

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

_____	)	
<b>In the Matter of:</b>	)	
	)	OCC-AA-EC-2016-93
Admirals Bank	)	
Boston, Massachusetts	)	
_____	)	

**CONSENT ORDER**

The Comptroller of the Currency of the United States of America (“Comptroller”), through his authorized representative, has supervisory authority over Admirals Bank, Boston, Massachusetts (“Bank”).

The Bank, by and through its duly elected and acting Board of Directors (“Board”), has executed a “Stipulation and Consent to the Issuance of a Consent Order,” dated March 30, 2017, that is accepted by the Comptroller. By this Stipulation and Consent, which is incorporated by reference, the Bank has consented to the issuance of this Consent Order (“Order”) by the Comptroller.

Pursuant to the authority vested in it by the Federal Deposit Insurance Act, as amended, 12 U.S.C. § 1818, the Comptroller hereby orders that:

ARTICLE I

COMPLIANCE COMMITTEE

(1) The Board shall maintain a Compliance Committee of at least three (3) directors that shall consist of independent directors (no employees, former employees, or inside directors) or any of its affiliates (as the term “affiliate” is defined in 12 U.S.C. § 371c(b)(1)), or a family member of any such person). Upon appointment, the names of the members of the Compliance Committee and, in the event of a change of the membership, the name of any new member, shall

be submitted in writing to the Director of Special Supervision (“Director”). The Compliance Committee shall be responsible for monitoring and coordinating the Bank’s adherence to the provisions of this Order.

(2) The Compliance Committee shall meet at least monthly.

(3) By April 30, 2017, and monthly thereafter or within such other time period as the Director requires in writing, the Compliance Committee shall submit a written progress report to the Board setting forth in detail:

- (a) a description of the action needed to achieve full compliance with each Article of this Order;
- (b) specific actions taken to comply with each Article of this Order; and
- (c) the results and status of those actions.

(4) The Board shall forward a copy of the Compliance Committee’s report, with any additional comments by the Board, to the Director within ten (10) days of receiving such report.

## ARTICLE II

### BOARD TO IMPROVE CORPORATE GOVERNANCE

(1) The Board shall immediately ensure that it receives and reviews sufficient information from management (including scope, frequency, timing and content), regarding the operation of the Bank and the Bank’s compliance with this Order, to enable the Board to provide oversight and fulfill their fiduciary duties and other responsibilities under law and as outlined in the OCC’s “The Directors Book: The Role of Directors for National Banks and Federal Savings Associations” and the “Corporate and Risk Governance” booklet of the *Comptroller’s Handbook*.

(2) By May 15, 2017, the Board shall ensure an adequate process is in place to evaluate, at least annually, the Bank's overall internal operations, staffing, Board and management oversight, and management information systems ("MIS"), policies, procedures, and other risk management systems, with time sensitive strategies to address any deficiencies.

(3) By May 15, 2017, the Board shall prepare:

(a) an assessment of the Board's strengths and weaknesses along with a director education program designed to strengthen identified weaknesses;

and

(b) an assessment of the current Board members and Board committee structure to include a review of the charter/scope of the committees and to determine if the Board members have sufficient expertise and time to provide appropriate oversight of the affairs of the Bank. The assessment of the Board's committee structure shall include:

(i) an analysis of the number of committees and responsibilities assigned to each;

(ii) the composition of each committee with regard to the number of members and the technical expertise required for each committee;

(iii) specific recommendations to improve the efficiency and responsiveness of each committee; and

(iv) suitability of director compensation and fees.

(4) The Board shall ensure that the Bank has sufficient processes, management, personnel, and control systems to ensure implementation of and adherence to the plans, programs

and policies developed pursuant to this Order, and that Bank management and personnel have sufficient training and authority to execute their duties under this Order.

### ARTICLE III

#### BOARD TO ENSURE EFFECTIVE MANAGEMENT AND ADEQUATE STAFFING

(1) The Board shall ensure competent senior executive management is in place on a full-time basis to: (i) carry out the Board's policies; (ii) take the necessary steps to implement corporate governance and decision making processes to correct the Bank's deficiencies in management, leadership, and Board oversight; and (iii) ensure compliance with this Order, applicable laws, rules, and regulations, and manage the day-to-day operations of the Bank in a safe and sound manner. By May 15, 2017, the Board shall ensure the following:

- (a) that capable senior executive officers, as defined in 12 C.F.R. § 5.51(c)(3), are in place on a full-time basis to perform present and anticipated duties, with particular emphasis on their responsibilities to execute the Strategic Plan required by Article IV of this Order, achieve and maintain the minimum capital ratios required by Article V of this Order;
- (b) the identification of future senior executive management and staffing requirements of each area of the Bank;
- (c) that clear lines of responsibility and authority exist for each member of senior executive management;
- (d) that a management employment and succession program is in place to promote the retention and continuity of capable management;
- (e) that Bank personnel have sufficient training and authority to execute their duties and responsibilities under this Order; and

- (f) that a sufficient process is in place to ensure that management appropriately responds to any audit, compliance, and/or regulatory criticisms.

(2) The Board or designated committee shall ensure an annual written performance appraisal is performed and prepared for all Bank senior executive officers. Each annual written performance appraisal shall evaluate the performance of each senior executive officer according to the position's job description and responsibilities. If necessary and as appropriate, the Board shall engage a qualified independent third party to assist the Board in preparing the written performance appraisals. Each annual written performance appraisal also must evaluate the following as it applies to each senior executive officer:

- (a) compliance with objectives established by the Board;
- (b) compliance with Board approved policies and procedures;
- (c) compliance with Board approved business and capital plans;
- (d) development and implementation of action plans to remedy issues raised in ROEs, audit reports, or loan review reports;
- (e) compliance with laws, regulations, regulatory guidance, and the Order;  
and
- (f) appropriateness of compensation and benefits in accordance with Safety and Soundness Standards in 12 C.F.R. § 30, Appendix A, Section III.

(3) The Board shall ensure that the Bank addresses any deficiencies identified pursuant to paragraph (2) of this Article.

ARTICLE IV  
STRATEGIC PLAN

(1) By April 15, 2017, and annually thereafter, the Board shall prepare and forward to the Director for review, pursuant to paragraph (6) of this Article, a written Strategic Plan for the Bank that is acceptable to the Director, covering at least a three-year period. The Strategic Plan shall establish objectives for the Bank's overall risk profile, liquidity, earnings performance, growth, balance sheet mix, off-balance sheet activities, liability structure, capital adequacy, together with strategies to achieve those objectives, and shall, at a minimum, include:

- (a) a mission statement that forms the framework for the establishment of strategic goals and objectives;
- (b) the strategic goals and objectives to be accomplished, including key financial indicators and risk tolerances;
- (c) an assessment of the Bank's strengths, weaknesses, opportunities, and threats that impact the strategic goals and objectives;
- (d) an identification and prioritization of initiatives and opportunities, including timeframes that take into account the requirements of this Order;
- (e) a risk profile that evaluates credit, interest rate, liquidity, price, operational, compliance, strategic, and reputation risks in relationship to capital and earnings;
- (f) a description of the Bank's targeted market(s), competitive factors in its identified target market(s), and a description of control systems to mitigate risk in the Bank's market(s);

- (g) an assessment of the Bank's present and planned products and services on or off balance sheet;
- (h) the identification of appropriate risk management systems to identify, measure, monitor, and control risks (including but not limited to policies and procedures over the credit, investment, funding, pricing, operational, and accounting functions that are consistent with safe and sound banking practices) within the Bank's present and planned products and services;
- (i) the identification of marketing strategies, marketing partners and funding strategies;
- (j) financial projections which shall be consistent with the Capital Plan required by Article V and Liquidity Policy and Plan required by Article IX;
- (k) a description of the assumptions used to determine financial projections and growth targets;
- (l) assigned responsibilities and accountability for the strategic planning process and implementation;
- (m) a description of systems and metrics designed to monitor the Bank's progress in meeting the Strategic Plan's goals and objectives; and
- (n) an evaluation of the Bank's internal operations, management structure, compensation, staffing requirements, Board and MIS, and policies and procedures for their adequacy and contribution to the accomplishment of the goals and objectives developed in the Strategic Plan.

(2) If the Board's Strategic Plan under paragraph (1) of this Article includes a proposed sale, merger, or liquidation of the Bank, the Strategic Plan shall, at a minimum, address the steps that will be taken and the associated timeline to ensure that within ninety (90) days after receipt of the Director's written determination of no supervisory objection to the Strategic Plan, a definitive agreement for the sale or merger is executed or a suitable plan of liquidation is filed.

(3) Prior to adoption by the Board, a copy of the Strategic Plan and any subsequent amendments or revisions thereto shall be submitted to the Director for review and prior written determination of no supervisory objection. At the next Board meeting following receipt of the Director's written determination of no supervisory objection, the Board shall adopt and the Bank, subject to Board review and ongoing monitoring, shall immediately implement and thereafter ensure adherence to the Strategic Plan and any amendments or revisions thereto.

(4) The Bank may not initiate any action that deviates significantly from the Strategic Plan (that has received no supervisory objection from the Director and that has been adopted by the Board) without a written determination of no supervisory objection from the Director. The Board must give the Director at least thirty (30) days advance written notice of its intent to deviate significantly from the Strategic Plan, along with an assessment of the impact of such change on the Bank's condition including a profitability analysis and an evaluation of the adequacy of the Bank's organizational structure, staffing, MIS, internal controls, and written policies and procedures to identify, measure, monitor, and control the risks associated with the change in the Strategic Plan. For the purposes of this Article, changes that may constitute a significant deviation from the Strategic Plan include, but are not limited to, a change in the Bank's products and services, marketing strategies, marketing partners, underwriting practices and standards, credit administration, collection strategies or operations, fee structure or pricing,



accounting processes and practices, or funding strategies, any of which, alone or in aggregate, may have a material impact on the Bank's operations or financial performance; dealers or strategic partners; or any other changes in personnel or operations that may have a material impact on the Bank's operations or financial performance.

(5) At least quarterly, the Board shall prepare a written evaluation of the Bank's performance against the Strategic Plan that includes a description of the actions the Board will require the Bank to take to address any shortcomings, which shall be documented in the Board meeting minutes. Within ten (10) days of completing its evaluation, the Board shall submit a copy to the Director.

(6) Until the Strategic Plan required under this Article has received a written determination of no supervisory objection from the Director, the Bank shall not significantly deviate from the products, services, asset composition and/or size, funding sources, structure, operations, policies, procedures, and/or market(s) of the Bank that existed before this Order without first obtaining the Director's prior written determination of no supervisory objection to such significant deviation. Any request to the Director for prior written determination of no supervisory objection to a significant deviation must be submitted to the Director at least thirty (30) days in advance of the significant deviation, along with an assessment of the impact of such change on the Bank's condition, including a profitability analysis and an evaluation of the adequacy of the Bank's organizational structure, staffing, MIS, internal controls, and written policies and procedures to identify, measure, monitor, and control the risks associated with the change.

## ARTICLE V

### CAPITAL PLAN AND HIGHER MINIMUMS

(1) Effective immediately, the Bank shall maintain the following capital ratios as defined in 12 C.F.R. Parts 3 and 6:

- (a) Total capital at least equal to thirteen percent (13%) of risk-weighted assets; and
- (b) Tier 1 capital at least equal to nine percent (9%) of adjusted total assets.

(2) The requirement in this Order to meet and maintain specific capital levels means the bank shall not be deemed to be “well capitalized” for purposes of 12 U.S.C. § 1831o and 12 C.F.R. Part 6, pursuant to 12 C.F.R. § 6.4(b)(1)(iv).

(3) By April 30, 2017, the Board shall develop and implement an effective internal capital planning process to assess the Bank’s capital adequacy in relation to its overall risks and to ensure maintenance of appropriate capital levels, which shall in no event be less than the requirements of paragraph (1) of this Article. The capital planning process shall be consistent with OCC Bulletin 2012-16, *Guidance for Evaluating Capital Planning and Adequacy* (June 7, 2012), and shall ensure the integrity, objectivity, and consistency of the process through adequate governance. The Board shall document the initial capital planning process and thereafter review and document the capital planning process at least quarterly or more frequently if requested by the Director in writing.

(4) By April 30, 2017, the Board shall forward to the Director for his review and written determination of no supervisory objection, a written Capital Plan for the Bank, consistent with the Strategic Plan developed pursuant to Article IV of this Order, covering at least a three-year period. The written Capital Plan shall, at a minimum:

- (a) include specific plans for the maintenance of adequate capital, which shall in no event be less than the requirements of paragraph (1) of this Article;
  - (b) identify and evaluate all material risks;
  - (c) determine the Bank's capital needs in relation to material risks and strategic direction;
  - (d) identify and establish a strategy to strengthen capital and establish a contingency capital plan commensurate with the Bank's overall risk and complexity;
  - (e) include detailed quarterly financial projections; and
  - (f) include specific plans detailing how the Bank will comply with restrictions or requirements set forth in this Order that will have an impact on the Bank's capital.
- (5) The Bank may declare or pay a dividend or make a capital distribution only:
- (a) when the Bank is in compliance with its approved written Capital Plan and would remain in compliance with its approved written Capital Plan immediately following the declaration or payment of any dividend or the capital distribution;
  - (b) when the Bank is in compliance with 12 C.F.R. § 5.55; and
  - (c) following the prior written determination of supervisory no objection by the Director.
- (6) The Bank shall not pay any directors' fees unless the Bank is in compliance with the minimum capital ratios identified in paragraph (1) of this Article and would remain in compliance immediately following the payment of fees.

(7) The Board shall review and update the Bank's written Capital Plan at least annually, and more frequently if they deem necessary and/or if required by the Director in writing. Revisions to the Bank's written Capital Plan shall be submitted to the Director for a prior written determination of no supervisory objection. At the next Board meeting following receipt of the Director's written determination of no supervisory objection, the Board shall adopt and the Bank (subject to the Board's review and ongoing monitoring) shall implement and thereafter ensure adherence to the written Capital Plan and any amendments or revisions thereto.

(8) At least quarterly, the Board shall:

- (a) review financial reports and earnings analyses that evaluate the Bank's performance against the goals and objectives established in the Capital Plan, as well as the Bank's written explanation of significant differences between the actual and projected balance sheet, income statement, and expense accounts, including descriptions of extraordinary and/or nonrecurring items; and
- (b) prepare a written evaluation of the Bank's performance against the written Capital Plan, which shall include a description of the actions the Board will require the Bank to take to address any deficiencies.

The Board's review and preparation of the written evaluation shall be documented in the Board meeting minutes. The Board shall forward a copy of these quarterly written evaluations and Board meeting minutes to the Director within ten (10) days of completion of its written evaluation.

(9) If the Bank fails to maintain the capital ratios required by paragraph (1) of this Article, fails to submit a Capital Plan as required by paragraph (4) of this Article, or fails to

implement or adhere to a Capital Plan for which the OCC has taken no supervisory objection, then the Bank may, in the OCC's sole discretion, be deemed undercapitalized for the purposes of this Order. The Bank shall take such corrective measures as the OCC may direct in writing from among the provisions applicable to undercapitalized depository institutions under 12 U.S.C. § 1831o(e) and 12 C.F.R. Part 6. For purposes of this requirement, an action "necessary to carry out the purpose of this section" under 12 U.S.C. § 1831o(e) shall include restoration of the Bank's capital to the minimum ratios required by this Order and any other action deemed advisable by the OCC to address the Bank's capital deficiency or the safety and soundness of its operations.

## ARTICLE VI

### BOOKS AND RECORDS

(1) The Board shall immediately take all necessary action to ensure that the Bank's books, records and internal MIS are complete and accurate and that no records are destroyed.

(2) By April 30, 2017, the Board shall develop an Action Plan, including a timetable for the implementation of the Action Plan, detailing how the Board and Management will ensure that the books, records and internal MIS will be maintained in a complete and accurate condition. The program shall address, at a minimum, the following:

- (a) procedures to ensure call reports and other regulatory reports are accurate;
- (b) timing and frequency of auditing and transaction testing of reports presented to the Board by management;
- (c) procedures to ensure MIS is accurate; and

(d) procedures to ensure Board minutes, including committee and executive sessions, are complete and accurate.

(3) A copy of all written policies, procedures, and programs developed as a result of this Order, and all reports from auditors, consultants, contractors, and loan review shall be maintained in a readily accessible manner at the Bank for review by the OCC.

## ARTICLE VII

### CONFLICT OF INTEREST POLICY

(1) By April 30, 2017, the Board shall ensure Bank adherence to a written, comprehensive conflict of interest policy applicable to the Bank and the Bank's directors, principal shareholders (as the term "principal shareholder" is defined in 12 C.F.R. Part 215), executive officers, affiliates, and employees ("Insiders") and related interests of such Insiders. The Board shall ensure the Bank's policy comports with: (i) 12 C.F.R. 163.200 (governing conflicts of interest); (ii) Part 215 (Regulation O); (iii) 12 U.S.C. § 1828(z) (general prohibition on the sale of assets to or the purchase of assets from an executive officer, director, or principal shareholder of the insured depository institution, or any related interest of such person); (iv) 12 C.F.R. Part 223 (Regulation W); (v) The Directors Book: The Role of Directors for National Banks and Federal Savings Associations; and (vi) the "Corporate and Risk Governance" booklet of the *Comptroller's Handbook*. In addition to defining a conflict of interest, the Board shall ensure the Bank's policy addresses and includes:

- (a) avoidance of conflicts of interest and breaches of fiduciary duty, and avoidance of the appearance of conflicts of interest;
- (b) controls and procedures to protect against perceived conflicts of interest, including transactions with employee and/or director-related businesses;

- (c) disclosure of actual and potential conflicts of interest to the Board, and periodic disclosure of “related interests” as defined by 12 C.F.R. Part 215;
- (d) requirements for arms-length dealing in any transactions by Insiders, or their related organizations, involving the Bank’s sale, purchase, or rental of property and services;
- (e) disclosure of any Insider’s material interest in the business of or relationship to a borrower, an applicant, or other customer of the Bank;
- (f) restrictions on and disclosure of receipt of anything of value by Insiders, directly or indirectly, from borrowers, loan applicants, other customers, or suppliers of the Bank;
- (g) measures to maintain the Bank’s separate corporate identity from any associated companies or third parties providing services to the Bank;
- (h) development and implementation of specific policies, procedures, and controls and documentation regarding extensions of credit to any persons or companies conducting business or providing services to the Bank to include: (i) disclosure in the credit approval file of the borrowers relationship with the Bank and/or the Bank’s insiders, and (ii) an analysis and documentation in the credit approval file that the transaction was at arms-length; and
- (i) specific requirements for the types, amount and timing of information to be supplied to the Board of the Bank.

(2) Effective immediately, a Board committee made up of non-interested directors shall review and approve all proposed transactions, or modifications of existing relationships,

between the Bank and any of its directors, executive officers, affiliates, principal shareholders, employees and their related interests. Documentation supporting these reviews shall be in writing and preserved in the Bank.

(3) By April 30, 2017, the committee of non-interested directors shall complete, or cause to be completed, an independent review of all insider's conflicts of interest to determine if any transactions or dealings were not conducted at arms-length. Documentation of this review must be in writing, provided to the full Board, and detail any required corrective action.

## ARTICLE VIII

### INSIDER EXPENSES AND EXPENSE REIMBURSEMENT POLICY

(1) Effective immediately, the Board must cease paying expenses that are not direct Bank expenses.

(2) By April 15, 2017, the Board shall adopt, implement, and thereafter ensure Bank adherence to a written, comprehensive expense reimbursement policy applicable to the Bank and the Bank's directors, principal shareholders, executive officers, affiliates, and employees ("Insiders") and related interests of such Insiders. This policy shall comport with: (i) 12 C.F.R. Part 170, Appendix A, Section II (Operation and Managerial Standards), subsection I (Compensation, fees, and benefits); (ii) 12 C.F.R. Part 170, Appendix A, Section III (Prohibition on Compensation that Constitutes an Unsafe and Unsound Practice, subsection A (Excessive compensation; (iii) OCC Bulletin 2013-31 and "Insider Activities" booklet of the *Comptroller's Handbook*; and (iv) "Corporate and Risk Governance" booklet of the *Comptroller's Handbook* and shall include but not be limited to:

- (a) prohibition on employees or directors incurring Bank expenses for non-Bank business including, but not limited to, expenses for the benefit of the



employees or directors personally, their family members or businesses where Bank directors or employees are also owners, directors, or employees;

- (b) prohibition on employees, directors, or interests of employees and directors, including family members, use of Bank assets for non-Bank business;
- (c) documentation requirements for processing requests for reimbursement including, at a minimum, an explanation of how an expenditure is specifically related to actual or potential Bank business;
- (d) additional reporting requirements for outside events such as tickets, suites, memberships, or rewards for attending athletic events and for club memberships, including who attended the event;
- (e) expense limits, including prior approval requirements;
- (f) expense monitoring and reporting requirements;
- (g) consequences of a breach of the expense reimbursement policy, including, but not limited to, a requirement that the employee or director promptly reimburse the Bank for any disallowed expenditures, and
- (h) such other provisions that are appropriate in view of the Bank's earnings performance.

(3) The Board shall review and update the expense reimbursement policy at least annually, unless otherwise necessary, or if required by the Director in writing. Revisions to the expense reimbursement policy, including any amendments or revisions thereto, shall be submitted to the Director for a prior written determination of no supervisory objection. At the

next Board meeting following receipt of the Director's written determination of no supervisory objection, the Board shall adopt and the Bank, subject to Board review and ongoing monitoring, shall implement and thereafter adhere to the expense reimbursement policy and any amendments or revisions thereto.

(4) The Board must engage an independent party, in accordance with OCC Bulletin 2013-33, *Use and Review of Independent Consultants in Enforcement Actions*, to conduct an audit of senior management expenses over the years 2014-2016, including but not limited to a review of:

- (a) entertainment and events (including but not limited to sporting events and business-related meals);
- (b) office and facility renovations and improvements;
- (c) aviation, automobile, and other transportation expenses;
- (d) lodging and meals for trips; and
- (e) all expenses and charges to corporate credit cards.

The audit shall include a review of the exact amount, specific business purpose, type, and date of the expense, and a list of individuals using the service or in attendance at the event (and the individual's relationship to the Bank). The audit shall also include a written finding of whether the expense violated the Bank's existing expense reimbursement policies. The Board must submit the scope of the independent party's review as well as the selection and engagement of the independent third party to the OCC prior to finalization of the contract.

(5) Upon receipt of the written independent third party findings, no later than March 31, 2017, the Board must take appropriate action to address any violations of the Bank's policies and procedures regarding expense reimbursement or breaches of fiduciary duty, including a

thorough assessment of executive management expenses and reimbursement of Bank funds by the appropriate directors, officers, and employees of any improper, excessive, and/or unsupported charge and reimbursement expense incurred by the Bank.

(6) The written audit report and detailed findings from this audit must be submitted to the Director for review no later than April 4, 2017.

(7) By April 19, 2017, Board actions to address adverse findings must be submitted to the Director for review.

## ARTICLE IX

### LIQUIDITY RISK MANAGEMENT

(1) By April 30, 2017, the Board shall develop, adopt, and thereafter ensure compliance with a comprehensive liquidity risk management policy (“Liquidity Policy”) that incorporates prudent risk management standards as set forth in the “Liquidity” booklet of the *Comptroller’s Handbook* and OCC Bulletin 2010-13, *Interagency Policy Statement on Funding and Liquidity Risk Management*. The Liquidity Policy shall emphasize the importance of cash flow projections, diversified funding sources, stress testing, a cushion of high quality, readily marketable liquid assets, and a formal, well-developed contingency funding plan as primary tools for measuring and managing liquidity risk. In addition to the general requirements set forth above, the Liquidity Policy shall, at minimum:

- (a) assess, on an ongoing basis, the Bank’s current and projected funding needs, including the development of cash flow projections (Sources and Uses Report) that include discrete and cumulative cash flow mismatches or gaps over reasonable time horizons under both expected and adverse business conditions;

- (b) ensure that sufficient funds or access to funds exist to meet those needs;
- (c) assess the risks related to brokered deposit restrictions, runoff, or rollovers as well as core deposit runoff;
- (d) detail action plans to identify and obtain sources of liquidity, including loan sales, investment liquidation and other asset sales, to meet projected shortfalls from existing sources; and
- (e) require Management to prepare, on a monthly basis, liquidity risk management reports that provide sufficient liquidity information over at least a one-year time horizon to enable the Board and Asset Liability Committee to recognize longer-term liquidity needs.
- (f) include a Contingency Funding Plan that incorporates, at a minimum:
  - (i) a potential inability to renew brokered deposits;
  - (ii) the impact of account runoff attributed to potential deposit rate restrictions;
  - (iii) prioritize sources of contingent funding to ensure sufficient liquidity is maintained at a reasonable cost, while ensuring compliance with brokered deposit requirements of Section 29 of the Federal Deposit Insurance Act absent an FDIC waiver;
  - (iv) a statement of the Board's strategy for maintaining adequate sources of stable funding given the Bank's anticipated liquidity and funding needs;
  - (v) a definition of a liquidity crisis for the Bank;
  - (vi) an identification of early warning liquidity triggers;

- (vii) an explicit quantification of the sources and uses of liquidity in stressed scenarios that correspond to the early warning liquidity triggers;
- (viii) detailed action plans to identify and obtain sources of liquidity to meet projected shortfalls;
- (ix) clearly defined Bank staff's responsibility to implement the plan, including identifying triggers of stress events that will result in the immediate implementation of the plan;
- (x) an internal and external communication process, including a process for reporting to the Board, for disseminating relevant information; and
- (xi) a process of regular testing to ensure that the plan is operationally sound, including periodic testing of contingent funding sources.

(2) Upon adoption, the Board shall submit a copy of the Liquidity Policy, or any subsequent amendments or changes to the Liquidity Policy, to the Director for review. The Board shall implement and thereafter ensure adherence to the Liquidity Policy.

## ARTICLE X

### RISK MANAGEMENT OF NEW, EXPANDED, OR MODIFIED BANK PRODUCTS AND SERVICES

(1) Prior to the Bank's involvement in any new, expanded, or modified bank products or services, the Board shall prepare a written analysis of said product or service. The analysis

shall follow the guidance set forth in OCC Bulletin 2004-20, *Risk Management of New, Expanded, or Modified Bank Products and Services*, and at a minimum, include:

- (a) an assessment of the risks and benefits of the product or service to the Bank;
- (b) an explanation of how the product or service is consistent with the Bank's strategic plan;
- (c) an evaluation of the adequacy of the Bank's organizational structure, staffing, MIS, internal controls, and written policies and procedures to identify, measure, monitor, and control the risks associated with the product or service;
- (d) a profitability analysis, including growth projections and interest rate risk; and
- (e) testing of the process used for tracking the Bank's progress in addressing the risk assessment process to measure, monitor, and control inherent risks prior to product or service implementation.

(2) At least 30 days prior to the Bank's involvement in the new product or service, a copy of the analysis shall be submitted to the Director for review and prior written determination of no supervisory objection.

## ARTICLE XI

### INTERNAL AUDIT AND CONTROLS

(1) The Board shall take immediate and continuing action to ensure that the Bank implements and maintains adequate and effective internal controls. By April 30, 2017, the Board shall develop, implement, and thereafter maintain a satisfactory internal control program in

accordance with the guidance set forth in: (i) Section II.A of the Interagency Guidelines Establishing Standards for Safety and Soundness, Appendix A to 12 C.F.R. Part 30, and (ii) the “Internal Control” booklet of the *Comptroller’s Handbook*. The Board shall ensure that the Bank addresses all corrective actions set forth in the most recent ROE and any subsequent ROEs relating to internal controls. At a minimum, the program shall include:

- (a) an organizational structure that establishes clear lines of authority and responsibility for monitoring adherence to prescribed policies;
- (b) effective risk management;
- (c) timely and accurate financial, operational, and regulatory reports;
- (d) adequate procedures to safeguard and manage assets;
- (e) custody of and control over Bank documents;
- (f) compliance with applicable laws and regulations; and
- (g) appropriate segregation of duties and authorization structure for the approval and payment of business expenses.

(2) By April 30, 2017, the Board shall adopt, implement, and thereafter ensure Bank adherence to an independent, internal audit program that: (i) comports with the standards for Internal Audit Systems set forth in Section II.B of the Interagency Guidelines Establishing Standards for Safety and Soundness, Appendix A to 12 C.F.R. Part 30; and (ii) is consistent with the “Internal and External Audit” booklet of the *Comptroller’s Handbook* and the guidance set forth in OCC Bulletin 2003-12, *Interagency Policy Statement on the Internal Audit Function and Its Outsourcing*. At a minimum, the program shall include:

- (a) an audit universe that ensures all auditable entities are identified, assessed, and audited in a timely manner, including but not limited to Bank-issued

credit cards or credit card expenses paid by the Bank, entertainment and travel expenses of insiders, telephones or electronic device expenses paid by the Bank, car expenses paid by the Bank, legal expenses, prepaid assets, insider reimbursements, and insider expense-related accounts;

- (b) a risk assessment process that: (i) details inherent risks and includes any mitigating control factors, (ii) provides supporting narrative for risk scores in the inherent risk categories, and (iii) includes business-line specific narratives detailing mitigating factors and any other components used to determine level of risk for each audit entity; (iv) risk assessment updated at least annually and more frequently if products and services change.
- (c) an audit plan that incorporates a current audit schedule and ensures timely audits;
- (d) a process to track and validate the resolution of deficiencies and report delays and resolution to audit committee;
- (e) appropriate oversight of the audit program by the Audit Committee;
- (f) revised and updated audit policies and procedures to reflect all changes made to the Bank's audit program; and
- (g) contingency plans to mitigate any significant continuity issues in audit coverage.

(3) The Board shall ensure that the audit function is supported by an adequately staffed department or outside firm, including with respect to both the experience level and number of the individuals employed or engaged to perform the audit.



(4) The Board shall ensure that the audit program is independent. The persons responsible for implementing the audit program described above shall report directly to the Board or a designated committee thereof, which shall have the sole power to direct their activities. All reports prepared by the audit staff shall be filed directly with the Board, or designated audit committee, and not through any intervening party.

(5) All audit reports shall be in writing. The Board shall ensure that immediate actions are undertaken to remedy deficiencies cited in audit reports, and that auditors maintain a written record describing those actions. The Board must hold management accountable for any delays and failure to resolve audit deficiencies.

(6) The audit staff shall have access to any records necessary for the proper conduct of its activities. Bank examiners shall have access to all reports and work papers of the audit staff and any other parties working on its behalf.

## ARTICLE XII

### CREDIT UNDERWRITING AND ADMINISTRATION

(1) The Board shall, by April 30, 2017, revise, implement and thereafter ensure Bank adherence to a written program to improve the Bank's loan portfolio management (credit underwriting and administration). The program shall include, but not be limited to:

- (a) a description of the types of credit information required from borrowers and guarantors, including, but not limited to, annual audited statements, interim financial statements, personal financial statements, and tax returns with supporting schedules;
- (b) procedures that require any extensions of credit are granted, by renewal or otherwise, to any borrower, only after obtaining and validating current

credit information about the borrower and any guarantor sufficient to fully assess and analyze the borrower's and guarantor's cash flow, debt service requirements, contingent liabilities, global liquidity condition, and sensitivity analysis and only after the credit officer prepares a documented credit analysis;

- (c) a system to track, analyze, and report to the Board all exceptions, including but not limited to, financial exceptions, collateral exceptions, policy exceptions, and underwriting exceptions. The number of exceptions and aggregate dollar value of all exceptions shall be reported to the Board quarterly;
- (d) procedures to track, test, and approve any covenant waivers in accordance with the applicable loan agreements;
- (e) policies and procedures must address acceptable loan types, terms, covenants, concentration limits, collateral valuation analysis and shall ensure conformance with regulatory guidance including, but not limited to, Banking Circular 181 (REV), *Purchase of Loans In-whole or In-Part Participations*;
- (f) policies and procedures to address weak credit underwriting and administration practices such as liberal repayment programs (e.g. extended amortizations, multiple extensions, and capitalization of interest);
- (g) specific assignment of responsibility and accountability over the credit administration process to ensure the program developed pursuant to this Article is effectively implemented. The Board must review the experience

level of lending staff to ensure employees have the requisite knowledge to perform their duties, and must implement a plan to hire additional staff and/or provide training where staffing or knowledge gaps exist;

- (h) implementation of a plan to complete ongoing annual reviews of commercial lending relationships to support or revise current risk ratings; and
- (i) establishment of an independent loan review process reporting to the Board or a designated committee thereof.

### ARTICLE XIII

#### CONCENTRATIONS OF CREDIT

(1) By April 30, 2017, the Board shall adopt, implement, and thereafter ensure Bank adherence to a written concentration management program consistent with “Concentrations of Credit” booklet of the *Comptroller’s Handbook*, OCC Bulletin 2006-46, *Commercial Real Estate Concentrations*, and OCC Bulletin 2012-16, *Capital Planning*. The program shall include, but not necessarily be limited to, the following:

- (a) policies and procedures to control and monitor concentrations;
- (b) a written analysis of any concentrations identified above in order to identify and assess the inherent credit, liquidity, and interest rate risks;
- (c) market analyses of the portfolio’s primary geographic concentrations to determine whether the Board’s lending strategy and policies remain appropriate. At minimum, market analyses must be done for commercial real estate and multifamily segments in the California, Florida, New York, and Texas markets;

- (d) an action plan, approved by the Board, to reduce the risk of any concentration deemed imprudent in the above analysis;
- (e) portfolio-level stress tests to quantify the impact of changes to portfolio-specific characteristics and market conditions on earnings and capital, consistent with the size, complexity, and risk profile of the commercial real estate portfolio;
- (f) quarterly stress test the Bank's concentration limits to support and/or adjust concentration limits; and
- (g) a contingency plan to reduce or mitigate concentrations in the event of adverse commercial real estate market conditions including strategies for actively managing concentration levels in relation to changing risk characteristics may include loan participations, whole loan sales, and securitizations.

(2) The Board shall ensure that future concentrations are subjected to the analysis required by subparagraph (b) of paragraph (1) of this Article and that the analysis demonstrate that the concentration will not subject the Bank to undue credit, liquidity, or interest rate risks.

(3) The Board shall forward a copy of any analysis performed on existing or potential concentrations to the Director immediately following the review.

#### ARTICLE XIV

##### THIRD-PARTY CONTRACTS INVOLVING SALE, MERGER, OR RECAPITALIZATION OF THE BANK

(1) Effective immediately, the Bank shall not enter into any contract with a third party to assist in the sale, merger, or recapitalization of the Bank that requires the payment of anything other than expenses prior to such sale, merger, or recapitalization, or that requires the

Bank to pay, directly or indirectly, the cost of performing due diligence, or other services related to the transaction, unless the Bank first receives the Director's written determination of no supervisory objection.

(2) Any request for the Director's written determination of no supervisory objection shall be in writing and shall include:

- (a) a description of the due diligence credit review, fairness opinion, or any other services to be performed by the third party, including a copy of the proposed contract or engagement;
- (b) a description of the Bank's due diligence process for agreeing to the services to be performed by a potential purchaser or merger partner; and
- (c) a determination by the Board that:
  - (i) the activities to be performed by the third party as part of the sale or merger requirements are fair and reasonable to the Bank;
  - (ii) the parties are able to perform under the contract or commitment;
  - (iii) the fees the Bank is required to pay to the third party are reasonable for the services provided; and
  - (iv) the contract is in the best interests of the Bank.

(3) Following any written determination of no supervisory objection by the Director, the Board shall regularly monitor the contractor or service provider's performance to ensure that the contractor or service provider is complying with the written contract or engagement. The Board shall immediately take appropriate action if the contractor or service provider is not complying with the written contract or engagement and shall maintain documentation of any such actions.

## ARTICLE XV

### ENGAGEMENT OF THIRD PARTIES

(1) The Bank shall not renew or enter into new contracts or engagements with a third party company, entity, or person to perform critical activities (including but not limited to internal audit, interest rate risk management, loan review, liquidity risk management, information technology, legal services, financial services or any type of consulting services) for or on behalf of the Bank unless the engagements are in compliance with OCC Bulletin 2013-29, *Third-Party Relationships: Risk Management Guidance*.

(2) The Bank must routinely monitor and document its review of the performance and activities of each third party, including ensuring that committed goods and services are received, fees are reasonable, that the third party is in compliance with the written contract, and that the third party remains a viable provider of services. The Board shall immediately take appropriate action if the third party is not complying with the written contract or engagement and shall maintain documentation of any such action.

## ARTICLE XVI

### INFORMATION TECHNOLOGY

(1) By May 31, 2017, the Bank shall develop, and the Board shall review and approve, a written information technology risk assessment and information technology strategy.

(2) The information technology risk assessment methodology must, at a minimum, focus on the identification of risks for the overall information technology infrastructure and information systems used by the Bank, either in-house or outsourced.

(3) The information technology strategy must, at a minimum consider:

(a) the Bank's information technology infrastructure and systems;

- (b) current and future information processing requirements;
- (c) the Bank's growth plans;
- (d) the capacity and resiliency of the information technology architecture to support current operations and planned business initiatives;
- (e) the cost of in-house or third-party processing options;
- (f) availability of new and enhanced technologies;
- (g) controls and methods for ensuring information security and processing reliability; and
- (h) results of IT risk assessments to remediate technology gaps.

(4) The reporting framework must be revised to provide the Board regular information sufficient to monitor and control risks in the information technology function.

## ARTICLE XVII

### CLOSING

(1) Although the Board is by this Order required to submit certain proposed actions and programs for the review or prior written determination of no supervisory objection of the Director, the Board has the ultimate responsibility for proper and sound management of the Bank.

(2) It is expressly and clearly understood that if, at any time, the Comptroller deems it appropriate in fulfilling the responsibilities placed upon it by the several laws of the United States of America 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.

(3) Except as otherwise expressly provided herein, any time limitations imposed by this Order shall begin to run from the effective date of this Order.

(4) If the Bank requires a waiver or suspension of any relevant provision, or an extension of any timeframe within this order, the Board shall submit a written request to the Director asking for the relief. Any written requests submitted pursuant to this Article shall include a statement setting forth in detail, with relevant supporting documentation, the special facts and circumstances that support the waiver or suspension of any provision or an extension of a timeframe within this Order. The Director's decision concerning a request submitted pursuant to this paragraph is final and not subject to further review.

(5) 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.

(6) In each instance in this Order in which the Board is required to ensure adherence to, and undertake to perform certain obligations of the Bank, it is intended to mean that the Board shall:

- (a) authorize, direct and adopt such actions on behalf of the Bank as may be necessary for the Bank to perform its obligations and undertakings under the terms of this Order;
- (b) require the timely reporting by Bank management of such actions directed by the Board to be taken under the terms of this Order;
- (c) follow-up on any non-compliance with such actions in a timely and appropriate manner; and



(d) require corrective action be taken in a timely manner of any non-compliance with such actions.

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

(8) 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.

(9) Each citation or referenced guidance included in this Order includes any subsequent guidance that replaces, supersedes, amends, or revises the cited law, regulation or guidance.

(10) All reports or plans that the Bank or Board has agreed to submit to the Comptroller shall be forwarded, by overnight mail or via email, to the following:

Director for Special Supervision  
Comptroller of the Currency  
400 7<sup>th</sup> Street, SW  
Suite 3E-218, MS 8E-12  
Washington, DC 20219

*with a copy to:*  
Boston Field Office  
Comptroller of the Currency  
99 Summer Street, Suite 1400  
Boston, MA 02110-1213

IT IS SO ORDERED, this 30th day of March, 2017.

/s/

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Julie A. Thieman  
Director for Special Supervision  
Office of the Comptroller of the Currency

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

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**In the Matter of:**

Admirals Bank  
Boston, Massachusetts

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) OCC-AA-EC-2016-93  
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**STIPULATION AND CONSENT TO THE ISSUANCE  
OF A CONSENT ORDER**

**WHEREAS**, the Comptroller of the Currency of the United States of America (“Comptroller”) intends to initiate cease and desist proceedings against Admirals Bank, Boston, Massachusetts (“Bank”) pursuant to 12 U.S.C. § 1818(b), through the issuance of a Notice of Charges, for unsafe or unsound banking practices relating to the deficient condition of the Bank stemming from internal control weaknesses and unsafe or unsound practices;

**WHEREAS**, the Bank, in the interest of compliance and cooperation, and without admitting or denying any wrongdoing, consents to the issuance of a Consent Order, dated March 30, 2017 (“Order”) by executing this Stipulation and Consent to the Issuance of a Consent Order;

**NOW THEREFORE**, in consideration of the above premises, the Comptroller, through his authorized representative, and the Bank, through its duly elected and acting Board of Directors, hereby stipulate and agree to the following:

## ARTICLE II

### Jurisdiction

(1) The Bank is a “federal savings association” within the meaning 12 U.S.C. § 1462(f), which was chartered and examined by the Office of Thrift Supervision (“OTS”) pursuant to the Home Owners’ Loan Act, as amended, 12 U.S.C. § 1461 *et seq.*

(2) Pursuant to Title III of the Dodd-Frank Wall Street Reform and Consumer Protection Act, Pub. L. 111-203, 124 Stat. 1376 (2010), all functions of the OTS related to federal savings associations were transferred to the Comptroller.<sup>1</sup>

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

(4) The Bank is an “insured depository institution” within the meaning of 12 U.S.C. §§ 1813(c) and 1818(b)(1).

## ARTICLE II

### Agreement

(1) The Bank agrees that said Order shall be deemed an “order issued with the consent of the depository institution” as defined in 12 U.S.C. § 1818(h)(2), and consents and agrees that said Order shall become effective upon its issuance and shall be fully enforceable by the Comptroller under the provisions of 12 U.S.C. § 1818(i). Notwithstanding the absence of mutuality of obligation, or of consideration, or of a contract, the Comptroller may enforce any of 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

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<sup>1</sup> See Dodd-Frank Act § 312(b), 12 U.S.C. § 5412.

acknowledges that neither the Bank nor the Comptroller has any intention to enter into a contract.

(2) The Bank also expressly acknowledges that no officer or employee of the Comptroller has statutory or other authority to bind the United States, the U.S. 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.

### ARTICLE III

#### Waivers

- (1) The Bank, by signing this Stipulation and Consent, hereby waives:
- (a) the issuance of a Notice of Charges pursuant to 12 U.S.C. § 1818(b);
  - (b) any and all procedural rights available in connection with the issuance of the Order;
  - (c) all rights to a hearing and a final agency decision pursuant to 12 U.S.C. § 1818(i), 12 C.F.R. Part 109;
  - (d) all rights to seek any type of administrative or judicial review of the Order; and
  - (e) any and all rights to challenge or contest the validity of the Order.

### ARTICLE IV

#### Other Action

(1) The Bank agrees that the provisions of this Stipulation and Consent shall not inhibit, estop, bar, or otherwise prevent the Comptroller from taking any other action affecting the Bank if, at any time, it deems it appropriate to do so to fulfill the responsibilities placed upon

it by the several laws of the United States of America.

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

/s

3/30/2017

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Julie A. Thieman  
Director for Special Supervision

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Date

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

/s  
\_\_\_\_\_  
James D. Awad

4/3/2017  
\_\_\_\_\_  
Date

/s  
\_\_\_\_\_  
Allan Bufferd

3/30/2017  
\_\_\_\_\_  
Date

/s  
\_\_\_\_\_  
Susan Dufresne

3/30/2017  
\_\_\_\_\_  
Date

/s  
\_\_\_\_\_  
Nicholas W. Lazares

3/30/2017  
\_\_\_\_\_  
Date

/s  
\_\_\_\_\_  
Mark Panarese

3/30/2017  
\_\_\_\_\_  
Date

/s  
\_\_\_\_\_  
Kevin Sheehan

3/30/2017  
\_\_\_\_\_  
Date