UNITED STATES OF AMERICA
DEPARTMENT OF THE TREASURY
COMPTROLLER OF THE CURRENCY
WASHINGTON, D.C.

In the Matter of	)	
	)	
CHRISTOPHER SANGSTER	)	OCC AA-EC-2019-58
Former Branch Manager	)	
	)	
South Central Bank, N.A.	)	
Chicago, Illinois	)	

DECISION ON ENTRY OF DEFAULT

This matter is before the Comptroller of the Currency ("Comptroller" or "OCC") on the recommended decision of the Administrative Law Judge ("ALJ") for entry of default, order of prohibition, and assessment of civil money penalty against Christopher Sangster ("Respondent"), former Branch Manager at South Central Bank, N.A., Chicago, Illinois ("Bank"). On February 6, 2020, the OCC issued and served upon Respondent A *Notice of Charges for Prohibition and Restitution and Notice of Assessment of Civil Money Penalty* ("*Notice of Charges*" or "*Notice*"), pursuant to sections 8(b), (e), and (i) of the Federal Deposit Insurance Act ("FDIA"), 12 U.S.C. § 1818(b), (e), and (i). The *Notice* seeks an order prohibiting Respondent from further participating in any manner in the conduct of the affairs of any federally insured depository institution, credit union, agency, or entity referred to in section 8(e) of the FDIA, requiring Respondent to make restitution, and requiring Respondent to pay a civil money penalty in the amount of thirty-five thousand dollars ($35,000). 12 U.S.C. § 1818(b), (e), (i). Respondent failed to respond to the *Notice* within the time limits or in the manner prescribed under the Uniform Rules of Practice and Procedure set forth in 12 C.F.R. Part 19, Subpart A or to request a hearing regarding the assessment of civil money penalty. *See* 12 C.F.R. §§ 19.19, 1818(i). Indeed,

Respondent failed to provide any response to the *Notice*. Upon consideration of the pleadings, the ALJ's *Order of Default and Recommended Decision to Prohibit Further Participation and Assessment of Civil Money Penalty*, dated January 28, 2021, ("*Recommended Decision*"), and the entire record in this case, the Comptroller concludes (1) that by failing to respond to the *Notice* within the time limits or in the manner prescribed under the applicable Uniform Rules of Practice and Procedure or to request a hearing regarding the assessed civil money penalty, Respondent is in default; (2) that the record supports the conclusion that Respondent should be prohibited from any further participation in the conduct of the affairs of any institution or entity set forth in section 8(e) of the FDIA; (3) that Respondent should be ordered to make restitution in the amount of one hundred forty-one thousand four hundred and seventy-one dollars ($141,471) in the manner outlined in the *Notice* pursuant to section 8(b) of the FDIA; and (4) that Respondent should pay a civil money penalty in the amount of $35,000 pursuant to section 8(i) of the FDIA.

I. INITIATION AND COURSE OF PROCEEDINGS

On February 6, 2020, OCC Deputy Comptroller Michael R. Brickman issued the *Notice of Charges* to Respondent. The *Notice* was based upon violations[1] that arose from Respondent's

[1] The *Notice of Charges* seeks an order of prohibition pursuant to 12 U.S.C. § 1818(e), an order of restitution pursuant to 12 U.S.C. § 1818(b), and a civil money penalty pursuant to 12 U.S.C. § 1818(i)(2)(B) for the violations described in the *Notice*.

Twelve U.S.C. § 1818(e)(1) authorizes the prohibition of an institution-affiliated party from participating in the conduct of the affairs of any insured depository institution when (1) the party violates a law, regulation, or order; engages or participates in any unsafe or unsound practice in conducting the affairs of the depository institution; or commits or engages in any act, omission, or practice which constitutes a breach of the party's fiduciary duty; (2) the violation, practice, or breach causes the bank to suffer, or probably suffer, financial loss or other damage; prejudices the interests of depositors; or results in financial gain or other benefit to the party; and (3) the violation, practice, or breach involves personal dishonesty; or demonstrates willful or continuing disregard for the safety or soundness of the insured depository institution.

Twelve U.S.C. § 1818(b)(6)(A) authorizes the issuance of an order requiring an institution-affiliated party of any insured depository institution to make restitution or provide reimbursement, indemnification, or guarantee against loss if (1) the party violates a law, regulation, or order or engages in an unsafe or unsound practice in conducting the affairs of the depository institution; and (2) such party was unjustly enriched in connection with such violation or practice or the violation or practice involved a reckless disregard for the law or any applicable regulations or prior order of the appropriate Federal banking agency.

conduct in 2018, alleging that Respondent recklessly engaged in unsafe or unsound practices that were part of a pattern of misconduct, violated the law, and breached his fiduciary duty by misappropriating customer cash deposits and falsifying bank records to conceal the theft. Specifically, the *Notice* alleges that on hundreds of occasions Respondent received cash deposits from a particular customer, altered the customer's deposit slips, and created falsified cash-in tickets that reflected a lower value of cash than the customer tendered. As detailed in the *Notice* and below, Respondent's practice involved personal dishonesty—*e.g.*, he falsified bank records to conceal his misappropriation of cash deposits—and demonstrated a willful and continuing disregard for the safety or soundness of the Bank. As a result of Respondent's misappropriation of funds and falsification of records, there were financial losses and other damages to the Bank, and Respondent received a financial gain or other benefit by enriching himself with misappropriated funds, as detailed in the *Notice* and below.

The *Notice* alleges that at all times relevant to the charges set forth in the *Notice*, the Bank was an "insured depository institution"[2] as defined in 12 U.S.C. § 1813(c)(2). *Notice of Charges*, ¶ 1. Respondent was an employee of the Bank and was therefore an "institution-affiliated party"[3] of the Bank as that term is defined in 12 U.S.C. § 1813(u), having served in such capacity within six years from the date of the Notice, *see* 12 U.S.C. § 1818(i)(3). *Id.* at ¶ 2. The Bank is a national banking association within the meaning of 12 U.S.C. § 1813(q)(1)(A),

---

Twelve U.S.C. § 1818(i)(2)(B) authorizes the imposition of a civil money penalty against an institution-affiliated party of any insured depository institution when (1) the party violates a law, regulation, or order; recklessly engages in an unsafe or unsound practice in conducting the affairs of the depository institution; or breaches a fiduciary duty; and (2) the violation, practice, or breach causes is part of a pattern of misconduct; causes or is likely to cause more than a minimal loss to such depository institution; or results in pecuniary gain or other benefit to such party.

[2] An insured depository institution includes "any bank . . . the deposits of which are insured by the [Federal Deposit Insurance] Corporation." 12 U.S.C. § 1813(c).

[3] An institution-affiliated party includes any "director, officer, [or] employee of . . ., or agent for, an insured depository institution." 12 U.S.C. § 1813(u).

and is chartered and examined by the OCC, *see* 12 U.S.C. § 1 *et seq. Id.* at ¶ 3. The OCC is the "appropriate Federal banking agency"[4] as that term is defined in 12 U.S.C. § 1813(q) and is therefore authorized to initiate and maintain a prohibition, restitution, and civil money penalty action against Respondent pursuant to 12 U.S.C. § 1818(b), (e), and (i). *Id.* at ¶ 4.

The *Notice* alleges that Respondent was employed by the Bank beginning around July 2014, and Respondent served as a branch manager at the Bank's main office in Chicago from January 2018 until his resignation in June 2018. *Id.* at ¶¶ 6–7. Respondent's duties as branch manager included supervising the branch's day-today operations, overseeing the teller department, and opening and closing the branch, as well as supporting tellers by processing deposit transactions as needed. *Id.* at ¶¶ 8–9. The Bank assigned each employee with teller responsibilities, including Respondent, a unique teller number. *Id.* at ¶ 10. A Bank customer, dba Rothschild Liquors,[5] established six separate legal identities (collectively, "the Businesses") to conduct business, and each of the six Businesses had a separate deposit account at the Bank. *Id.* at ¶¶ 11–13; *see Recommended Decision*, ¶¶ 10–11 (naming the customer). At all relevant times, an armored courier service ("Courier Service") collected cash envelopes from the Businesses and delivered those envelopes to the Bank for deposit, and Bank tellers created a cash-in ticket for each associated cash deposit. *Notice of Charges*, ¶¶ 14–15.

The *Notice* further alleges that, on occasion, Bank tellers identified out-of-balance deposits for the Businesses' deposits where the amount reported by the customer on the deposit slip differed from the Bank's count. *Id.* at ¶ 16. It was standard Bank practice for Bank employees who identified an out-of-balance deposit to credit the deposit slip amount as reported

[4] The OCC is the appropriate Federal banking agency with respect to national banking associations, Federal branches or agencies of foreign banks, and Federal savings associations. 12 U.S.C. § 1813(q)(1).

[5] The *Notice* did not name the customer, instead referring to the customer as "Business A." *See Notice*, ¶ 11. The ALJ did name the customer in the *Recommended Decision*. *See Recommended Decision*, ¶ 10.

and reflect any overage or shortage on a separate cash-in ticket, and Bank practice prohibited the modification or alteration of the amount written by any customer on a deposit slip. *Id.* at ¶¶ 17–18. Under Bank practice, employees were required to notify a customer by telephone if they identified an out-of-balance deposit. *Id.* at ¶ 19.

The *Notice* alleges that, between January 2018 and June 2018, Respondent misappropriated at least one hundred forty-one thousand four hundred and seventy-one dollars ($141,471) from the Businesses' cash deposits delivered to the Bank. *Id.* at ¶ 22. Respondent attempted to conceal the misappropriation by altering at least one hundred and sixty (160) deposit slips created by the stores and falsifying at least 160 cash-in tickets associated with those cash deposits, which resulted in a reduction in the amount deposited into the Businesses' accounts. *Id.* at ¶¶ 23–28. During this time frame, Respondent routinely volunteered to count and process the Businesses' cash deposits delivered by the Courier Service. *Id.* at ¶ 25. Respondent did not create any separate cash-in tickets related to the 160 transactions with alterations, as would have been required under Bank practice if Respondent had identified an out-of-balance deposit. *Id.* at ¶ 26. Between January 2018 and June 2018, the Businesses never received any notifications from Respondent regarding out-of-balance deposits. *Id.* at ¶ 27. In sworn testimony before the OCC, Respondent asserted his Fifth Amendment right against self-incrimination and refused to answer all substantive questions related to the misappropriation of cash from the Businesses' deposit accounts and the alterations of Bank records. *Id.* at ¶ 24.

The *Notice* alleges that Respondent's alterations of deposit slips in a single day ranged from a total of four hundred and thirty dollars ($430) to eight thousand four hundred and forty-one dollars ($8,441). *Id.* at ¶¶ 30. In one typical instance of Respondent's conduct, employees of the Businesses created a deposit slip, dated February 23, 2018, to deposit four thousand two

hundred and seventy-nine dollars ($4,279) into deposit account XXXX90 where the currency and total lines read "4,279.00." *Id.* at ¶ 29. On February 26, 2018, Respondent wrote "$3780" below the total line, then credited only three thousand seven hundred and eighty dollars ($3,780), a difference of four hundred and ninety-nine dollars ($499). *Id.* Such out-of-balance deposits were well outside what Bank employees considered normal activity for the Businesses, and the transaction stamp on each of the falsified cash-in tickets contained Respondent's teller number. *Id.* at ¶¶ 31–32.

The *Notice* alleges that, at all relevant times, Respondent maintained a personal deposit account at another bank. *Id.* at ¶ 33. From January 9, 2018, the date of the first known alteration, through June 2018, Respondent deposited one hundred and fifty-seven thousand five hundred and ten dollars ($157,510) in cash, in addition to his payroll deposits from the Bank, into his deposit account at this other bank. *Id.* at ¶ 34. During the OCC's investigation, the agency took Respondent's sworn statement. Respondent asserted his Fifth Amendment right and refused to answer questions related to the source of this cash. *Id.* at ¶ 35. During the 2017 calendar year, prior to the start of the misappropriation, Respondent's deposit account balance was generally less than two thousand dollars ($2,000) and, at times, had a negative balance. *Id.* at ¶ 36. At the time of his resignation at the end of June 2018, Respondent's deposit account balance had ballooned to more than one hundred thousand dollars ($100,000). *Id.* at ¶ 37. Between January 2018 and June 2018, Respondent made at least one cash deposit into his deposit account on ninety-four percent (94%) of the days on which deposit slips were altered. *Id.* at ¶ 38. Respondent's actions caused the Bank to hire counsel and a private investigator to investigate the loss, and the total confirmed loss associated with Respondent's misappropriation is at least one hundred forty-one thousand four hundred and seventy-one dollars ($141,471). *Id.* at ¶¶ 39–40.

Between September 2018 and December 2019, the Bank reimbursed the Businesses one hundred and four thousand dollars ($104,000), causing the Bank to suffer a loss of at least that amount. *Id.* at ¶ 41.

A. Notice of Opportunity to Answer and to Request a Hearing

The *Notices of Charges* notified Respondent of his opportunity to respond to the case against him, directing him to file an answer to the *Notice* and to submit a written request for a hearing concerning the assessed civil money penalty within 20 days of the date of service of the *Notice*. *Id.* at pp. 9–10; *see* 12 C.F.R. § 19.19(a), (b). The *Notice* directed Respondent to file any answer or hearing request with the Office of Financial Institution Adjudication (OFIA), the OCC's Hearing Clerk, and Enforcement Counsel. *Id*. The *Notice* listed the physical and email addresses for all recipients. *Id.* The *Notice of Charges* specifically stated that a failure to file an answer or request a hearing within the 20-day time period "shall constitute a waiver of the right to appear and contest the allegations contained in [the] Notice" and "shall cause [the] assessment to constitute a final and unappealable order for a civil money penalty against Respondent pursuant to 12 U.S.C. 1818(i)." *Id.*; *see also* 12 C.F.R. § 19.19(c).

B. Service of *Notice of Charges* and Proof of Service of Process

The record reflects that OCC Enforcement Counsel served a copy of the *Notice of Charges*, dated February 7, 2020, on Respondent by overnight delivery to Respondent's home address, which Respondent personally provided to OCC Enforcement Counsel during his sworn testimony. *See Motion for Entry of Order of Default*, dated January 7, 2021, at 2. The *Notice* was delivered on February 7, 2020. *Id.* Respondent was therefore required to file his answer to the *Notice* and to request a hearing by February 28, 2020, which Respondent failed to do. *Id.* at 2–3.

Respondent was also served by direct personal delivery of the *Notice* on October 11, 2020,[6] despite having already received effective service by overnight home delivery. *Id.*

C. Entry of Default and ALJ Recommendation

Following Respondent's failure to file a timely answer to the *Notice* or submit a timely request for a hearing, Enforcement Counsel filed a *Motion for Entry of Order of Default* on January 7, 2021. Respondent did not respond to the *Motion for Entry of Order of Default*. On January 28, the ALJ entered her *Recommended Decision*. The ALJ determined that Respondent failed to file an answer to the *Notice of Charges* within the time limits or in the manner prescribed under the Uniform Rules of Practice and Procedure or request a hearing, and, therefore, Respondent is in default. *Recommended Decision*, at 1–2.

The ALJ therefore recommended issuance of a final decision by the Comptroller of the Currency prohibiting Respondent from further participation in the banking industry, requiring Respondent to pay restitution in the amount of $141,471, and ordering Respondent to pay a civil money penalty in the amount of $35,000. Respondent did not file exceptions or otherwise respond to the *Recommended Decision*, and the record was submitted to the Comptroller for a final Decision.

II. DECISION

The Comptroller affirms the ALJ's finding that Respondent is in default based upon Respondent's failure to submit a timely answer to the *Notice of Charges* or to request a hearing. The record reflects that the *Notice of Charges* was delivered to Respondent on February 7, 2020. The *Notice* informed Respondent that he was required to file an answer to the *Notice* and request

[6] Even if Respondent's time in which to file an answer were calculated from the date on which the process server personally delivered a copy of the *Notice* to Respondent on October 11, 2020, Respondent would have been required to file his answer no later than November 2, 2020, which he failed to do. *Motion for Entry of Order of Default* at 3.

a hearing regarding the civil money penalty within 20 days of being served the *Notice*, which was February 28, 2020. Respondent was also warned that failing to file a timely answer or request for hearing could result in a default judgment. Respondent received the *Notice*, did not submit a timely response, and has not shown good cause for his failures.

The Uniform Rules of Practice and Procedure state that "[f]ailure of a respondent to file an answer required by this section within the time provided constitutes a waiver of his or her right to appear and contest the allegations in the notice." 12 C.F.R. § 19.19(c)(1). Further, if "no good cause has been shown for the failure to file a timely answer, the administrative law judge shall file with the Comptroller a recommended decision containing the findings and the relief sought in the notice" and "[a]ny final order issued by the Comptroller based upon a respondent's failure to answer is deemed to be an order issued upon consent." *Id.* Similarly, if a respondent "fails to request a hearing as required by law within the time provided, the notice of assessment constitutes a final and unappealable order." *Id.* at § 19.19(c)(2).

Based on the record of this proceeding, the Comptroller finds no basis to question the conclusion that Respondent had actual notice of the proceeding or his obligations to respond; the record reflects that Respondent was served with the *Notice*. The Comptroller agrees with the ALJ's findings that Respondent was served with the *Notice* in accordance with 12 C.F.R. § 19.11(b); that Respondent has failed to file an answer within the time limits or in the manner prescribed under the Uniform Rules of Practice and Procedure or request a hearing as required by 12 C.F.R. § 19.19; and that Respondent is in default. *See* 12 C.F.R. § 19.19(c). Further, Respondent did not file any exceptions challenging the ALJ's *Recommended Decision*, and any objections thereto are waived. *See* 12 C.F.R. § 19.39(b)(1). Respondent therefore waived his right to contest the allegations in the *Notice of Charges*, and the *Notice*'s assessment of a civil

money penalty constitutes a final and unappealable order. The Comptroller also concludes that the facts as alleged in the *Notice of Charges* and the record herein support the conclusion that Respondent recklessly engaged in unsafe or unsound practices that were part of a pattern of misconduct, violated the law, and breached his fiduciary duty by misappropriating customer cash deposits and falsifying bank records to conceal the theft. Finally, the Comptroller concludes that the facts as alleged in the *Notice of Charges* and the record herein support the entry of the requested orders, *i.e.* that Respondent should be prohibited from any further participation in the conduct of the affairs of any institution or entity enumerated in Section 8(e)(7)(A) of the FDIA, that Respondent should be ordered to make restitution in the amount of $141,471 under section 8(b) of the FDIA, and that Respondent should pay a civil money penalty in the amount of $35,000 pursuant to section 8(i) of the FDIA.

III. CONCLUSION

For the foregoing reasons, the Administrative Law Judge's recommended finding that Respondent be found in default based upon his failure to file an answer or to request a hearing is affirmed. Upon consideration of the entire record in this proceeding, the Comptroller finds (1) that Respondent is in default and has waived his right to request a hearing or contest the findings in the *Notice of Charges*; (2) that Respondent should be prohibited from any further participation in the conduct of the affairs of any institution or entity set forth in section 8(e) of the FDIA, 12 U.S.C. § 1818(e); (3) that Respondent should be ordered to make restitution in the amount of $141,471 in the manner outlined in the *Notice* pursuant to section 8(b) of the FDIA, 12 U.S.C. § 1818(b); and (4) that Respondent should be ordered to pay a $35,000 civil money penalty pursuant to section 8(i) of the FDIA, 12 U.S.C. § 1818(i). The Comptroller will issue an Order of

Prohibition, an Order of Restitution, and an Assessment of a Civil Money Penalty contemporaneously with this final Decision.

Date: May 17, 2021

/s
MICHAEL J. HSU
ACTING COMPTROLLER OF THE CURRENCY