;

- ii. Obtaining, analyzing, documenting, 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, nature of business activities, results from site visits, customer's occupation/employment, ACH activity, and wire transfer activity;
- iii. Guidance for documenting the analysis conducted under the CDD Program, including guidance for resolving issues when insufficient or inaccurate information is obtained;
- iv. Monitoring procedures required for each customer category under the BSA risk ratings;
- v. Guidelines to reasonably ensure the identification and timely, accurate reporting of known or suspected criminal activity, as required by the suspicious activity reporting provisions of 12 C.F.R. § 353; and
- vi. Periodic, risk-based monitoring of customer relationships to determine whether the original risk profile remains accurate.

ACCOUNT TRANSACTION MONITORING

3. (a) Within sixty (60) days from the effective date of this ORDER, the Bank shall establish an effective system for identifying, monitoring, and determining the

appropriateness of accounts with frequent or large cash, check, ACH, or wire transfer deposits and withdrawals. Documentation supporting the review of accounts and determinations made shall be retained in the Bank's records.

(b) Within sixty (60) days from the effective date of this ORDER, the Bank shall develop and implement internal control procedures requiring the regular periodic comparison of actual activity in each account identified under paragraph (a) above against expected or anticipated activity. Such internal control procedures shall include procedures for identifying and documenting significant variances between anticipated and actual activity along with procedures for reporting variances to the Board and the filing of Suspicious Activity Reports ("SAR") when necessary.

(c) Within one hundred twenty (120) days from the effective date of this ORDER, the Bank shall conclude its migration to a new automated account transaction monitoring system and 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 validate that all applications from the Bank's core processing software are appropriately interfaced into the automated account transaction monitoring system;
- ii. Procedures to ensure timely reviews of system-generated alerts/cases for potentially suspicious activity;
- iii. Procedures, controls, and delegations of authority for determining when alerts/cases should be closed or further evaluated;

- iv. Procedures for detailing the minimum level of documentation supporting the basis for decisions to close alerts/cases with no further investigation; and
- v. Procedures and controls for establishing or making changes to the various settings and parameters used by the system to generate transaction alerts/cases.

QUALIFIED BSA MANAGEMENT

4. (a) During the life of this ORDER and thereafter, the Bank shall have and retain management qualified to oversee all aspects of the Bank's BSA Compliance Program and to assure compliance with all applicable laws and regulations related thereto. Each member of management with responsibilities relating to Section 326.8 of the FDIC Rules and Regulations, 12 C.F.R. § 326.8, or the Treasury Department's Financial Recordkeeping Regulations, 31 C.F.R. § Chapter X, shall have the qualifications commensurate with his or her duties and responsibilities under those regulations.

(b) Within sixty (60) days from the effective date of this ORDER, the Bank shall analyze and assess the Bank's staffing needs in order to provide for an adequate number of qualified staff for the Bank's BSA department, including provision for succession of BSA responsibilities. The BSA department staff shall be evaluated to determine whether these individuals possess the ability, experience, training, and other necessary qualifications required to perform present and anticipated duties, including adherence to the Bank's BSA Compliance Program, the requirements of the BSA regulations, and the provisions of this ORDER.

(c) The Board shall ensure that the Bank's BSA officer and all 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.

BSA TRAINING PROGRAM

5. Within sixty (60) days from the effective date of this ORDER, the Board shall ensure that the Bank provides for and documents an improved, comprehensive BSA training program for all appropriate personnel, and fully documents the completion of BSA training for all such personnel. Required training shall be conducted by qualified staff and/or independent contractors and shall include training in all aspects of regulatory and internal policies and procedures related to the BSA, and shall provide specific enhanced training with regard to Customer Due Diligence and the monitoring of high-risk customers.

AUTOMATED CLEARING HOUSE ACTIVITY

6. Within sixty (60) days from the date of this ORDER, the Bank shall address ACH weaknesses, including the following:

(a) Implement an adequate ACH risk assessment that identifies risks associated with customer-originated ACH activity and ensure annual reporting to the Board.

(b) Update ACH policies and procedures to address measuring, monitoring, and controlling the credit risk associated with origination of ACH transactions (i.e., risk reviews should document customers' creditworthiness, ACH credit and debit limits and return rates should be established and monitored, and the accuracy of board reporting should be improved).

(c) Execute appropriate oversight of ACH customers' security measures consistent with the ACH Policy.

(d) Develop a more robust ACH Contingency Plan and Wire Transfer Contingency Plan, given the increased ACH activities from the Bank-identified high risk customers.

(e) Obtain an ACH audit that includes a comprehensive review of the Bank's compliance with its ACH Policy requirements, the effectiveness of risk mitigation programs, risk management oversight processes, and adherence to contracts.

NEW LINES OF BUSINESS

7. While this ORDER remains in effect, the Bank shall not enter into any new lines of business, or offer services to any new customers the Bank determines to be high risk, without conducting appropriate due diligence. The Board shall ensure that documentation is maintained evidencing that due diligence, at a minimum, addressed the following:

- (a) A cost-benefit analysis of the proposed activity;
- (b) An explanation of how the proposed activity is consistent with the Board-approved strategic plan;
- (c) Assurance that policies and procedures have been established;
- (d) Assurance that appropriate staff are adequately trained; and
- (e) Assurance that controls are in place to mitigate the risks associated with the proposed activity.

CORRECTION OF VIOLATIONS

8. Within ninety (90) 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 Bank's 2019 BSA Report of Examination issued by the FDIC and implement procedures to ensure future compliance with all applicable laws, rules, and regulations.

NOTIFICATION TO SHAREHOLDERS

9. Immediately following the effective date of this ORDER, the Bank shall send a copy of this ORDER or otherwise furnish a description of this ORDER to the shareholders of the Bank.

PROGRESS REPORTS

10. 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 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: November 26, 2019.

/s/
Christopher J. Newbury
Deputy Regional Director
Chicago Regional Office
Federal Deposit Insurance Corporation

/s/
Chasse Rehwinkel
Acting Director, Division of Banking
Illinois Department of Financial
and Professional Regulation