

UNITED STATES OF AMERICA
Before the
OFFICE OF THRIFT SUPERVISION

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In the Matter of)	Order No.: NE-11-20
)	
)	
WESTFIELD BANK)	Effective Date: April 28, 2011
)	
Westfield, Massachusetts)	
OTS Docket No. 17968)	
_____)	

ORDER TO CEASE AND DESIST

WHEREAS, Westfield Bank, Westfield, Massachusetts, OTS Docket No. 17968 (Association), by and through its Board of Directors (Board), has executed a Stipulation and Consent to the Issuance of an Order to Cease and Desist (Stipulation); and

WHEREAS, the Association, by executing the Stipulation, has consented and agreed to the issuance of this Order to Cease and Desist (Order) by the Office of Thrift Supervision (OTS) pursuant to 12 U.S.C. § 1818(b); and

WHEREAS, pursuant to delegated authority, the OTS Regional Director for the Northeast Region (Regional Director) is authorized to issue Orders to Cease and Desist where a savings association has consented to the issuance of an order.

NOW, THEREFORE, IT IS ORDERED that:

Cease and Desist.

1. The Association, its institution-affiliated parties¹, and its successors and assigns, shall cease and desist from any action (alone or with others) for or toward causing, bringing about, participating in, counseling, or the aiding and abetting violations of the following regulations:

- (a) 12 C.F.R. § 563.177 (requiring an effective Anti-Money Laundering (AML) and Bank Secrecy Act (BSA) Compliance Program);
- (b) 31 C.F.R. § 1020.315(d)² (requiring annual review of exempt persons to determine continued eligibility for exemption); and
- (c) 12 C.F.R. § 571.90(e) (requiring the continuing administration of an Identity Theft Prevention Program).

BSA/AML Compliance Program.

2. By April 30, 2011, the Association shall revise its policies, procedures and systems related to the Bank Secrecy Act/Anti-Money Laundering (BSA/AML) regulations (BSA/AML Compliance Program) to comply with all applicable laws, regulations and regulatory guidance.³ The Association's BSA/AML Compliance Program shall address all corrective actions set forth in the Report of Examination dated November 29, 2010 (2010 ROE) and provide for:

- (a) a thorough assessment of the Association's BSA/AML risk exposure (the BSA/AML Risk Assessment), based upon the specific products, services, customers, entities, and geographic locations of the Association that may expose it to money

¹ The term "institution-affiliated party" is defined at 12 U.S.C. § 1813(u).

² Formerly 31 C.F.R. § 103.22(d)(4). See 75 FR 65805 (October 26, 2010) -- Transfer and Reorganization of Bank Secrecy Act Regulations effective on March 1, 2011.

³ BSA/AML laws, regulations, and regulatory guidance include, but are not limited to, the Currency and Foreign Transactions Reporting Act, as amended by the USA PATRIOT Act and other laws, 31 U.S.C. §§ 5311 et seq., and the related regulations issued and/or administered by the U.S. Department of the Treasury's Financial Crimes Enforcement Network (FinCEN), 31 C.F.R. §§ 1020 et seq., and the related BSA regulations issued by OTS, 12 CFR § 563.177 (collectively the BSA Laws and Regulations)

laundering, terrorism financing, or other illegal activities, taking into consideration information collected from the Association's customer identification policies, procedures and processes (CIP Policy) and customer due diligence process (CDD) in accordance with the BSA/AML matrix set forth in Appendix J of the FinCEN BSA/AML Examination Manual. The BSA/AML Assessment shall identify the number of accounts that are potentially medium or high risk, and describe the basis for such determination; and

(b) a system of internal controls to comply with the BSA/AML Laws and Regulations. Such internal controls must include written policies, procedures, and processes to monitor all transactions: (i) for full compliance with all applicable laws and regulations; and (ii) to timely report any suspicious transactions and activity.

Compliance Audits.

3. The Association shall obtain annual audits of the Association's compliance with, at a minimum, the "Compliance Core" elements of the consumer and other compliance laws, regulations and regulatory guidance (Compliance Laws and Regulations)⁴ within thirty (30) days following the end of each calendar year (Compliance Audits). The Compliance Audit shall result in a written report containing audit findings, identified deficiencies, and specific recommendations to be sent to the Board. The Board's review of the Compliance Audit shall be documented in the Board meeting minutes.

4. Within thirty (30) days after receipt of the Compliance Audit, the Board shall take action to address the audit findings, deficiencies noted, and specific recommendations contained in the

⁴ The term "consumer and other compliance laws, regulations and regulatory guidance" includes all laws and regulations referenced in Section 1100 (Compliance Oversight Examination Program) of the OTS Examination Handbook; the "Compliance Core" elements are described within Section 1100.

Compliance Audit or document in writing signed by all Board members why a particular recommendation has not been implemented.

Follow-up on Past Audit Findings.

5. By April 30, 2011, and on a monthly basis thereafter, the Association shall report to the Board on the resolution of uncorrected deficiencies in compliance with the Compliance Laws and Regulations identified in the findings of past audits that are described in the 2010 ROE. The Board's review shall be documented in the Board meeting minutes.

Violations of Law.

6. Within thirty (30) days, the Association shall ensure that all violations of law and/or regulation discussed in the 2010 ROE are corrected and that adequate policies, procedures and systems are established or revised and thereafter implemented to prevent future violations.

Board Oversight of Compliance with Order.

7. Effective immediately, the Board shall monitor and coordinate the Association's compliance with the provisions of this Order and the completion of all corrective actions required in the 2010 ROE. The Board shall review and adopt all policies and procedures required by this Order prior to submission to the OTS.

8. Within forty (40) days after the end of each quarter, beginning with the quarter ending June 30, 2011, the Association shall prepare a written compliance progress report for the Board (Compliance Tracking Report). The Compliance Tracking Report shall, at a minimum:

- (a) separately list each corrective action required by this Order and the 2010 ROE;
- (b) identify the required or anticipated completion date for each corrective action; and
- (c) discuss the current status of each corrective action, including the action(s) taken or to be taken to comply with each corrective action.

9. Within fifty (50) days after the end of each quarter, beginning with the quarter ending June 30, 2011, the Board shall review the Compliance Tracking Report and all reports required to be prepared by this Order. Following its review, the Board shall adopt a resolution: (a) certifying that each director has reviewed the Compliance Tracking Report and all required reports; and (b) documenting any corrective actions adopted by the Board. A copy of the Compliance Tracking Report and the Board resolution shall be provided to the Regional Director within five (5) days after the Board meeting.

10. Nothing contained herein shall diminish the responsibility of the entire Board to ensure the Association's compliance with the provisions of this Order.

Effective Date, Incorporation of Stipulation.

11. This Order is effective on the Effective Date as shown on the first page. The Stipulation is made a part hereof and is incorporated herein by this reference.

Duration.

12. This Order shall remain in effect until terminated, modified, or suspended by written notice of such action by the OTS, acting by and through its authorized representatives.

Time Calculations.

13. Calculation of time limitations for compliance with the terms of this Order run from the Effective Date and shall be based on calendar days, unless otherwise noted.

14. The Regional Director, or an OTS authorized representative, may extend any of the deadlines set forth in the provisions of this Order upon written request by the Association that includes reasons in support for any such extension. Any OTS extension shall be made in writing.

Submissions and Notices.

15. All submissions, including any reports, to the OTS that are required by or contemplated by this Order shall be submitted within the specified timeframes.

16. Except as otherwise provided herein, all submissions, requests, communications, consents or other documents relating to this Order shall be in writing and sent by first class U.S. mail (or by reputable overnight carrier, electronic facsimile transmission or hand delivery by messenger) addressed as follows:

(a) To the OTS:
Office of Thrift Supervision
Michael E. Finn
Regional Director, Northeast Region
Harborside Financial Center Plaza Five
Suite 1600
Jersey City, NJ 07302

(b) To the Association:
Westfield Bank
James C. Hagen
President and Chief Executive Officer
141 Elm Street
Westfield, MA 17968

17. Following the Transfer Date,⁵ all submissions, requests, communications, consents or other documents relating to this Order made by the Association shall be directed to the Comptroller of the Currency, or to the individual, division, or office designated by the Comptroller of the Currency.

⁵ See Dodd-Frank Wall Street Reform and Consumer Protection Act, Pub. Law No. 111-203, § 311, 124 Stat. 1520 – 21 (2010).

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STIPULATION AND CONSENT TO ISSUANCE OF ORDER TO CEASE AND DESIST

WHEREAS, the Office of Thrift Supervision (OTS), acting by and through its Regional Director for the Northeast Region (Regional Director), and based upon information derived from the exercise of its regulatory and supervisory responsibilities, has informed Westfield Bank, Westfield, Massachusetts, OTS Docket No. 17968 (Association), that the OTS is of the opinion that grounds exist to initiate an administrative proceeding against the Association pursuant to 12 U.S.C. § 1818(b);

WHEREAS, the Regional Director, pursuant to delegated authority, is authorized to issue Orders to Cease and Desist where a savings association has consented to the issuance of an order; and

WHEREAS, the Association desires to cooperate with the OTS to avoid the time and expense of such administrative cease and desist proceeding by entering into this Stipulation and Consent to the Issuance of Order to Cease and Desist (Stipulation) and, without admitting or

denying that such grounds exist, but only admitting the statements and conclusions in Paragraphs 1 and 2 below concerning Jurisdiction, hereby stipulates and agrees to the following terms:

Jurisdiction.

1. The Association is a “savings association” within the meaning of 12 U.S.C. § 1813(b) and 12 U.S.C. § 1462(4). Accordingly, the Association is “an insured depository institution” as that term is defined in 12 U.S.C. § 1813(c).
2. Pursuant to 12 U.S.C. § 1813(q), the Director of the OTS is the “appropriate Federal banking agency” with jurisdiction to maintain an administrative enforcement proceeding against a savings association. Therefore, the Association is subject to the authority of the OTS to initiate and maintain an administrative cease and desist proceeding against it pursuant to 12 U.S.C. § 1818(b).

OTS Findings of Fact.

3. Based on its Report of Examination of the Association dated November 29, 2010, the OTS finds that the Association has engaged in violations of law and regulation, including:
 - (a) 12 C.F.R. § 563.177 (requiring an effective Anti-Money Laundering (AML) and Bank Secrecy Act (BSA) Compliance Program);
 - (b) 31 C.F.R. § 1020.315(d)¹ (requiring annual review of exempt persons to determine continued eligibility for exemption); and
 - (c) 12 C.F.R. § 571.90(e) (requiring the continuing administration of an Identity Theft Prevention Program).

¹ Formerly 31 C.F.R. § 103.22(d)(4). See 75 FR 65805 (October 26, 2010) -- Transfer and Reorganization of Bank Secrecy Act Regulations effective on March 1, 2011.

Consent.

4. The Association consents to the issuance by the OTS of the accompanying Order to Cease and Desist (Order). The Association further agrees to comply with the terms of the Order upon the Effective Date of the Order and stipulates that the Order complies with all requirements of law.

Finality.

5. The Order is issued by the OTS under 12 U.S.C. § 1818(b). Upon the Effective Date, the Order shall be a final order, effective, and fully enforceable by the OTS under the provisions of 12 U.S.C. § 1818(i).

Waivers.

6. The Association waives the following:

- (a) the right to be served with a written notice of the OTS's charges against it as provided by 12 U.S.C. § 1818(b) and 12 C.F.R. Part 509;
- (b) the right to an administrative hearing of the OTS's charges as provided by 12 U.S.C. § 1818(b) and 12 C.F.R. Part 509;
- (c) the right to seek judicial review of the Order, including, without limitation, any such right provided by 12 U.S.C. § 1818(h), or otherwise to challenge the validity of the Order; and
- (d) any and all claims against the OTS, including its employees and agents, and any other governmental entity for the award of fees, costs, or expenses related to this OTS enforcement matter and/or the Order, whether arising under common law, federal statutes, or otherwise.

OTS Authority Not Affected.

7. Nothing in this Stipulation or accompanying Order shall inhibit, estop, bar, or otherwise prevent the OTS from taking any other action affecting the Association if at any time the OTS deems it appropriate to do so to fulfill the responsibilities placed upon the OTS by law.

Other Governmental Actions Not Affected.

8. The Association acknowledges and agrees that its consent to the issuance of the Order is solely for the purpose of resolving the matters addressed herein, consistent with Paragraph 7 above, and does not otherwise release, discharge, compromise, settle, dismiss, resolve, or in any way affect any actions, charges against, or liability of the Association that arise pursuant to this action or otherwise, and that may be or have been brought by any governmental entity other than the OTS.

Miscellaneous.

9. The laws of the United States of America shall govern the construction and validity of this Stipulation and of the Order.

10. If any provision of this Stipulation and/or the Order is ruled to be invalid, illegal, or unenforceable by the decision of any Court of competent jurisdiction, the validity, legality, and enforceability of the remaining provisions hereof shall not in any way be affected or impaired thereby, unless the Regional Director in his or her sole discretion determines otherwise.

11. All references to the OTS in this Stipulation and the Order shall also mean any of the OTS's predecessors, successors, and assigns.

12. The section and paragraph headings in this Stipulation and the Order are for convenience only and shall not affect the interpretation of this Stipulation or the Order.

13. The terms of this Stipulation and of the Order represent the final agreement of the parties with respect to the subject matters thereof, and constitute the sole agreement of the parties with respect to such subject matters.

14. The Stipulation and Order shall remain in effect until terminated, modified, or suspended in writing by the OTS, acting through its Regional Director or other authorized representative.

Signature of Directors/Board Resolution.

15. Each Director signing this Stipulation attests that he or she voted in favor of a Board Resolution authorizing the consent of the Association to the issuance of the Order and the execution of the Stipulation. This Stipulation may be executed in counterparts by the directors after approval of execution of the Stipulation at a duly called board meeting. A copy of the Board Resolution authorizing execution of this Stipulation shall be delivered to the OTS, along with the executed original(s) of this Stipulation.

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