

FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, D.C.

In the Matter of)	
)	
OCEAN BANK)	ORDER TO CEASE AND DESIST
MIAMI, FLORIDA)	
)	FDIC-07-017b
(Insured State Nonmember Bank))	
)	

OCEAN BANK, MIAMI, FLORIDA ("Bank"), having been advised of its right to a NOTICE OF CHARGES AND OF HEARING detailing the unsafe or unsound banking practices and violations of law and/or regulations alleged to have been committed by the Bank and of its right to a hearing on the alleged charges under section 8(b)(1) of the Federal Deposit Insurance Act ("Act"), 12 U.S.C. § 1818(b)(1), and having waived those rights, entered into a STIPULATION AND CONSENT TO THE ISSUANCE OF AN ORDER TO CEASE AND DESIST ("CONSENT AGREEMENT") with a representative of the Legal Division of the Federal Deposit Insurance Corporation ("FDIC") and the Director ("Director") of the Florida Office of Financial Regulation ("OFR"), dated February 23, 2007, whereby, solely for the purpose of this proceeding and without admitting or denying any of the alleged charges of unsafe or unsound banking practices and violations of law and/or regulations, the Bank consented to the issuance of an ORDER TO CEASE AND DESIST ("ORDER") by the FDIC.

The FDIC and the Director considered the matter and determined that there is reason to believe that the Bank has engaged in unsafe or unsound banking practices and has committed violations of law and/or regulations. The FDIC and the Director therefore, accepted the CONSENT AGREEMENT and issued the following:

ORDER TO CEASE AND DESIST

IT IS HEREBY ORDERED, that the Bank, its institution-affiliated parties, as such term is defined in section 3(u) of the Act, 12 U.S.C. § 1813(u), and its successors and assigns cease and desist from the following unsafe or unsound banking practices and violations of law and/or regulations:

(a) operating without effective Board of Directors (“Board”) oversight and executive management supervision to prevent unsafe or unsound banking practices and violations of law and regulations related to the Bank Secrecy Act (“BSA”), subchapter II of Chapter 53 of Title 31 of the United States Code, and its implementing rules issued by the U.S. Department of Treasury, 31 C.F.R. Part 103; the regulations of the Office of Foreign Asset Control (“OFAC”); the FDIC’s BSA compliance regulations, 12 C.F.R. § 326.8, and the FDIC’s suspicious activity report regulations, 12 C.F.R. Part 353 (“Part 353”) (collectively, “BSA Rules”);

(b) operating in violation of law, regulations, and/or statements of policy as identified on pages 22 through 26 of the FDIC and OFR Joint Report of Examination of the Bank dated January 10, 2006 (“Report”);

(c) operating with an ineffective system of internal controls to ensure ongoing compliance with the BSA Rules;

(d) operating without effective coordinating and monitoring procedures by a designated individual responsible for ensuring day-to-day compliance with the BSA Rules;

(e) operating with an ineffective customer identification program (“CIP”). CIP is the collective reference to section 103.121 of the Rules and Regulations of the Department of Treasury, 31 C.F.R. § 103.121; and

(f) operating with inadequate policies and procedures to monitor and control risks within concentrations of credit in the Bank’s loan portfolio.

IT IS FURTHER ORDERED, that the Bank, its institution-affiliated parties, and its successors and assigns take affirmative action as follows:

BSA COMPLIANCE PLAN

1. a. Within sixty (60) days from the effective date of this ORDER, the Bank shall develop, adopt, and implement a written plan for continued administration of a program reasonably designed to ensure and maintain compliance with the BSA Rules and CIP ("Compliance Plan"). The Bank shall submit the Compliance Plan to the Regional Director of the FDIC's Atlanta Regional Office ("Regional Director") and to the Director (collectively, "Supervisory Authorities") for review and comment. Upon receipt of the Supervisory Authorities' comments, if any, the Board shall review, approve, and implement the Compliance Plan. After the Board has approved the Compliance Plan, the review and approval shall be recorded in the minutes of the Board. Thereafter, the Bank shall ensure future compliance with the BSA Rules. At a minimum, the Compliance Plan shall require the review, enhancement, or restatement, as appropriate of:

- (i) a system of internal controls, including policies and procedures to detect and monitor all transactions to ensure compliance with the BSA Rules. Such controls shall specifically address the opening and monitoring of accounts with frequent wire and check activity;
- (ii) procedures for the Bank's CIP and account opening procedures;
- (iii) policies and procedures with respect to high-risk accounts and customers, including the adequacy of methods for identifying and conducting due diligence on high-risk accounts and customers at account opening and thereafter, and for monitoring high-risk client relationships on a transaction basis as well as by account and customer;

- (iv) policies, procedures, and systems for identifying, evaluating, monitoring, investigating, and reporting suspicious activity, particularly including transactions involving high-risk customers or accounts, and/or high-risk jurisdictions, and the appropriateness of the Bank's criteria for designating an account as high-risk and assessing the Bank's procedures and systems for identifying and monitoring customer transactions in accordance with the BSA Rules;
- (v) policies and procedures regarding the identification and reporting of cash transactions;
- (vi) policies and procedures with respect to wire transfer recordkeeping requirements;
- (vii) the designation of a senior Bank official ("BSA Officer") responsible for coordinating and monitoring day-to-day compliance with the BSA Rules and ensure adequate, qualified staffing in the BSA area;
- (viii) independent annual testing for compliance with the BSA in accordance with the procedures described in section 326.8 of the FDIC's Rules and Regulations, 12 C.F.R. § 326.8;
- (ix) implementation of the recommendations in the Report for an appropriate training program for the Bank to assure that appropriate personnel are regularly trained to comply with the BSA Rules.

b. The Bank shall at all times provide for the continued administration of the Compliance Plan designed to assure and monitor compliance with the BSA Rules.

CUSTOMER IDENTIFICATION PROGRAM

2. Within sixty (60) days from the effective date of the ORDER, the Bank shall review, enhance, and implement a written customer CIP as required by 31 C.F.R. Section 103.121, appropriate for the Bank's size and type of business, consistent with the requirements of the BSA Rules and which addresses the criticisms enumerated in the Report. The Bank shall submit the CIP to the Supervisory Authorities for review and comment. Upon receipt of the Supervisory Authorities' comments, if any, the Board shall review and approve the CIP. After the Board has approved the CIP, the review and approval shall be recorded in the minutes of the Board. Thereafter, the Bank shall implement the CIP.

DIRECTORS' COMMITTEE

3. Within thirty (30) days from the effective date of the ORDER, the Board shall establish a Board committee ("Directors' Committee"), consisting of at least five members, to oversee the Bank's compliance with the BSA Rules and the ORDER. A majority of the members of the Directors' Committee shall not be officers of the Bank. The Directors' Committee shall receive from Bank management monthly reports regarding the Bank's actions with respect to the Compliance Plan described above and compliance with this ORDER. The Directors' Committee shall present a report regarding the Bank's adherence to the Compliance Plan and to the ORDER to the Board at each regularly scheduled Board meeting. Such report shall be recorded in appropriate minutes of the Board's meeting and shall be retained in the Bank's records.

RISK ASSESSMENT

4. Within one hundred and twenty (120) days from the effective date of the ORDER, the Board shall update the Bank's overall BSA risk assessment of the Bank's compliance with the BSA Rules that considers all major risks, including but not limited to products, services,

types of customers, and geographic locations, with analysis of the major risk categories. The Board shall specify in Bank policy how frequently the risk assessment will be updated or reassessed.

BSA POLICIES

5. Within ninety (90) days from the effective date of the ORDER, the Board shall revise the Bank's policies, procedures, and practices regarding the BSA Rules to provide for the following.

- a. Methods of determining, reviewing, and validating risk ratings of customers with standards for periodic reassessments;
- b. Comprehensive monitoring of high-risk accounts with full utilization of account monitoring software;
- c. Adequate systems for account aggregation to ensure sufficient data to determine if Suspicious Activity Reports ("SARs") and Currency Transaction Reports ("CTRs") should be filed;
- d. Adequate methods for maintaining and controlling documentation and monitoring accounts opened by the private banking department, including accounts of foreign embassies, politically exposed persons, corporations and other entities owned by bearer shares, foreign nationals, private investment companies, and other entities residing offshore;
- e. Procedures for receipt of transactions through pouches that include logging procedures, opening under dual control and at a central location, identifying responsible individuals, and auditing;
- f. Standards for documentation of new accounts, both to meet the minimum standards in regulation and to capture sufficient data for customer due diligence with specification of the time and responsibility for obtaining missing documentation; and

g. Methods of enforcing the Bank's policies, procedures, and practices regarding the BSA Rules.

INTERNAL CONTROLS

6. Within sixty (60) days from the effective date of the ORDER, and as acceptable to the Supervisory Authorities, the Bank shall enhance and implement its system of internal routines and controls to ensure compliance with the BSA Rules including, but not limited to, the monitoring of high-risk and suspicious activities for all types of accounts, products, services, and geographic areas.

DUE DILIGENCE PROGRAM

7. Within sixty (60) days from the effective date of the ORDER, and as acceptable to the Supervisory Authorities, the Bank shall review, enhance, and implement a written customer due diligence program ("Due Diligence Program"). At a minimum, the customer Due Diligence Program shall provide for a risk focused assessment of the customer base of the Bank to determine the appropriate level of Enhanced Due Diligence ("EDD") necessary for those categories of customers that the Bank has reason to believe pose a heightened risk of illicit activities at the Bank.

- a. The Due Diligence Program shall provide for, at a minimum:
 - (i) time limits for Bank personnel to respond to account activity exceptions;
 - (ii) time limits for determining if exceptions require a SAR; and
 - (iii) identification of customers requiring site visitations and frequency of visitations.
- b. EDD shall include the following procedures:
 - (i) determine the appropriate documentation necessary to confirm the

- identity and business activity of the customer;
- (ii) understand the normal and expected transactions of the customer;
- and
- (iii) 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 the Supervisory Authorities, as required by the suspicious activity reporting provisions of Part 353.

TRAINING

8. a. Within sixty (60) days from the effective date of the ORDER, the Bank shall revise its training program to provide comprehensive training that shall have a general component for all directors and staff and specific components that are tailored to the needs of specific positions, departments, and personnel. The training program shall provide for both initial and periodic refresher training and shall specify who is responsible for dissemination of changes in the BSA Rules and in what media and time notifications of changes are to be made. The training program shall require documentation of attendance at training with full explanations of absences with notation of when absentees will be trained.

b. The Bank shall periodically, but no less than annually, assess in writing the effectiveness of the comprehensive training program.

BSA STAFF

9. Within thirty (30) days from the effective date of the ORDER, the Bank shall analyze and assess the Bank's staffing needs to provide an adequate number of qualified staff for the Bank's BSA Department. Within ninety (90) days, the Bank shall provide for an assessment of the BSA Department to determine whether these individuals possess the ability, experience,

training, and other necessary qualifications required to perform present and anticipated duties, including adherence to the Bank's BSA Compliance Program, the requirements of the BSA Rules, and the provisions of this ORDER. As part of this assessment, the Board shall designate a qualified officer responsible for managing, coordinating, and monitoring the Bank's BSA Program. The BSA Officer shall have the responsibility and necessary authority to ensure the Bank's compliance with the BSA Rules and related matters, including, without limitation, 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. The BSA Officer shall report directly to the Board or to the Directors' Committee established by the Board pursuant to paragraph 3 of this ORDER. The Board shall ensure the BSA Officer has the necessary authority to implement all aspects of the Compliance Plan.

VIOLATIONS OF LAW AND REGULATION

10. Within ninety (90) days from the effective date of this ORDER, the Bank shall take steps necessary, consistent with sound banking practices, to attempt in good faith to eliminate and/or correct all violations of laws, regulations, and/or statements of policy on pages 22-26 in the Report and shall adopt and implement appropriate procedures to ensure future compliance with all such applicable laws and regulations.

LOAN POLICY

11. Within ninety (90) days from the effective date of this ORDER, and annually thereafter, the Board shall review the Bank's loan policies and procedures for adequacy and, based upon this review shall make all appropriate revisions to the policies and procedures necessary to enhance the Bank's lending functions and ensure their implementation. As required

by this paragraph, the Bank's loan policies and procedures shall be enhanced to include, at a minimum, provisions that:

a. Require a determination that loan officers have the necessary skills to make, monitor, and service the types and kinds of loans that will be assigned to them, and that appropriate supervision by a senior executive officer will be provided. In addition, a designated senior executive officer shall have appropriate authority from the Board and be identified to monitor and enforce the internal policy and procedures regarding the Bank's overall loan portfolio and its administration;

b. Establish limitations on the aggregate level of credit to any one borrower that can be granted without prior approval of the Board;

c. Establish review and monitoring procedures to ensure that all lending personnel are adhering to established lending procedures, and that the Board is receiving timely, comprehensive, and fully documented reports on loan activity, concentrations of credit, market studies, and deviations from established policy and procedures and the bases for the deviations;

d. Designate the Bank's normal geographic trade area and require

(i) the review of geographic market studies;

(ii) the review of appraisals when underwriting development or renovation loans over \$10,000,000 in all geographic markets; and

(iii) periodic review of market studies in all geographic markets where such loans represent amounts in excess of 100% of the Bank's Tier 1 capital;

e. For commercial real estate loans, land loans, and relationships exceeding \$10,000,000, require the source of collateral valuations to be identified, require that collateral valuations to be completed prior to commitment to lend funds, and require that collateral

valuations be performed on a periodic basis over the term of the loan based upon market studies of the area;

f. Require that departures from loan policy directed limitations on the amount that can be loaned in relation to established collateral values be appropriately approved, with written explanation.

g. Address concentrations of credit and diversification of risk, including goals for portfolio mix, establishment of limits and other asset categories, and development of tracking and monitoring system for the economic and financial condition of specific geographic locations, industries, and groups of borrowers;

h. Require specific guidelines for out-of-territory loans which, at a minimum, include an aggregate limitation on such loans, require complete credit documentation, and require approval by a majority of the Board's Loan Committee prior to disbursement of funds, including a written discussion of why such loans are in the best interest of the Bank;

i. Require that collateral appraisals be completed prior to making secured extensions of credit, and define the circumstances and time frames under which subsequent collateral valuations will be performed;

j. Require at least quarterly portfolio-level stress tests or sensitivity analysis and reports to the Board and Loan Committee for concentrations of credit portfolios identified on page 53 of the Report and assess the impact of changing economic conditions on asset quality, earnings, and capital;

k. Enhance the review and monitoring procedures for compliance with the FDIC's appraisal regulation, 12 C.F.R. Part 323; and

l. Review, enhance, and maintain a loan grading system and internal watch list that is consistent with the type and risks of lending in the Bank's loan portfolio.

LOAN REVIEW

12. Within ninety (90) days from the effective date of the ORDER, the Board shall enhance its independent loan review program to provide for a periodic review of the Bank's loan portfolio and the identification and categorization of problem credits. At a minimum, the program shall provide for:

a. Prompt identification of loans with credit weaknesses that warrant the special attention of management, including the name of the borrower, amount of the loan, reason why the loan warrants special attention, and assessment of the degree of risk that the loan will not be fully repaid according to its terms;

b. Action plans to reduce the Bank's risk exposure from each identified relationship;

c. Prompt identification of all outstanding balances and commitments attributable to each obligor identified under the requirements of subparagraph a, including outstanding balances and commitments attributable to related interests of such obligors, including the obligor of record, relationship to the primary obligor identified under subparagraph a, and an assessment of the risk exposure from the aggregate relationship;

d. Identification of trends affecting the quality of the loan portfolio, potential problem areas, and action plans to reduce the Bank's risk exposure;

e. Assessment of the overall quality of the loan portfolio;

f. Identification of credit and collateral documentation exceptions including loan covenant exceptions, and action plans to address the identified deficiencies;

g. Identification and status of violations of laws, rules, or regulations with respect to the lending function and an action plan to address the identified violations;

h. Identification of loans that are not in conformance with the Bank's lending policy and action plans to address the deficiencies; and

i. A mechanism for reporting periodically, but in no event less than quarterly, the information developed in subparagraphs a through h above to the Board. The report should also describe the actions taken by management with respect to problem credits.

CONCENTRATIONS OF CREDIT

13. Within sixty (60) days from the effective date of this ORDER, the Bank shall develop a written plan and policy for systematically reducing and monitoring the Bank's portfolio of loans or other extensions of credit advanced or committed, directly or indirectly, to or for the benefit of any borrowers in the Condominium Conversion and Land Development and Holding concentration portfolios noted on page 53 of the Report to an amount which is commensurate with the Bank's business strategy, management expertise, size, and location. At a minimum, the plan shall include:

a. Amounts and percent of capital to which the Bank shall reduce each concentration;

b. Timeframes for achieving the reduction in dollar levels identified in response to subparagraph (a);

c. Provisions for the submission of monthly written progress reports to the Board for review and notation in the minutes of its meetings; and

d. Procedures for monitoring the Bank's compliance with the plan.

CORRECTION OF TECHNICAL EXCEPTIONS

14. a. Within ninety (90) days from the effective date of this ORDER, the Bank shall attempt to correct, in good faith, the exceptions listed on the "Assets with Credit Data or Collateral Documentation Exceptions" on pages 48-52 of the Report. All attempts to correct

exceptions shall be documented in the borrowers' credit files. In the future, the Bank shall ensure that all necessary supporting documentation is obtained and evaluated before any credit or loan is extended or renewed by the Bank and periodically during the term of the credit.

b. Progress reports detailing material outstanding exceptions and the Bank's plan for corrective action shall be submitted to the Board or its Loan Committee for review at least monthly. The review shall be noted in the minutes of the Board or Loan Committee.

PROGRESS REPORTS

15. Within thirty (30) days from the end of the first calendar quarter following the effective date of this ORDER, and within thirty (30) days of the end of each quarter thereafter, the Bank shall furnish written progress reports to the Supervisory Authorities 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 accomplished and the Supervisory Authorities have released the Bank in writing from making further reports. Such written progress reports shall provide cumulative detail of the Bank's progress toward achieving compliance with each provision of the ORDER, including at a minimum:

- a. description of the identified weaknesses and deficiencies;
 - b. provision(s) of the ORDER pertaining to each weakness or deficiency;
 - c. actions taken or in-process for addressing each deficiency;
 - d. results of the corrective actions taken;
 - e. the Bank's status of compliance with each provision of the ORDER;
- and

- f. appropriate supporting documentation.

All progress reports and other written responses to this ORDER shall be reviewed by the Board and made a part of the minutes of the appropriate Board meeting.

DISCLOSURE TO SHAREHOLDERS

16. Following the issuance of this ORDER, the Bank shall provide to its shareholders or otherwise furnish a description of this ORDER (i) in conjunction with the Bank's next shareholder communication or (ii) 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. The description and any accompanying communication, statement, or notice shall be sent to the FDIC, Division of Supervision and Consumer Protection, Accounting and Securities Disclosure Section, 550 17th Street, N.W., Room F-6066, Washington, D.C. 20429 and to the Director of the OFR, 200 East Gaines Street, Tallahassee, FL 32399 to review at least twenty (20) days prior to dissemination to shareholders. Any changes requested to be made by the FDIC and the OFR shall be made prior to dissemination of the description, communication, notice, or statement.

This ORDER shall become effective ten (10) days from the date of its issuance. The

provisions of this ORDER shall remain effective and enforceable except to the extent that, and until such time as, any provisions of this ORDER shall have been modified, terminated, suspended, or set aside in writing by the FDIC.

Pursuant to delegated authority.

Dated this 16 day of March, 2007.

Mark S. Schmidt
Regional Director
Division of Supervision and Consumer
Protection
Atlanta Region
Federal Deposit Insurance Corporation

The OFR Director having duly approved the foregoing ORDER, and the Bank, through its Board, having agreed that the issuance of said ORDER by the FDIC shall be binding as between the Bank and the OFR to the same degree and legal effect that such ORDER would be binding upon the Bank if the OFR had issued a separate order that included and incorporated all of the provisions of the foregoing ORDER pursuant to Sections 655.033 and 655.50, Florida Statutes (2006).

Dated this 16 day of March, 2007.

Linda B. Charity
Director
Office of Financial Regulation