

FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, D.C.

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In the Matter of)	
)	
CENTURY SAVINGS BANK)	
VINELAND, NEW JERSEY)	CONSENT ORDER
)	
(INSURED STATE NONMEMBER BANK))	FDIC-18-0161b
)	
_____)	

The Federal Deposit Insurance Corporation (FDIC) is the appropriate Federal banking agency for Century Savings Bank, Vineland, New Jersey (Bank), under section 3(q) of the Federal Deposit Insurance Act (Act), 12 U.S.C. § 1813(q).

The Bank, by and through its duly elected and acting board of directors (Board), has executed a STIPULATION AND CONSENT TO THE ISSUANCE OF A CONSENT ORDER (CONSENT AGREEMENT), dated October 17, 2018, that is accepted by the FDIC. With the CONSENT AGREEMENT, the Bank has consented, without admitting or denying any charges of unsafe or unsound banking practices or violations of law or regulation relating to, among other things, weaknesses in the Bank's Bank Secrecy Act/Anti-Money Laundering Compliance Program (BSA/AML Compliance Program), to the issuance of this CONSENT ORDER (ORDER) by the FDIC.

Having determined that the requirements for issuance of an order under section 8(b) of the Act, 12 U.S.C. § 1818(b), continue to be satisfied, the FDIC hereby orders that:

BOARD SUPERVISION

1. The Board must increase its supervision and direction of the Bank's BSA/AML Compliance Program, assuming full responsibility for the approval of sound BSA/AML policies, procedures, and processes consistent with the role and expertise expected for directors of banks of comparable size and risk. The Board must ensure complete and timely compliance with this ORDER.

MANAGEMENT

2. The Bank must have and retain management qualified to oversee all aspects of the Bank's BSA/AML Compliance Program, including a Bank Secrecy Act Officer (BSA Officer), as described in paragraph 3. Management must ensure compliance with all the Bank Secrecy Act, 31 U.S.C. § 5311 et seq., 12 U.S.C. § 1829b and 12 U.S.C. §§ 1951-1959, and 12 U.S.C. § 1818(s) (BSA) and implementing regulations, 31 C.F.R. Chapter X, 12 C.F.R. Part 353, and 12 C.F.R. § 326.8 (BSA regulations). Each member of management must have the qualifications and experience commensurate with his or her duties and responsibilities related to the BSA and BSA regulations.

BSA OFFICER

3. Within 90 days from the effective date of this ORDER, the Bank must designate a qualified individual or individuals (BSA Officer) acceptable to the Deputy Regional Director of the FDIC's New York Regional Office (Deputy Regional Director) and the Commissioner of the New Jersey Department of Banking and Insurance (Commissioner) to implement and ensure

compliance with the BSA. The BSA Officer's qualifications must be commensurate with the complexity of the Bank's activities and operations. The BSA Officer must, at a minimum:

- (a) have sufficient delegated authority to coordinate, monitor and ensure compliance with the BSA and BSA regulations;
- (b) have an adequate level of appropriate resources to implement and ensure compliance with the BSA and BSA regulations;
- (c) be responsible for assuring the proper and timely filing of all required BSA-related reports including Suspicious Activity Reports (SARs), Currency Transaction Reports (CTRs), Reports of International Transportation of Currency or Monetary Instruments, and Reports of Foreign Bank and Financial Accounts (FBARs); and
- (d) report directly to the Board or the Compliance Committee established pursuant to paragraph 7 of this ORDER with regard to matters related to the BSA and BSA regulations.

BSA/AML COMPLIANCE PROGRAM

4. The Bank must develop, adopt, and implement a comprehensive, written BSA/AML Compliance Program. At a minimum, the BSA/AML Compliance Program must address the BSA-related deficiencies and weaknesses identified in the February 20, 2018 FDIC Report of Examination (2018 ROE), the requirements of this ORDER and include procedures for monitoring performance and for periodic review and revisions to ensure the Bank's compliance with the BSA and BSA regulations.

- (a) **BSA Risk Assessment**: Within 90 days from the effective date of this ORDER, the Bank must:

(i) revise the BSA risk assessment (Risk Assessment) to accurately reflect the Bank's BSA/AML risk profile and develop appropriate risk-mitigating strategies for identified risks. In performing its Risk Assessment, the Bank must first identify the Bank's specific BSA/AML risk categories after reviewing its products, services, customers, entities, transactions, and geographic footprint, and then conduct a detailed qualitative and quantitative analysis of the risk within each identified category to better assess the risk within the category; and

(ii) establish appropriate written policies, procedures, and processes regarding Risk Assessments that require at a minimum, satisfactory documentation of the Risk Assessment and periodic reassessments of the Bank's BSA/AML risk.

(b) **System of BSA Internal Controls:** Within 120 days from the effective date of this ORDER, the Bank must develop, adopt, and implement a system of internal controls designed to ensure full compliance with the BSA (BSA Internal Controls) taking into consideration its size, the Risk Assessment, and the deficiencies and weaknesses identified in 2018 ROE. At a minimum, such system of BSA Internal Controls must include policies, procedures, and processes addressing the following areas:

(i) **Suspicious Activity Monitoring and Reporting:** The Bank must, taking into account its size and risk profile, based on the Risk Assessment, revise and enhance its policies, procedures, processes, and systems for monitoring, detecting, and reporting suspicious activity conducted within or through the Bank; and ensure the timely, accurate, and complete filing of SARs with an appropriate level of documentation and support for management's decisions to file or not to file a SAR. These policies, procedures, processes, and systems should ensure that all relevant areas of the Bank are monitored for suspicious activity, including cash transactions, monetary instruments, ACH and ATM transactions, and international and domestic

wire transfers. Any systems the Bank plans to utilize to assist in monitoring, detecting, and reporting suspicious activity should be validated, and established parameters should be supported through a well-documented analysis with appropriate information.

(ii) Customer Due Diligence: The Bank must review and enhance its customer due diligence (CDD) policies, procedures, and processes for new and existing customers to:

(A) be consistent with the Bank's BSA/AML risk profile, based on the Risk Assessment, with particular attention to higher risk customers;

(B) establish specific staff responsibilities, including who is responsible for reviewing or approving changes to a customer's risk rating or profile;

(C) ensure that the Bank possesses sufficient customer information to implement an effective suspicious activity monitoring system;

(D) document analysis associated with the due diligence process, including guidance for resolving issues when insufficient or inaccurate information is obtained;

(E) maintain current customer information;

(F) operate in conjunction with its Customer Identification Program (CIP);

(G) enable the Bank to reasonably predict the types of transactions in which a customer is likely to engage; and

(H) provide for:

i. a risk assessment of the customer base through an appropriate risk rating system to ensure that the risk level of the Bank's customers is accurately identified based on the potential for money laundering or other illicit activity posed by the customer's activities, with consideration given to the purpose of the account, the anticipated type

and volume of account activity, types of products and services offered, and locations and markets served by the customer;

ii. an appropriate level of ongoing monitoring commensurate with the risk level to ensure that the Bank can reasonably detect suspicious activity and accurately determine which customers require enhanced due diligence (EDD);

iii. a process to obtain and analyze a sufficient level of customer information at account opening to assist and support the risk ratings assigned;

iv. a process to document and support the CDD analysis, including a method to validate risk ratings assigned at account opening and resolve issues when insufficient or inaccurate information is obtained; and

v. processes to reasonably ensure the timely identification and accurate reporting of known or suspected criminal activity, as required by the suspicious activity reporting provisions of Part 353 of the FDIC's Rules and Regulations, 12 C.F.R. Part 353.

(iii) Enhanced Customer Due Diligence: The Bank must review and enhance EDD policies, procedures, and processes to conduct EDD necessary for those categories of customers the Bank has reason to believe pose a heightened risk of suspicious activity, including, but not limited to, high-risk accounts, as described in the 2018 ROE. The EDD policies, procedures, and processes adopted should:

(A) consider the customer's business activity, ownership structure, anticipated or actual volume and types of transaction;

(B) operate in conjunction with its CIP and CDD policies, procedures, and processes.

(C) determine the appropriate frequency for conducting ongoing reviews, based on customer risk level;

(D) determine the appropriate documentation necessary to conduct and support ongoing reviews and analyses in order to reasonably understand the normal and expected transactions of the customer;

(E) reasonably ensure the timely identification and 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; and

(F) provide for the development of a high-risk customer list, which includes, but is not limited to, identification of entities with multiple accounts, and assignment of one risk rating across related accounts (High-Risk Customer List).

(G) ensure the BSA Internal Controls operate in conjunction with each other and are consistent with account/transaction monitoring, including arranging for the dissemination of a High-Risk Customer List to appropriate departments within the Bank.

(c) **Independent Testing:** Within 120 days from the effective date of this ORDER, and at least annually thereafter, independent testing for compliance with the BSA must be conducted by either a qualified outside party with the requisite ability to perform such testing and analysis or by Bank personnel independent of the BSA function with the requisite ability to perform such testing and analysis. The scope of the independent testing procedures performed and findings must be satisfactorily documented. The results of each independent test, as well as any apparent exceptions noted during the testing, must be presented to the Board. The Board

must record the steps taken to correct any exceptions noted, address any recommendations made during each independent test, and record its actions in the minutes of the Board meetings.

The independent testing must, at a minimum, include:

- (i) an evaluation of the overall adequacy and effectiveness of the BSA/AML Compliance Program, including policies, procedures, and processes;
 - (ii) a review of the Bank's Risk Assessment;
 - (iii) appropriate risk-based transaction testing to verify the Bank's adherence to the BSA and BSA regulations (e.g., CIP, CDD and EDD programs, SARs, CTRs and CTR exemptions, information sharing requests);
 - (iv) an evaluation of management's efforts to resolve violations and deficiencies noted in previous audits and regulatory examinations;
 - (v) a review of staff training for adequacy, accuracy, and completeness;
 - (vi) a review of the effectiveness of the suspicious activity monitoring systems used for BSA/AML compliance;
 - (vii) an assessment of the overall process for identifying and reporting suspicious activity, including a review of the filed or prepared SARs to determine their accuracy, timeliness, completeness, and effectiveness of the Bank's policy; and
 - (viii) an assessment of the integrity and accuracy of management information systems used in the BSA/AML Compliance Program.
- (d) **Training:** The Bank must take all steps necessary, consistent with sound banking practices, to ensure that all appropriate personnel are aware of, and can comply with, the requirements of the BSA and BSA regulations applicable to the individual's specific responsibilities to assure the Bank's compliance with the BSA and BSA regulations. Within 120

days from the effective date of this ORDER, the Bank must develop, adopt, and implement effective training programs designed for the Board, management, and staff and their specific compliance responsibilities on all relevant aspects of laws, regulations, and Bank policies, procedures, and processes relating to the BSA (Training Program). This Training Program must ensure that all appropriate personnel are aware of, and can comply with, the requirements of the BSA and BSA regulations on an ongoing basis and, at a minimum, include:

(i) an overview of the BSA and BSA regulations for new staff along with specific training designed for their specific duties and responsibilities upon hiring;

(ii) training on the Bank's BSA/AML policies, procedures, and processes along with new rules and requirements as they arise for appropriate personnel designed to address their specific duties and responsibilities;

(iii) a requirement that the Bank fully document the training of each employee with respect to both the BSA/AML policies, procedures and processes, including the designated BSA Officer(s); and

(iv) a requirement that training in these areas be conducted no less frequently than annually.

REPORTS

5. The Bank must review and enhance its policies, procedures, and processes in order to appropriately detect reportable transactions and ensure that all required reports, including its CTRs, SARs, FBARS, and any other similar or related reports required by law or regulation are completed accurately and properly filed within required timeframes.

LOOK BACK REVIEW

6. (a) Within 60 days from the effective date of this ORDER, the Bank must engage a qualified firm acceptable to the Deputy Regional Director and the Commissioner to conduct a review of all accounts and transaction activity for the time period beginning June 30, 2016, through the effective date of this ORDER to determine whether reportable transactions and suspicious activity involving any accounts or transactions within or through the Bank were properly identified and reported in accordance with the applicable reporting requirements (Look Back Review).

(b) Within 120 days of receipt of the Deputy Regional Director's and Commissioner's nonobjection regarding the proposed engagement of the qualified firm, the qualified firm must complete the Look Back Review and prepare any additional CTRs and SARs necessary based upon the review. Upon completion of the Look Back Review, the Bank must submit the findings of the review and copies of any additional SARs and CTRs filed to the Deputy Regional Director and the Commissioner.

DIRECTORS' COMPLIANCE COMMITTEE

7. Within 30 days from the effective date of this ORDER, the Board must establish a directors' BSA/AML compliance committee (Compliance Committee), a majority of which members may not now or have previously been involved in the daily operations of the Bank. The Compliance Committee will have the responsibility of overseeing the Bank's compliance with this ORDER, the BSA and BSA regulations, and the Bank's BSA/AML Compliance Program. The Compliance Committee must receive monthly reports from the BSA Officer regarding the Bank's compliance with the BSA and BSA regulations and the Bank's BSA/AML Compliance

Program. The Compliance Committee must present a report to the Board, at each regularly scheduled Board meeting, regarding the Bank's compliance with this ORDER, the BSA and BSA regulations, and the Bank's BSA/AML Compliance Program, which must be recorded in the appropriate minutes of the Board meeting and retained in the Bank's records. The establishment of this Compliance Committee does not diminish the responsibility or liability of the entire Board to ensure timely compliance with the provisions of this ORDER.

CORRECTIVE ACTION

8. Within 120 days from the effective date of this ORDER, the Bank must take all steps necessary, consistent with other provisions of this ORDER and sound banking practices, to eliminate and correct any unsafe or unsound banking practices and any violations of law or regulation cited in the 2018 ROE. The Bank must take all steps necessary to ensure future compliance with all applicable laws and regulations.

PROGRESS REPORTS

9. Within 45 days after the end of each calendar quarter following the effective date of this ORDER, the Bank must furnish to the Deputy Regional Director and the Commissioner written progress reports detailing the form, manner, and results of any actions taken to secure compliance with this ORDER. All progress reports and other written responses to this ORDER must be reviewed and approved by the Board and be made a part of the Board minutes.

NOTICE TO PARENT HOLDING COMPANY

10. Within 30 days from the effective date of this ORDER, the Bank must either provide to a copy of the ORDER or an accurate and complete description of all material aspects of the ORDER to its parent holding company.

OTHER ACTIONS

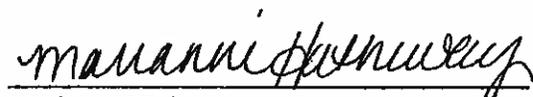
11. The provisions of this ORDER do not bar, estop, or otherwise prevent the FDIC or any other federal or state agency or department from taking any other action against the Bank or any of the Bank's current or former institution-affiliated parties.

This ORDER is effective on the date of issuance and its provisions will remain effective and enforceable until such time as any provision is modified, terminated, suspended, or set aside in writing by the FDIC. The provisions of this ORDER are binding upon the Bank, its institution-affiliated parties, and any successors and assigns thereof.

Issued Pursuant to Delegated Authority.

Dated: October 18, 2018

By:



Marianne Hatheway
Deputy Regional Director
New York Region
Federal Deposit Insurance Corporation