

UNITED STATES OF AMERICA
Before the
OFFICE OF THRIFT SUPERVISION

In the Matter of	)	
	)	
	)	
CHINATOWN FEDERAL SAVINGS	)	Order No. NE 09-20
BANK	)	
	)	
New York, New York	)	Effective Date: August 14, 2009
OTS Docket No. 08003	)	
	)	

ORDER TO CEASE AND DESIST

WHEREAS, Chinatown Federal Savings Bank, New York, New York, OTS Docket No. 08003 (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 and its directors, officers, employees, and agents shall cease and desist from any action (alone or with one or more others) that is intended or likely to have the effect of

causing, bringing about, participating in, counseling, or aiding or abetting any violation of 31 U.S.C. § 5318(h), 31 C.F.R. § 103.120(b), and 12 C.F.R. § 563.177(c)(1) (requiring effective Bank Secrecy Act (BSA) and Anti-Money Laundering (AML) Programs).

Enhanced Bank Secrecy Act/Anti-Money Laundering Program.

2. Enhanced BSA/AML Program. By October 31, 2009, after considering all risks related to the nature of its business, the Association shall revise, adopt, implement, and maintain an enhanced BSA/AML Program that is designed to ensure compliance with the BSA Laws and Regulations¹ and the terms of this Order. The Enhanced BSA/AML Program must be approved by the Association's Board, be reflected in and attached as an exhibit to the minutes of the meeting at which the Board's approval is given, and shall include or provide for the following:

(a) An Assessment of the Association's BSA/AML/OFAC Risk Exposure that Comports with the BSA and OFAC Laws and Regulations² as well as the FFIEC BSA/AML Guidance,³ which: (i) takes into account the Association's products, services, customers, transactions, and geographic locations served; and (ii) is reviewed and updated on an ongoing basis, as necessary, but no less frequently than annually;

(b) A Risk-Focused Assessment of the Association's Customer Base and Customer Due Diligence Policy, which ensures that the Association has customer due diligence (CDD) policies, procedures, and processes to identify customers and customer groups with heightened BSA/AML risk, including but not limited to, non-U.S. resident accounts, commercial and business accounts, non-business accounts, customers with significant wire transfer activity, and

¹ The BSA Laws and Regulations referenced include 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. §§ 103.11 et seq., and the related BSA regulations issued by OTS, 12 C.F.R. § 563.177.

² The OFAC regulations are found at 31 C.F.R. Part 500.

³ The referenced FFIEC BSA/AML Guidance is contained in the FFIEC Bank Secrecy Act/Anti-Money Laundering Examination Manual, including (without limitation) Appendix J thereto.

customers generating multiple Currency Transaction Report (CTR) filings within any 12-month period (High Risk Customers). The Association shall maintain current customer profiles on High Risk Customers and engage in enhanced due diligence and monitoring of High Risk Customer accounts and transactions; and

(c) A System of Enhanced Internal Controls designed to (i) ensure compliance with the BSA Laws and Regulations; (ii) satisfy the requirements of Paragraph three (3) of this Order; and (iii) address the deficiencies noted in OTS' March 16, 2009 Report of Examination of the Association.

Suspicious Activity Reporting.

3. Enhancements to SAR Detection and Reporting. By October 31, 2009, the Association shall implement a system of enhanced internal controls designed to ensure that all transactions are reviewed and that all suspicious transactions and activity, including structuring, are identified and reported pursuant to 31 C.F.R. § 103.18 and 12 C.F.R. § 563.180(d). At a minimum, the system shall have the capacity to sort data, and to facilitate the monitoring and review of all cash and other transactions, using a look-back approach on a cumulative basis over an extended period of time, to detect patterns of suspicious activity for specific customers. The system shall also have the capacity to generate meaningful reports aggregating the results of the monitoring described in this paragraph over appropriate periods of time.

4. Look-Back Review of Past Transactions.

(a) The Association shall perform such "look back" review of past transactions as the Regional Director determines is acceptable.

(b) As soon as reasonably possible, the Association shall commence, and by November 30, 2009 shall complete, a "look back" review of all Association cash and other

transactions exceeding \$5,000.00 that occurred during the period July 1, 2008, through June 30, 2009 (Initial Look-Back Review).

(c) The Initial Look-Back Review shall include:

(i) A determination of whether activity involving accounts or transactions at, by, or through the Association was properly identified and reported by the Association in accordance with the Suspicious Activity Report (SAR) Regulations;⁴ and

(ii) An evaluation of the Association's compliance with applicable CTR requirements of 12 C.F.R. § 563.177 (BSA Laws and Regulations).

(d) Within thirty (30) days after identifying suspicious activity for which it determines that a SAR should have been filed, the Association shall prepare a SAR covering that activity and submit it to FinCEN.

(e) By no later than December 31, 2009, the Association shall submit to the Regional Director a written report that sets forth the findings, conclusions, and recommendations resulting from the Initial Look-Back Review. Based upon an evaluation of pertinent information, including but not limited to the written report, the Regional Director will determine and notify the Association whether a review covering some additional period of time is required. If the Regional Director notifies the Association that an additional review is necessary, the Association shall perform the additional review required.

Board Oversight of Compliance with Agreement.

5. Within forty-five (45) days after the end of each calendar quarter, commencing with the quarter ending September 30, 2009, the Board shall

(a) Adopt a resolution (Compliance Resolution) which

⁴ The SAR Regulations are found at 31 C.F.R. § 103.18 and 12 C.F.R. § 563.180.

(i) Formally resolves that, following a diligent inquiry (which shall include the review of management reports and all other relevant information), to the best of the Board's knowledge and belief, during the immediately preceding quarter, the Association complied with each provision of the Agreement, except as otherwise stated; and

(ii) Specifies in detail how, if at all, full compliance was determined not to exist and identifies all written notices of exemption issued by OTS that were outstanding when the Compliance Resolution was adopted; and

(b) Provide OTS with a certified copy of the Compliance Resolution adopted by the Board.

Effective Date, Incorporation of Stipulation.

6. 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.

7. 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.

8. 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.

9. 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.

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

11. 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:
Regional Director, Northeast Region
Attn: Thomas S. Angstadt, Assistant Director
Office of Thrift Supervision
Harborside Financial Center Plaza Five
Suite 1600
Jersey City, New Jersey 07311
Fax: (201) 413-7543

(b) To the Association:
Chinatown Federal Savings Bank
Attn: David C. Cheng, Ph.D.
Chairman and Chief Executive Officer
107-109 Bowery
New York, New York 10002
Fax: (212) 966-0716

No Violations Authorized.

12. Nothing in this Order or the Stipulation shall be construed as allowing the Association, its Board, officers, or employees to violate any law, rule, or regulation.

IT IS SO ORDERED.

OFFICE OF THRIFT SUPERVISION

By: /S/
Michael E. Finn
Regional Director, Northeast Region

Date: See Effective Date on page 1

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In the Matter of	)	
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	)	Order No. NE 09-20
CHINATOWN FEDERAL SAVINGS	)	
BANK	)	
	)	Effective Date: August 14, 2009
New York, New York	)	
OTS Docket No. 08003	)	
	)	

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 Chinatown Federal Savings Bank, New York, New York, OTS Docket No. 08003 (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 March 16, 2009, Report of Examination of the Association, the OTS finds that the Association has violated various laws and regulations, including 31 U.S.C. § 5318(h), 31 C.F.R. § 103.120(b), and 12 C.F.R. § 563.177(c)(1), which require effective Bank Secrecy Act (BSA) and Anti-Money Laundering (AML) Programs.

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.

WHEREFORE, the Association, by its directors, executes this Stipulation.

Accepted by:

CHINATOWN FEDERAL SAVINGS BANK
New York, New York

OFFICE OF THRIFT SUPERVISION

By: /S/ _____
David C. Cheng, Ph.D.
Chairman and Chief Executive Officer

By: /S/ _____
Michael E. Finn
Regional Director, Northeast Region

Date: See Effective Date on page 1

/S/ _____
Stanley C. Cheng, Director

/S/ _____
Kit Tzing Lee Kuan, Director

/S/ _____
Michael Chon, Director

/S/ _____
Rose Chao, Ph. D., Director