

FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, D.C.

CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION

SACRAMENTO, CALIFORNIA

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In the Matter of:)	
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FFB BANK)	CONSENT ORDER
FRESNO, CALIFORNIA)	
)	FDIC-24-0112b
(INSURED STATE NONMEMBER BANK))	
)	
_____)	

The Federal Deposit Insurance Corporation (FDIC) is the appropriate Federal banking agency for FFB Bank, Fresno, California (Bank) under Section 3(q) of the Federal Deposit Insurance Act (FDI Act), 12 U.S.C. § 1813(q). The California Department of Financial Protection and Innovation (CDFPI) is the appropriate State banking agency for the Bank under Division 1 of the California Financial Code (CFC).

The Bank, by and through its duly elected and acting Board of Directors (Board), has executed a Stipulation to the Issuance of a Consent Order (Stipulation), dated January 7th, 2025, that is accepted by the FDIC and the CDFPI. With the Stipulation, the Bank has consented, without admitting or denying any charges of unsafe or unsound banking practices and violations of law relating to the Bank Secrecy Act, 31 U.S.C. § 5311 *et seq.*, 12 U.S.C. § 1829b, and 12 U.S.C. §§ 1951-60; 31 C.F.R. Chapter X; and 12 U.S.C. § 1818(s), and the FDIC’s implementing regulations, 12 C.F.R. § 326.8 and 12 C.F.R. Part 353 (collectively, the BSA) with respect to the Bank’s Anti-Money Laundering/Countering the Financing of Terrorism Program

(AML/CFT Program), to the issuance of this Consent Order (Order) by the FDIC and the CDFPI pursuant to Section 8(b)(1) of the FDI Act, and Section 580 of the CFC.

Having determined that the requirements for issuance of an order under Section 8(b) of the FDI Act, 12 U.S.C. § 1818(b), and CFC have been satisfied, the FDIC and the CDFPI hereby order that:

ACTION PLAN

1. Within 60 days of the effective date of this Order, the Bank shall develop a written action plan (Plan) that details the actions, including the relevant timelines, that the Board and management will take to correct the AML/CFT deficiencies and apparent violations cited in the Joint FDIC and CDFPI May 28, 2024, Report of Examination (ROE) and to comply with this Order. Such plan and its implementation shall be acceptable to the Regional Director of the FDIC's San Francisco Regional Office (Regional Director) and the Commissioner of the California Department of Financial Protection and Innovation (Commissioner) as determined at subsequent visitations and examinations.

BOARD OVERSIGHT

2. Effectively immediately, the Board shall oversee the Bank's compliance with the AML/CFT Program and the BSA, and specifically as it relates to the Bank's Merchant Services Program and the Bank's Independent Sales Organizations (ISOs) and Sub-ISOs. The Board shall take all necessary steps to ensure that it receives, at least monthly, clear and comprehensive reports from the qualified officer appointed in Paragraph 8 regarding compliance with the AML/CFT Program and the BSA, including all issues with the Bank's Merchant Services Program. In addition, effective with the first Board meeting following the effective date of this Order, and at each Board meeting thereafter, the qualified officer appointed in Paragraph 8 of this Order shall review all monthly reports with the Board.

3. Following the effective date of this Order, the Board shall monitor and confirm the completion of actions taken by management to comply with the terms of this Order. The Board shall notify the Regional Director and the Commissioner in writing when the Board has confirmed that all of the above actions have been accomplished. All actions taken by the Board pursuant to this Order shall be duly noted in the minutes of its meetings. The Board shall ensure that the Bank has sufficient processes, personnel, resources, and systems to effectively implement and adhere to all provisions of this Order.

VIOLATIONS OF LAW

4. The Bank shall correct all BSA violations of law, as more fully set forth in the ROE. In addition, the Bank shall take all necessary steps to ensure future compliance with all applicable laws and regulations.

AML/CFT PROGRAM

5. Within 120 days of the effective date of this Order, the Bank shall develop, adopt, and implement a written AML/CFT compliance program that is reasonably designed to ensure and maintain compliance by the Bank with the BSA (AML/CFT Program). The AML/CFT Program shall provide for a system of internal controls, independent testing, sufficient resources for the individual or individuals responsible for coordinating and monitoring day-to-day compliance (AML/CFT Officer) and staff, and training for appropriate staff to ensure such compliance, with a specific concentration on the Bank's Merchant Services Program and the Bank's ISOs and Sub-ISOs. The AML/CFT Program and its implementation shall be in a manner acceptable to the Regional Director and the Commissioner as determined at subsequent examinations and/or visitations of the Bank. At a minimum, the AML/CFT Program shall:

(a) Ensure that clear and comprehensive AML/CFT compliance reports are provided to the Bank's Board on a monthly basis.

(b) Be commensurate with the Bank's AML/CFT risk profile that includes risks in the Bank's business activities, including those provided through third-parties such as ISOs and Sub-ISOs.

(c) Address the deficiencies and violations of law identified in the ROE.

(d) Comply with the requirements of this Order.

(e) Include procedures for monitoring the performance of and the Bank's adherence to the AML/CFT Program.

(f) Include procedures for periodically reviewing and revising the AML/CFT Program.

INTERNAL CONTROLS

6. Within 120 days of the effective date of this Order, the Bank shall establish a system of internal controls to ensure compliance with the BSA. At a minimum, such system of internal controls must include satisfactory written policies, procedures, and processes that reflect the Bank's actual practices and that address the following areas:

(a) The Bank shall develop and implement processes and procedures, across all its business lines, for identifying and monitoring unusual or unexpected activity, including activity in merchant accounts established through the Merchant Services Program, to enable the Bank to detect, investigate, and, if applicable, file timely reports of suspicious activity. Such processes and procedures shall address any deficiencies identified in the transaction review described in Paragraph 13, below.

(b) The Bank shall develop, adopt, and implement a written customer due diligence program. Such program and its implementation shall be in a manner acceptable to the Regional Director and the Commissioner as determined at subsequent examinations and/or

visitations of the Bank. At a minimum, the customer due diligence program shall provide for the following:

(i) A risk-focused assessment of the customer base of the Bank, including merchants obtained through the Merchant Services Program, but excluding end customers of such merchants, to determine the appropriate level of due diligence necessary for those categories of customers that the Bank has reason to believe pose a heightened risk of illicit activities at or through the Bank.

(ii) For those customers, procedures to:

- a. determine the appropriate documentation necessary to confirm the identity and business activities of the customer;
- b. understand the normal and expected transactions of the customer; and
- c. reasonably ensure the identification and timely, accurate and complete reporting of known or suspected criminal activity against or involving the Bank to law enforcement and supervisory authorities, as required by the suspicious activity reporting provisions of Part 353 of the FDIC's Rules and Regulations, 12 C.F.R. Part 353.

INDEPENDENT TESTING

7. Within 120 days of the effective date of this Order, the Bank shall ensure that the Bank's AML/CFT Program provides for independent testing of compliance with the AML/CFT Program, all applicable rules and regulations related to the BSA, and the reporting of suspicious transactions required to be reported pursuant to Part 353 of the FDIC's Rules and Regulations, 12 C.F.R. Part 353. The independent testing shall be conducted at least annually and shall contain sufficient documentation and descriptions of the testing procedures performed, the resulting conclusions regarding the sufficiency of the program in assuring ongoing compliance

with all BSA-related regulations, and recommendations for improvement. Such reports shall be presented directly to the Board. The independent testing, at a minimum, should address the following:

- (a) overall integrity and effectiveness of the AML/CFT Program, including policies, procedures, and processes;
- (b) AML/CFT risk assessment;
- (c) AML reporting and recordkeeping requirements;
- (d) Customer Identification Program (CIP) implementation;
- (e) adequacy of customer due diligence (CDD) policies, procedure, and processes and whether they comply with internal requirements;
- (f) personnel adherence to the Bank's AML/CFT policies, procedures, and processes;
- (g) appropriate transaction testing, with particular emphasis on high-risk operations (products, services, customers, and geographic locations);
- (h) training adequacy, including its comprehensiveness, accuracy of materials, the training schedule, and attendance tracking;
- (i) integrity and accuracy of management information systems (MIS) used in the AML/CFT Program;
- (j) an evaluation of management's efforts to resolve violations and deficiencies noted in the previous tests or audits and regulatory examinations;
- (k) an assessment of the AML/CFT Program specifically as it relates to the Bank's Merchant Services Program, its ISOs and Sub-ISOs; and

(l) an assessment of the overall process for identifying and reporting suspicious activity, including a review of filed or prepared Suspicious Activity Reports (SARs) to determine their accuracy, timeliness, completeness, and effectiveness of the Bank's policy.

AML/CFT OFFICER AND BSA DEPARTMENT

8. Within 90 days of the effective date of this Order, the Bank shall ensure that the Bank's AML/CFT Program is managed by a qualified officer who has the required authority, responsibility, training, resources, and management reporting structure to ensure compliance with the Bank's AML/CFT Program requirements and the BSA, including without limitation:

(a) the identification of timely, accurate and complete reporting to law enforcement and supervisory authorities of unusual or suspicious activity or known or suspected criminal activity perpetrated against or involving the Bank; and

(b) monitoring the Bank's compliance and ensuring that full and complete corrective action is taken with respect to previously identified violations and deficiencies.

9. Within 90 days of the effective date of this Order, the Bank shall engage an outside consultant to conduct a formal written staffing assessment of the oversight and infrastructure to ensure compliance with the AML/CFT Program and the BSA. This staffing assessment shall include, at a minimum:

(a) The adequacy of staffing of the BSA compliance function including:

- (i) The level and scope of responsibilities of the AML/CFT Officer;
- (ii) The knowledge, skills, and capabilities of the AML/CFT Officer to conduct assigned responsibilities and ensure the Bank's compliance with the AML/CFT Program and the BSA; and

(iii) The number of staff needed to support the AML/CFT Officer and the Bank's BSA compliance function, and the level and scope of responsibilities of any support staff.

(b) The staffing assessment shall be reviewed and approved by the Board.

10. During the life of this Order, the Bank shall notify the Regional Director and the Commissioner, in writing, of any changes in the AML/CFT Officer. Prior to the employment of any individual as the AML/CFT Officer, the Bank shall notify and obtain the written non-objection of the Regional Director and the Commissioner. The notification must be received at least 30 days before such addition or employment is intended to become effective and should include a description of the background and experience of the individual(s) to be added or employed. Such proposed appointment shall not become effective unless and until the Regional Director and Commissioner have issued notices of non-objection.

11. The Board shall ensure that the AML/CFT Officer is involved in the Bank's Merchant Services Program, specifically in the decision-making process for approving new ISOs and Bank-defined high-risk merchants.

TRAINING

12. Within 90 days of the effective date of this Order, the Bank shall provide and document training by competent staff and/or independent contractors of all Bank's Board members and all appropriate personnel, including, without limitation, senior management, tellers, customer service representatives, lending officers, private and personal banking officers and all other customer contact personnel, in all aspects of regulatory and internal policies and procedures related to the AML/CFT Program and the BSA, with a specific concentration on the Bank's Merchant Services Program. Training shall be updated on a regular basis to ensure that all personnel are provided with the most current and up to date information

LOOK BACK REVIEW

13. Within 60 days from the effective date of this Order, the AML/CFT Officer shall develop, and the Board shall approve, a plan to review all high-risk accounts and high-risk transactions at the Bank and the ISO level (Transaction Review) beginning January 1, 2024, through the effective date of this Order (Transaction Review Period). To the extent that the Transaction Review requires the Bank to obtain data from an ISO or Sub-ISO to review high-risk accounts or high-risk transactions related to such ISO or Sub-ISO, the Bank shall request such data from the relevant ISO or Sub-ISO. To the extent the relevant ISO or Sub-ISO refuses to provide such data, the Bank shall document its efforts to obtain such data. The Bank shall prepare and file any additional SARs necessary based upon the review. Based upon the results of the review, the Regional Director and the Commissioner may extend the Transaction Review Period if necessary.

(a) For purposes of this paragraph 13:

(i) “High-risk” means Bank Defined High Risk pursuant to existing policies and, with respect to the Merchant Services Program, accounts or transactions falling within the Bank Defined High Risk Tier 1 category, including accounts or transactions of merchants with incorrectly assigned Merchant Classification Codes identified in the ROE and recently reclassified by the Bank as high-risk.

(ii) “Transactions” include, but are not limited to, wire transfer activity and foreign exchange services flowing through the Bank directly or through ISOs and Sub-ISOs.

(b) Within 15 days of preparing a plan for the Transaction Review, but prior to commencement of the Transaction Review, the Bank shall submit to the Regional Director and the Commissioner a written plan for approval that sets forth:

(i) The scope of the Transaction Review, including the types of

accounts and transactions to be reviewed;

(ii) the methodology for conducting the Transaction Review, including any sampling procedures to be followed;

(iii) the expertise and resources to be dedicated to the Transaction Review;

(iv) the anticipated date of completion of the Transaction Review; and

(v) a commitment that any interim reports, draft reports or workpapers associated with the Transaction Review will be made available to the Regional Director and the Commissioner upon request.

(c) Upon completion of the reviews required pursuant to the paragraphs above, the Bank shall submit the written findings of the review and copies of any additional SARs filed to the Regional Director and the Commissioner.

(d) Throughout the Transaction Review, the Bank shall ensure that all matters or transactions required to be reported that have not previously been reported are reported in accordance with applicable rules and regulations.

(e) Documentation supporting any determination made pursuant to the paragraphs above, shall be retained in the Bank's records for such period of time as may be required by any applicable rules or regulations.

ISO OVERSIGHT

14. Within 60 days from the effective date of this Order, the AML/CFT Officer shall develop a plan to review all existing ISOs and Sub-ISOs to ensure their respective AML/CFT policies and procedures enable the Bank to comply with the BSA (ISO AML/CFT Review Plan). The ISO AML/CFT Review Plan shall be reviewed and approved by the Board. At a minimum, the ISO AML/CFT Review Plan shall require the AML/CFT Officer to do the following:

(a) Receive and review all AML/CFT program documentation, including policies and procedures and AML/CFT audits, from the ISOs and Sub-ISOs.

(b) Assess the level of AML/CFT risks present and the adequacy of the ISO's or Sub-ISO's AML/CFT controls, and ensure that the ISOs' and Sub-ISOs' policies and procedures and AML/CFT audits are consistent with the Bank's AML/CFT Program. If any gaps are identified, the AML/CFT Officer must develop a plan to follow up with the ISOs and Sub-ISOs to ensure consistency.

(c) Make recommendations to the Board regarding the disposition of the ISOs and Sub-ISOs upon completion of the review.

15. Within 90 days from the effective date of this Order, the Board shall ensure that all Bank contracts with existing ISOs and Sub-ISOs include a provision requiring periodic AML/CFT audits, and that such audits address the areas detailed in Paragraph 8 of this Order, as applicable.

16. Within 90 days from the effective date of this Order, the Bank shall obtain copies of the most recent AML/CFT audits from all existing ISOs and Sub-ISOs. For any AML/CFT audits received which indicate a less than satisfactory assessment, the Board shall ensure that the Bank's BSA Department reviews, as applicable, relevant documentation provided by the ISO, the ISO's high-risk merchants, and the Sub-ISO to determine the level of AML/CFT risks present and the adequacy of the ISO's or Sub-ISO's AML/CFT controls.

17. The Bank shall not add or onboard any new ISOs or Sub-ISOs until the Bank has fully implemented the ISO AML/CFT Review Plan, has addressed all AML/CFT deficiencies identified in the ROE at the Bank and ISO level, and is in material compliance with the BSA, as determined by the Regional Director and the Commissioner at subsequent visitations and examinations.

PROGRESS REPORTS

18. Within 30 days of the end of the first quarter, following the effective date of this Order, and within 30 days of the end of each quarter thereafter, the Bank shall furnish written progress reports to the Regional Director and the Commissioner detailing the form and manner of any actions taken to secure compliance with this Order and the results thereof. Such reports may be discontinued when the corrections required by this Order have been completed and the Regional Director and the Commissioner have released the Bank in writing from making further reports.

DISCLOSURE OF ORDER TO SHAREHOLDER(S)

19. Following the effective date of this Order, the Bank shall send to its shareholder(s) or otherwise furnish a description of this Order in conjunction with the Bank's next shareholder communication and also in conjunction with its notice or proxy statement preceding the Bank's next shareholder meeting. The description shall fully describe the Order in all material respects.

BINDING EFFECT

The provisions of this Order shall not bar, estop, or otherwise prevent the FDIC, the CDFPI, or any other federal or state agency or department from taking any other action against the Bank or any of the Bank's current or former institution-affiliated parties, as that term is defined in Section 3(u) of the FDI Act, 12 U.S.C. § 1813(u).

This Order will become effective upon its issuance by the FDIC and the CDFPI.

The provisions of this Order shall be binding upon the Bank, its institution-affiliated parties, and any successors and assigns thereof.

The provisions of this Order shall remain effective and enforceable except to the extent that and until such time as any provision has been modified, terminated, suspended, or set aside

by the FDIC and the CDFPI.

Issued pursuant to delegated authority.

Dated this 10th day of January, 2025.



Michelle A. Ogren
Deputy Regional Director
Division of Risk Management Supervision
San Francisco Region
Federal Deposit Insurance Corporation



Aaron Prospero
Deputy Commissioner, Banking Division
California Department of Financial
Protection and Innovation