

UNITED STATES OF AMERICA
DEPARTMENT OF THE TREASURY
COMPTROLLER OF THE CURRENCY

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In the Matter of:)	
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Lone Star National Bank)	AA-EC-2015-20
Pharr, Texas)	
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CONSENT ORDER FOR A CIVIL MONEY PENALTY

The Comptroller of the Currency of the United States of America (“Comptroller”), through his examiners and other staff of the Office of the Comptroller of the Currency (“OCC”), has examined the affairs of Lone Star National Bank, Pharr, Texas (“Bank”), to determine the adequacy of the Bank’s Bank Secrecy Act and Anti-Money Laundering (“BSA/AML”) compliance program. The OCC has identified BSA/AML deficiencies with the Bank’s internal controls, independent audit, suspicious activity reporting, and foreign correspondent banking program. On July 9, 2012, the Bank entered into a Consent Order (“Consent Order”) with the OCC, which required the Bank to undertake remedial actions with respect to its BSA/AML program.

The Bank, by and through its duly elected and acting Board of Directors (“Board”), has executed a Stipulation and Consent to the Issuance of an Order for a Civil Money Penalty, dated 4-1-2015, that is accepted by the Comptroller (“Stipulation”). By this Stipulation, which is incorporated herein by reference, the Bank has consented to the issuance of this Consent Order for a Civil Money Penalty (“Order”) by the Comptroller.

ARTICLE I

COMPTROLLER'S FINDINGS

The Comptroller finds, and the Bank neither admits nor denies, the following:

(1) Prior to 2010, the OCC found weaknesses and issued Matters Requiring Attention related to the Bank's BSA/AML program.

(2) In October 2011, the OCC identified a number of significant deficiencies with the Bank's BSA/AML functions, resulting in a violation of 12 C.F.R. § 21.21. Specifically, the OCC found that two of the four minimum elements for the BSA program were not satisfied. The OCC noted critical deficiencies related to the Bank's internal controls, finding that the Bank's customer due diligence ("CDD") and enhanced due diligence ("EDD") for high-risk accounts was unsatisfactory. Further, the OCC determined that the Bank's independent testing was ineffective.

(3) In addition, the OCC found critical deficiencies with suspicious activity identification, monitoring, and reporting, resulting in a violation of 12 C.F.R. § 21.11. During transaction testing, examiners noted that Suspicious Activity Reports ("SARs") were untimely filed.

(4) Moreover, the OCC found a number of deficiencies with the Bank's foreign correspondent relationship, resulting in a violation of 31 C.F.R. § 1010.610.

(5) On July 9, 2012, the Bank entered into the Consent Order with the OCC to address weaknesses with the Bank's BSA/AML compliance program, including the failure to collect and analyze sufficient CDD and EDD, failure to file SARs, and an ineffective BSA/AML/Office of Foreign Assets Control Act audit.

(6) The Consent Order required the Bank to perform a review of account and transaction activity to determine whether suspicious activity reporting was timely in accordance with 12 C.F.R. § 21.11. After conducting a look back, the Bank filed 3 new SARs, 11 late SARs, and 16 supplemental SARs.

(7) In November 2014, the Bank completed an additional look back review, which resulted in the filing of 157 new SARs.

(8) In October 2014, the OCC conducted an examination to assess the Bank's progress in addressing the non-compliant articles of the Consent Order. As with the prior examinations, the OCC found that the Bank had not achieved full compliance with the Consent Order.

ARTICLE II

ORDER FOR A CIVIL MONEY PENALTY

Pursuant to the authority vested in him by the Federal Deposit Insurance Act, 12 U.S.C. § 1818(i), the Comptroller orders, and the Bank consents to the following:

(1) The Bank shall make payment of a civil money penalty in the total amount of one million dollars (\$1,000,000), which shall be paid upon the execution of this Order:

(a) If a check is the selected method of payment, the check shall be made payable to the Treasurer of the United States and shall be delivered to: Comptroller of the Currency, P.O. Box 979012, St. Louis, Missouri 63197-9000.

(b) If a wire transfer is the selected method of payment, it shall be sent in accordance with instructions provided by the Comptroller.

(c) The docket number of this case (AA-EC-2015-20) shall be entered on the payment document or wire confirmation and a photocopy of the payment document or confirmation of the wire transfer shall be sent immediately, by overnight delivery, to the Director of Enforcement and Compliance, Office of the Comptroller of the Currency, 400 7th Street, S.W., Washington, D.C. 20219.

(2) This Order shall be enforceable to the same extent and in the same manner as an effective and outstanding order that has been issued and has become final pursuant to 12 U.S.C. § 1818(h) and (i).

ARTICLE III

OTHER PROVISIONS

(1) If, at any time, the Comptroller deems it appropriate in fulfilling the responsibilities placed upon him by the several laws of the United States to undertake any action affecting the Bank, nothing in this Order shall in any way inhibit, estop, bar, or otherwise prevent the Comptroller from so doing.

(2) The provisions of this Order are effective upon issuance of this Order by the Comptroller, through his authorized representative whose hand appears below, and shall remain effective and enforceable, except to the extent that, and until such time as, any provisions of this Order shall have been amended, suspended, waived, or terminated in writing by the Comptroller.

(3) The Office of the Comptroller of the Currency (“OCC”) releases and discharges the Bank from all potential claims and charges that have been or might have been asserted by the OCC based on the Comptroller’s Findings set forth in Article I of the Order, to the extent known

to the OCC as of the effective date of the Order. However, the violations described in Article I of the Order may be utilized by the OCC in future enforcement actions (a) against the Bank, to establish a pattern of violations or the continuation of a pattern of violations, or (b) against the Bank's institution-affiliated parties. This release shall not preclude or affect any right of the OCC to determine and ensure compliance with the terms and provisions of this Order.

(4) This Order is intended to be, and shall be construed to be, a final order issued pursuant to 12 U.S.C. § 1818(i), and expressly does not form, and may not be construed to form, a contract binding the Comptroller or the United States.

(5) The terms of this Order, including this paragraph, are not subject to amendment or modification by any extraneous expression, prior agreements, or prior arrangements between the parties, whether oral or written.

(6) The provisions of this Order constitute a settlement of the civil money penalty proceeding contemplated by the Comptroller.

IT IS SO ORDERED, this 4th day of April, 2015.

/s/Gilbert D. Barker
Gilbert D. Barker
District Deputy Comptroller

**UNITED STATES OF AMERICA
DEPARTMENT OF THE TREASURY
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**STIPULATION AND CONSENT TO THE ISSUANCE
OF AN ORDER FOR A CIVIL MONEY PENALTY**

WHEREAS, the Comptroller of the Currency of the United States of America (“Comptroller”), based upon information derived from the exercise of his regulatory and supervisory responsibilities, intends to initiate a civil money penalty proceeding against Lone Star National Bank, Pharr, Texas (“Bank”), pursuant to 12 U.S.C. § 1818(i)(2), for violations of the Bank Secrecy Act 31 U.S.C. § 5311 *et seq.*, and Bank Secrecy Act regulations 12 C.F.R. §§ 21.11 and 21.21, and 31 C.F.R. § 1010.610.

WHEREAS, in the interest of cooperation and to avoid additional costs associated with administrative and judicial proceedings with respect to the above matter, the Bank, through its duly elected and acting Board of Directors (“Board”), has agreed to execute this Stipulation and Consent to the Issuance of a Civil Money Penalty (“Stipulation”), that is accepted by the Comptroller, through his duly authorized representative;

NOW, THEREFORE, in consideration of the above premises, it is stipulated by the Bank that:

ARTICLE I

JURISDICTION

(1) The Bank is a national banking association chartered and examined by the Comptroller pursuant to the National Bank Act of 1864, as amended, 12 U.S.C. § 1 *et seq.*

(2) The Comptroller is “the appropriate Federal banking agency” regarding the Bank pursuant to 12 U.S.C. §§ 1813(q) and 1818(i).

(3) The Bank is an “insured depository institution” within the meaning of 12 U.S.C. § 1818(i).

ARTICLE II

CONSENT

(1) The Bank, without admitting or denying any wrongdoing, consents and agrees to issuance of the accompanying Consent Order for a Civil Money Penalty (“Consent Order”) by the Comptroller.

(2) The Bank consents and agrees that the Consent Order shall be deemed an “order issued with the consent of the depository institution” pursuant to 12 U.S.C. § 1818(h)(2), and consents and agrees that the Consent Order shall become effective upon its execution by the Comptroller through his authorized representative, and shall be fully enforceable by the Comptroller pursuant to 12 U.S.C. § 1818(i).

(3) Notwithstanding the absence of mutuality of obligation, or of consideration, or of a contract, the Comptroller may enforce any of the commitments or obligations herein undertaken by the Bank under his supervisory powers, including 12 U.S.C. § 1818(i), and not as a matter of contract law. The Bank expressly acknowledges that neither the Bank nor the Comptroller has any intention to enter into a contract.

(4) The Bank declares that no separate promise or inducement of any kind has been made by the Comptroller, or by his agents or employees, to cause or induce the Bank to consent to the issuance of the Consent Order and/or execute this Stipulation.

(5) The Bank expressly acknowledges that no officer or employee of the Comptroller has statutory or other authority to bind the United States, the United States Treasury Department, the Comptroller, or any other federal bank regulatory agency or entity, or any officer or employee of any of those entities to a contract affecting the Comptroller's exercise of his supervisory responsibilities.

(6) The Office of the Comptroller of the Currency ("OCC") releases and discharges the Bank from all potential claims and charges that have been or might have been asserted by the OCC based on the Comptroller's Findings set forth in Article I of the Consent Order, to the extent known to the OCC as of the effective date of the Consent Order. However, the violations described in Article I of the Consent Order may be utilized by the OCC in future enforcement actions (a) against the Bank, to establish a pattern of violations or the continuation of a pattern of violations, or (b) against the Bank's institution-affiliated parties. This release shall not preclude or affect any right of the OCC to determine and ensure compliance with the terms and provisions of this Stipulation or the Consent Order.

(7) The terms and provisions of this Stipulation and the Consent Order shall be binding upon, and inure to the benefit of, the parties hereto and their successors in interest. Nothing in this Stipulation or the Consent Order, express or implied, shall give to any person or entity, other than the parties hereto, and their successors hereunder, any benefit or any legal or equitable right, remedy or claim under this Stipulation or the Consent Order.

ARTICLE III

WAIVERS

- (1) The Bank, by executing this Stipulation and consenting to the Consent Order, waives:
- (a) Any and all rights to the issuance of a Notice of Charges pursuant to 12 U.S.C. § 1818(i);
 - (b) Any and all procedural rights available in connection with the issuance of the Consent Order;
 - (c) Any and all rights to a hearing and a final agency decision pursuant to 12 U.S.C. § 1818(i), 12 C.F.R. Part 19;
 - (d) Any and all rights to seek any type of administrative or judicial review of the Consent Order;
 - (e) Any and all claims for fees, costs or expenses against the Comptroller, or any of his agents or employees, related in any way to this enforcement matter or the Consent Order, whether arising under common law or under the terms of any statute, including, but not limited to, the Equal Access to Justice Act, 5 U.S.C. § 504 and 28 U.S.C. § 2412;
 - (f) Any and all rights to assert this proceeding, this Stipulation, consent to the issuance of the Consent Order, and/or the issuance of the Consent Order, as the basis for a claim of double jeopardy in any pending or future proceeding brought by the United States Department of Justice or any other governmental entity; and

- (g) Any and all rights to challenge or contest the validity of the Consent Order.

ARTICLE IV

CLOSING

(1) The provisions of this Stipulation and the Consent Order shall not inhibit, estop, bar, or otherwise prevent the Comptroller from taking any other action affecting the Bank if, at any time, he deems it appropriate to do so to fulfill the responsibilities placed upon him by the several laws of the United States of America.

(2) Nothing in this Stipulation or the Consent Order shall preclude any proceedings brought by the Comptroller to enforce the terms of the Consent Order, and nothing in this Stipulation or the Consent Order constitutes, nor shall the Bank contend that it constitutes, a release, discharge, compromise, settlement, dismissal, or resolution of any actions, or in any way affects any actions that may be or have been brought by any other representative of the United States or an agency thereof, including, without limitation, the United States Department of Justice.

(3) The terms of this Stipulation, including this paragraph, and of the Consent Order are not subject to amendment or modification by any extraneous expression, prior agreements or prior arrangements between the parties, whether oral or written.

IN TESTIMONY WHEREOF, the undersigned, authorized by the Comptroller as his representative, has hereunto set his hand on behalf of the Comptroller.

/s/Gilbert D. Barker
Gilbert D. Barker
District Deputy Comptroller

4-1-2015
Date

IN TESTIMONY WHEREOF, the undersigned, as the duly elected and acting Board of Directors of Lone Star NB, have hereunto set their hands on behalf of the Bank.

<u>/s/Alonzo Cantu</u> Alonzo Cantu	<u>3/31/15</u> Date
<u>/s/Cruz Cantu, III</u> Cruz Cantu, III	<u>3/31/15</u> Date
<u>/s/George R. Carruthers</u> George R. Carruthers	<u>3/31/15</u> Date
<u>/s/S. David Deanda, Jr.</u> S. David Deanda, Jr.	<u>3-31-15</u> Date
<u>/s/Lazaro H. Fernandez, Jr.</u> Lazaro H. Fernandez, Jr.	<u>3/31/15</u> Date
<u>/s/Oscar R. Gonzalez</u> Oscar R. Gonzalez	<u>3/31/15</u> Date
<u>/s/Abdala Kalifa</u> Abdala Kalifa	<u>3-31-15</u> Date
<u>/s/David Penoli</u> David Penoli	<u>3/31/15</u> Date 3/31/15
<u>/s/Nolan E. Perez</u> Nolan E. Perez	<u>3/31/15</u> Date

/s/Ruben M. Torres
Ruben M. Torres

3/31/15
Date

/s/Manuel M. Vela
Manuel M. Vela

3-31-15
Date

/s/Angie Vera-Oliva
Angie Vera-Oliva

3-31-15
Date

/s/Joe D. Zayas
Joe D. Zayas

3-31-15
Date