CLOTHILDE V. HEWLETT
Commissioner
MARY ANN SMITH
Deputy Commissioner
AMY J. WINN
Assistant Chief Counsel
PAUL YEE (State Bar No. 142381)
Senior Counsel
LOUIS LAVERONE (State Bar No. 296990)
Counsel
Department of Financial Protection and Innovation
One Sansome Street, Suite 600
San Francisco, California 94104-4448
Telephone: (415) 972-8544
Facsimile: (415) 972-8550

Attorneys for the Complainant

BEFORE THE DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION

OF THE STATE OF CALIFORNIA

In the Matter of: THE COMMISSIONER OF FINANCIAL PROTECTION AND INNOVATION, Complainant, v. CALIFORNIA BUSINESS BANK, Respondent.	ACCUSATION IN SUPPORT OF ORDER LEVYING CIVIL PENALTIES PURSUANT TO FINANCIAL CODE SECTION 329 AND APPOINTING AN INDEPENDENT CONSULTANT PURSUANT TO FINANCIAL CODE SECTION 553

I.

Jurisdiction and Venue

1. The Commissioner of Financial Protection and Innovation (Commissioner) brings this action pursuant to the provisions of California Financial Code section 329, and California Financial Code section 553.[1]

[1] All further statutory references will be to the California Financial Code, unless otherwise indicated.

2. Pursuant to section 326, the Commissioner is authorized to administer and enforce the provisions of the California Financial Institutions Law (FIL) (Fin. Code, § 99 *et seq*.).

II.

Facts

3. At all relevant times, California Business Bank (the Bank), headquartered at 3200 El Camino Real, Suite 220, Irvine, California 92602, was a California chartered bank and insured by the Federal Deposit Insurance Corporation (FDIC). The Bank was formed in Los Angeles, California in 2005 and relocated to Irvine, California in 2015.

4. At all relevant times, Richard Tan (Tan) was the Bank's largest shareholder and Chairman of the Bank's Board of Directors. Tan has been the controlling shareholder since 2013. Tan was also President, Chief Executive Officer (CEO), and Chairman of Pacific Millennium Holdings Corporation, a conglomerate based in the People's Republic of China that primarily trades in packaging supplies for manufacturers.[2]

A.

Failure to Maintain Qualified Management

5. On February 27, 2020, the FDIC and the Commissioner entered a joint consent order with the Bank (2020 Consent Order). The 2020 Consent Order required the Bank to have and maintain qualified management, including:

a. A CEO with proven ability in managing a bank of comparable size and risk profile;

b. A chief financial officer with proven ability in all aspects of financial management; and

c. A senior lending officer with significant lending, collection, and loan supervision experience and experience in problem loan workouts.

Under the 2020 Consent Order, management's qualifications would be specifically assessed on its ability to comply with the requirements of the order, operate the Bank in a safe and sound manner, comply with applicable laws and regulations, and restore all aspects of the bank to a safe

[2] See California Business Bank, "Board of Directors," available at https://californiabusinessbank.com/directors (accessed Jan. 27, 2023).

and sound condition. Factors used in assessing compliance with the order include asset quality, capital adequacy, earnings, management effectiveness, liquidity, and sensitivity to market risk.

6. The 2020 Consent Order was the second such order issued in as many years. The Commissioner issued an August 30, 2019 cease and desist order under section 581 (Cease and Desist) following the resignations of the Bank's chief executive officer (CEO), chief financial officer (CFO), and chief credit officer (CCO) that year. On April 3, 2020, eight months after issuing the Cease and Desist, and two months after signing the 2020 Consent Order, the Commissioner terminated the Cease and Desist when the Bank hired CFO, Najam Saiduddin, and CCO Patty Staples, and named Jessica Lee as CEO. Although the Cease and Desist was terminated, the 2020 Consent Order remains in force.

7. Only ten months after the Commissioner terminated the Cease and Desist, the Bank was again without qualified management. Jessica Lee vacated her position as CEO on February 5, 2021. 26 months later, the Bank finally hired a replacement, Thomas Meyer, on April 24, 2023. Seven months after Jessica Lee left the CEO position, on September 17, 2021, Patty Staples vacated her position as CCO and the Bank has not hired a replacement. On June 10, 2022, Najam Saiduddin vacated his position as CFO and, again, the Bank delayed hiring a replacement until June 28, 2023.

8. The Bank has operated for 26 months without a CEO, 22 months without a CCO, and 12 months without a CFO.

B.

Failure to Hire New Qualified Management

9. Despite representations by the Bank's Board of Directors (the Board) that it is "diligently trying to recruit" new independent executive management, in reality the Board has made only token recruiting efforts. A board Executive Committee, consisting of Tan and Directors James Huang and Jessica Lee (together, the Executive Committee), formed to manage the executive search as well as to take over day-to-day management.

1.

The Bank Under Tan's Leadership Conducted a Delayed And Protracted CEO Search That Passed Over Multiple Qualified Candidates

10. In defiance of the 2020 Consent Order, the Bank conducted only a token CEO recruiting effort. The Bank did not interview a single candidate for the first three months it was without a CEO and only interviewed five candidates during the Bank's first 12 months without a CEO. Despite identifying only five candidates for interviews, the Bank did not retain a hiring consultant to assist with the search for a qualified CEO for more than a year. The hiring consultant firm was finally retained in June 2022.

11. Despite having had two years to act, the Executive Committee has only interviewed a total of nine candidates for CEO. All nine were either rejected outright, removed themselves from consideration, or were made verbal offers that were subsequently withdrawn. Of these nine candidates, eight had prior experience as presidents or CEOs of other banks.

12. First, the Bank interviewed Candidate 1 for the CEO position in May 2021. At this point, the Bank had been without a CEO for more than three months. Candidate 1 had been Director, President, and CEO of Legacy Bank, another California-chartered bank. After the initial interview in May 2021 with Director Huang, Candidate 1 was interviewed a second time four months later by Director Lee. The Executive Committee then dropped Candidate 1 from consideration without further elaboration on its rationale for doing so.

13. Next, the Executive Committee interviewed a second candidate, Candidate 2, on September 22, 2021. By this time, the Bank had been without a CEO for more than seven months. Candidate 2 had previously served as President and CEO of the Bank of Southern California, a federally chartered commercial bank. After a phone interview with Director Lee, Candidate 2 met Tan in person on October 14, 2021. Following this meeting, the Executive Committee also dropped Candidate 2 from consideration without further explanation.

14. The Executive Committee considered a third candidate, Candidate 3, in January 2022. By this time, the Bank had been without a CEO for more than 11 months. The Executive

Committee dropped Candidate 3 from consideration following input from the Commissioner and FDIC.

15. The Executive Committee considered a fourth candidate, Candidate 4, holding "numerous meetings" with Candidate 4 between April 11, 2022 and at least May 27, 2022. By this time, the Bank had been without a CEO for more than one year. Candidate 4 had previously served as CEO of Pacific Mercantile Bank. Less than two weeks after Candidate 4 met Tan in person and received a verbal offer of employment, the Executive Committee reversed course and rescinded the offer. The Bank provided the Commissioner with a vague explanation for the failure to hire Candidate 4, stating that "neither [Candidate 4 nor Tan] was able to come to an agreement when discussing the details of the employment agreement."

16. The Executive Committee interviewed a fifth candidate, Candidate 5, in June of 2022. By this point, the Bank had been without a CEO for more than16 months. The Executive Committee dropped Candidate 5 from consideration. Once again, the Bank provided a vague explanation for the decision, stating only that Director Huang "[does] not believe [Candidate 5] is the right fit."

17. The Bank interviewed a sixth candidate, Candidate 6, on July 26, 2022. By this point, the Bank had been without a CEO for more than 17. Candidate 6 had been CEO of First National Bank of Southern California. After two positive interviews with Director Lee and Director Huang, respectively, Candidate 6 met with Tan on August 9, 2022. The day after that meeting with Tan, Candidate 6 withdrew his candidacy.

18. The Bank interviewed a seventh candidate, Candidate 7, on August 4, 2022. By this point, the Bank had been without a CEO for approximately 18 months. Candidate 7 had not previously been a bank CEO but had been Chief Operating Officer of American River Bank. After positive interviews with Directors Huang and Lee, Candidate 7 met Tan in person on Friday, August 19, 2022. Four days after that meeting with Tan, this candidate also withdrew his name from consideration.

19. The Bank interviewed an eighth candidate, Candidate 8, on September 26, 2022. By this point, the bank had been without a CEO for more than 19 months. Candidate 8 had been

CEO of Pacific Enterprise Bank, also based in Irvine, California. As with previous candidates, Candidate 8 had positive interviews with Directors Lee and Huang and met Tan on October 3 and October 14. As with previous candidates, Candidate 8's candidacy ground to a halt upon meeting Tan.

20. Tan not only rejected Candidate 8 after the October 3 meeting but rejected him again even after the Bank's hiring consultant persuaded Tan to reconsider and meet with him a second time on October 14. The Bank reported to the Commissioner that Tan rejected Candidate 8 because the candidate did not share Tan's "vision in managing a bank."

21. On November 11, 2022, the Bank interviewed the ninth candidate, Candidate 9. By this point, the bank had been without a CEO for more than 21 months. Candidate 9 had been CEO and President of two banks: Hanmi Financial Corporation and First California Bank. After an interview with Director Lee, Candidate 9 withdrew himself from consideration.

22. The Bank's hiring consultant resigned on January 4, 2023. In its resignation notice, the consultant explained that "[f]or the past six months, we have reviewed a significant number of potential candidates throughout California as well as the remainder of the country. We have attempted to coordinate various types of individuals and backgrounds but have not been successful." The Bank convinced the consultant to return for a brief period of time, starting on January 25, 2023. However, the consultant resigned again on February 7, 2023.

23. Finally, 26 months after the 2020 Consent Order was entered and after several meetings with banking regulators to address the Bank's lack of executive management, the Bank hired Thomas Meyer as CEO on April 24, 2023. Mr. Meyer's retention as CEO has recently received regulatory approval.

2.

<u>The Executive Committee's CFO Search Chooses</u>

<u>An Unqualified Candidate Over All Other Options</u>

23. The Bank's CFO search has likewise been a token effort. The Bank's last CFO resigned on June 10, 2022. While the Bank began its search for a replacement CFO more than a month before that resignation became effective, the Bank has only recently found a replacement.

In nine months, the bank reviewed a total of 20 candidates, extended interviews to 13, and made only two offers. One of those offers was accepted. That accepted offer was subsequently retracted following a background check. Of the 20 candidates reviewed, eight are current or former CFOs at other institutions. All of these candidates were eliminated from consideration, in some cases without an interview.

24. The Bank rejected seven candidates without an interview. Of these, one was rejected for expecting a larger compensation package than the Bank was willing to offer. The Bank rejected another for seeking part-time hours only. The Bank rejected three others for lacking sufficient relevant experience.

25. The remaining two candidates who did not receive an interview were both chief financial officers at other financial institutions. A recruiter submitted the first CFO candidate, CFO Candidate 1, on April 26, 2022, almost two months before the Bank's CFO departed. The second, CFO Candidate 2, was submitted on May 12, 2022, approximately one month before the CFO's departure. Director Lee rejected both applicants because "relocation [would be] needed," giving no other justification. While CFO Candidate 2 had most recently worked for a Miami, Florida-based institution, CFO Candidate 1 was based in San Diego, California, less than 90 miles from the Bank's location in Irvine, California. Neither rejection had any connection to the candidates' qualifications. Had the Bank not rejected either candidate out of hand, the Bank could have had a qualified replacement CFO ready to take over before the position became vacant.

26. Of the 13 candidates interviewed, the Bank rejected 11. The Bank rejected one candidate without explanation. Another candidate was rejected for demanding greater compensation than the Bank was willing to offer. Three more withdrew themselves from consideration and one declined the Bank's offer. The Bank rejected three for a lack of experience.

27. The Bank rejected two candidates over personality and "fit," vague characteristics unrelated to the candidates' qualifications. The first of these candidates was interviewed on May 4, 2022, more than a month before the Bank's CFO left. This candidate was a Senior Vice

President of Finance at Bank of America. Strangely, the Bank reported to the Commissioner that it rejected this candidate because he "worked in a much bigger organization" and would be "not a right fits [sic]." The second candidate, a former CFO for another bank, was interviewed on June 29, 2022 and July 8, 2022, roughly three weeks after the Bank lost its CFO. The Bank rejected this candidate because Directors Lee and Huang expressed "concern" about whether the candidate's "personality and character fit [the Bank's] culture and management style." Once again, had the Bank not rejected candidates based on factors unrelated to qualifications or the requirements of the 2020 Consent Order, the Bank could have retained a qualified replacement CFO within mere weeks of the position becoming vacant.

28. While the Bank did submit one prospective CFO for regulatory approval roughly five months after the position had been vacated, the Bank withdrew that application after conducting a background check. Although the Bank rejected numerous candidates for lack of experience, the Bank approved this individual who never worked directly in the banking industry before. Instead, the candidate most recently worked for a genetic testing company. Likewise, while the Bank rejected two former bank CFOs over relocation concerns, this individual worked for companies based in the greater Los Angeles, California, area and presumably would have also required relocation.

29. In the Bank's Statement of Due Diligence and Qualification for the individual described above, "personality" once again played a deciding factor in the Bank's hiring decision. The Bank's Statement notes that the candidate "demonstrated [a] high level of intention, desire, and enthusiasm to join California Business Bank." This individual was also one of only three CFO candidates to meet with Tan, who "received positive feedback from [the individual's] personality, character, and enthusiasm." On June 28, 2023, the Bank finally found a CFO it was willing to hire; however, the Bank must still obtain regulatory approval before a CFO can be hired.

30. As a result, the Bank has been without a CFO for over twelve months although it had multiple opportunities to reduce that vacancy period to a matter of weeks or even to avoid the vacancy altogether. Rather than comply with the 2020 Consent Order and hire a qualified

executive capable of rehabilitating the Bank as ordered by regulators, the Bank instead based its hiring decisions on tangential factors that were not applied consistently across all applicants and did not match valid qualification criteria. This disregard for the requirements of the 2020 Consent Order not only deprived the Bank of qualified independent management but resulted in the expenditure of scarce time and resources on a search that ultimately selected an unqualified individual over dozens of qualified options.

3.

The Bank Has Not Even Begun A CCO Search

31. As noted in paragraph 7 above, the Bank's CCO resigned on September 17, 2021. In the 22 months since that departure, the Bank has not submitted any proposed replacements for supervisory approval, has not interviewed a single candidate, and has not even begun an executive search to fill this position.

32. In the absence of any qualified executive managers, the responsibilities of the CCO have fallen on Cesar Rosas, the Bank's Head of Business and Commercial Banking. However, Mr. Rosas left the Bank on February 3, 2023.

C.

Richard Tan and Direct Management

By the Board

33. During the period described above, a board Executive Committee consisting of Tan and Directors Huang and Lee has assumed day-to-day executive managerial responsibilities. This arrangement is an inadequate substitute for qualified and independent executive management. The Executive Committee has presided over a distorted and delayed recruitment process in defiance of the 2020 Consent Order. During this time the Bank has experienced more than 100 percent turnover in staff, new Financial Code violations, and additional expenses that will likely outstrip any improvement in the Bank's earnings.

34. The Executive Committee's experience managing bank operations is limited and Tan appears to dominate decision-making. As noted in Paragraph 4 above, Tan's professional background is not in banking but packaging. Director Huang was previously a senior manager of

Pacific Millennium Holding Corporation, Tan's company. Huang's prior banking experience is limited to sitting on the board of another bank in the 1990s; otherwise, his managerial experience comes from the publishing industry. Only Director Lee has substantial experience managing bank operations.

1.

<u>Richard Tan Made So-Called "Appreciation Payments" to Directors and Employees And Distorted Bank Financial Statements In Violation of Section 463</u>

35. During the Bank's most recent examination, regulators discovered that Tan made multiple payments outside the Bank's income statement for the purported benefit of the Bank. These unrecorded expenses totaled approximately $261,000 and included payments to a hiring consultant, legal fees, as well as direct payments to the Bank's individual directors, officers, and employees. Tan's activities resulted in the Commissioner citing the Bank for violating section 463(a) in December 2022. Worse, Tan's activities distorted the Bank's financial statements by concealing expenses, created the appearance of undue influence over – if not actually unduly influencing – directors and staff who should be independent, and potentially exposed both Tan and the Bank to additional tax and other legal liabilities.

36. Tan has referred to these off-the-books payments to Bank personnel as "appreciation payments." The total amount of these payments and the total number of recipients remains unknown as Tan has not provided a full accounting. Tan has admitted to paying $6,000.00 per quarter to two board members and $4,000.00 per quarter to a third board member, totaling an estimated $64,000.00. At least seven of the Bank's 12 staff members received "approximately no more than total $100,000." An eighth staff member received $7,000.00 from Tan before resigning.

37. Tan disclosed the above payments to examiners in late July 2022. To date, Tan has provided only rough estimates of the amount of these payments and claims these quarterly payments were only made in 2021. The true amount of these payments, their recipients, and the time frame in which these payments were made remain unknown.

38. In addition to the approximately $164,000.00 to $171,000.00 in direct and unrecorded payments to employees that Tan has admitted to making, he personally has also paid legal and consulting fees on the Bank's behalf. These fees included funds to retain outside counsel in 2022 to address the Commissioner's and FDIC's regulatory concerns and $90,000 to retain Chrisman & Company to conduct the delayed, protracted, and ultimately fruitless search for a CEO described in Section II.B.1 above. Taken altogether, these payments account for approximately $261,000 in additional expenses left out and not reflected in the Bank's financial statements. Section 463 is a provision of the Financial Institutions Law subject to the jurisdiction of the Commissioner. Tan's actions caused the Bank to violate section 463(a), which requires financial statements, balance sheets, income statements or other similar items to be prepared or determined in conformity with generally accepted accounting principles accepted in the United States. Through Tan's actions, Bank expenses were not properly recorded on the Bank's income statement and the Bank's expenses were underreported by approximately $261,000, a number that is approximately half the Bank's reported net income in 2022.

39. In response to examiners' concerns, Tan has claimed ignorance of the Bank's financial reporting obligations under the Financial Code and of Generally Accepted Accounting Practices. Tan has claimed not to believe that making direct and unrecorded payments of his own money to directors, officers, and employees could unduly influence independent decision-making.

2.

<u>The Bank's Condition Remains Unacceptably Deficient</u>

40. The Bank's overall condition remained deficient under the day-to-day management of the Executive Committee. The Bank's Composite Rating has not changed since at least 2020. The Bank's board and management have still not fully complied with the 2020 Consent Order.

41. While the Bank's earnings did increase under the Executive Committee's interim management arrangement, the earnings figures are offset by unreported expenses and do not necessarily reflect the Executive Committee's sound fiscal management. Profitability from core

operations increased from $46,000 in net income for the first six months of 2021 to $437,000 in net income for the first six months of 2022. That additional profit is almost cancelled out by $261,000 in expenses paid by Tan and not reflected on the Bank's financial statement. Likewise, the increase in earnings is at least partially attributable to an increase in interest rates in the overall financial market rather than any sound business decisions by the Board or staff.

42. Against this background, the Executive Committee has not only failed to hire and retain qualified executive management but has presided over extraordinarily high employee turnover. As of December 2022, the Bank had 12 employees. Between 2020 and 2022, the Bank lost 14 employees. Ten of these employees left voluntarily, with the Bank providing only vague explanations for their departures such as "personal" or "accepted another job."

43. The danger to the Bank posed by a 116 percent turnover rate was compounded by the hiring strategy pursued by the Executive Committee under Tan. The Executive Committee focused its efforts on hiring recent college graduates, not individuals with prior banking experience. The Executive Committee claimed to prefer inexperienced graduates "because they [were] eager to learn, [were] technically skilled, and work[ed] more collaboratively with others."

44. Following Cesar Rosas' resignation noted in Paragraph 32, only one independent senior manager remains to oversee a bank currently being operated by recent college students, Jessica Cheng, Chief Technology Officer (CTO Cheng). CTO Cheng has no experience outside of working for the Bank. The Executive Committee not only tasked CTO Cheng with day-to-day management in the absence of the Directors, but also with acting as the Bank's head of human resources, its hiring officer, and its acting CFO. Instead of acting swiftly to comply with the 2020 Consent Order, the Executive Committee simply piled a growing number of responsibilities on a shrinking number of officers and experienced staff.

III.

Statutory Authority

45. Section 329, subdivision (b), states in pertinent part

> Notwithstanding any other provision of this code that applies to a licensee or a subsidiary of a licensee, after notice and an opportunity to be heard, the commissioner may, by order that shall include findings of fact which incorporates a determination made in accordance with subdivision (e), levy civil penalties

against any licensee or any subsidiary of a licensee who has violated any provision of applicable law, any order issued by the commissioner, any written agreement between the commissioner and the licensee or subsidiary of the licensee, or any condition of any approval issued by the commissioner. The commissioner shall have the sole authority to bring any action with respect to a violation of applicable law subject to a penalty imposed under this section.

…

(2) If the commissioner determines that any licensee or subsidiary of the licensee has knowingly violated any applicable law, any order issued by the commissioner, any provision of any written agreement between the commissioner and the licensee or subsidiary, or any condition of any approval issued by the commissioner, the commissioner may impose a penalty not to exceed ten thousand dollars ($10,000) per day, provided that the aggregate penalty of all offenses in an action against any licensee or subsidiary of a licensee shall not exceed 1 percent of the total assets of the licensee or subsidiary of a licensee subject to the penalty.

46. Section 553 states, in pertinent part:

In addition to any other action or requirement the commissioner deems necessary or advisable, an order issued pursuant to Section 580, 581, 582, 585, 586, or 587 may require the person subject to the order to do any of the following:

…

(d) Correct violations of law.
(e) Employ qualified officers or employees, who may be subject to approval of the commissioner.

IV.

California Business Bank's Protracted Failure to Hire and Retain Qualified Management Warrants the Commissioner's Order Under Section 329(b)

47. As set out above, the Bank is under a 2020 Consent Order issued under section 580 and under the Federal Deposit Insurance Act at 12 U.S.C. section 1818(b). Under the Consent Order, the Bank must have and retain qualified management. The order defines "qualifications of management" to mean (1) an ability to comply with the terms of the 2020 Consent Order, (2) operate the Bank in a safe and sound manner, (3) comply with applicable laws and regulations, and (4) restore all aspects of the bank to a safe and sound condition

including asset quality, capital adequacy, earnings, management effectiveness, liquidity, and sensitivity to market risk.

48. The Bank has been without a CEO since February 5, 2021, or approximately 26 months. (The Bank only hired Thomas Meyer as CEO on April 24, 2023 and Mr. Meyer has only recently received regulatory approval.) The Bank has been without a CFO from June 10, 2022 to June 28, 2023, or approximately 12 months. The Bank has been without a CCO, since September 17, 2021, a period of 22 months. The Bank operated for three months without a CEO before interviewing even one replacement candidate. The Bank has not yet conducted any executive search for a replacement CCO.

49. Rather than recruit qualified management based on the criteria set out in the 2020 Consent Order, the Bank has based its recruitment on extraneous criteria such as "fit," personality, and willingness to adhere to Tan's personal vision for the Bank. As a result, the Bank rejected multiple candidates who would have been deemed qualified under the 2020 Consent Order and attempted to hire a CFO who would not have met the qualifications set out in that order.

50. The Bank has knowledge of the Commissioner's 2020 Consent Order. Further, the Bank has been in weekly communication with the Commissioner regarding hiring qualified management. The Commissioner and FDIC have repeatedly raised concerns about the Bank's prolonged lack of qualified management. These facts show a knowing violation of the Commissioner's 2020 Consent Order.

51. The Bank's failure to hire and retain a qualified CEO, CFO, and CCO constitute three separate violations of the 2020 Consent Order. Each violation is punishable by a monetary penalty of $10,000 per day for as long as the violation continues.

52. As of June 30, 2022, the Bank held total assets of $113,647,000. The maximum penalty allowed under section 329(b)(2) is one percent of total assets, or $1,136,470.

VI.

The Bank's Lack of Qualified Management and Deficient Condition Necessitate Appointment of an Independent Management Consultant Under Section 553

53. Because Tan embedded himself into the Bank as a key person controlling both the Board and day-to-day operations, appointment of an independent management consultant to oversee Bank activities, advise the Bank's Board, and report to the Commissioner is necessary and advisable.

54. An independent consultant is necessary and advisable to correct violations of law and ensure sound operation of the Bank. As Tan obstructed efforts to retain qualified executive management, purposefully hired inexperienced staff, and presided over the steady loss of experienced staff and middle management, Tan also rendered the Bank dependent on his involvement in day-to-day operations. An independent consultant would provide the Bank with qualified technical assistance on a day-to-day basis.

55. An independent consultant is also necessary and advisable to ensure compliance with the 2020 Consent Order. Tan has not only deprived the Bank of qualified managers who can exercise independent judgment but also made direct and unrecorded payments to directors which, at minimum, create an appearance of impropriety and a lack of independence. By monitoring the Bank and regularly reporting to the Commissioner on Board activities and day-to-day operations, the independent consultant would alert the Commissioner to violations of the 2020 Consent Order and deter efforts by Tan to indirectly participate in the conduct of the affairs of the Bank.

VII.

Prayer for Relief

WHEREFORE, based upon the foregoing, the Commissioner finds it is in the public interest to impose a monetary penalty on California Business Bank for knowing violations of the Commissioner's order, pursuant to section 329(b)(2).

WHEREFORE, based on the foregoing, the Commissioner finds it necessary and advisable to appoint an independent consultant to oversee and advise the Bank and to report to the Commissioner on the Bank's compliance with the 2020 Consent Order and Tan's compliance.

WHEREFORE, IT IS PRAYED that California Business Bank be ordered to pay a monetary penalty in the amount of $1,136,470.00, and that an independent management consultant be appointed.

Dated: July 14, 2023

CLOTHILDE V. HEWLETT
Commissioner of Financial Protection and Innovation

By________________________________
PAUL YEE
Senior Counsel
Enforcement Division