

UNITED STATES OF AMERICA
DEPARTMENT OF THE TREASURY
OFFICE OF THE COMPTROLLER OF THE CURRENCY

In the Matter of:)
Metropolitan Bank & Trust Company)
New York, New York)
) NE 2004-101
a Federal branch of)
)
Metropolitan Bank & Trust Company)
Manila, Philippines)

CONSENT ORDER

The Comptroller of the Currency of the United States of America (“Comptroller”), through his staff, has examined Metropolitan Bank & Trust Company, New York, New York (“Branch”), a Federal branch of Metropolitan Bank & Trust Company, Manila, Philippines (“Bank”), and his findings are contained in the Supervisory Letter for the examination that commenced on July 12, 2004.

The Branch, by and through its General Manager, duly authorized by the Bank, has executed a “Stipulation and Consent to the Issuance of a Consent Order,” dated December 15, 2004, that is accepted by the Comptroller. By this Stipulation and Consent, that is incorporated by reference, the Branch has consented to the issuance of this Consent Order (“Order”) by the Comptroller.

Pursuant to the authority vested in him by the International Banking Act of 1978, as amended, 12 U.S.C. § 3101 et seq., and the Federal Deposit Insurance Act, as amended, 12 U.S.C. § 1818, the Comptroller hereby orders that:

ARTICLE I

STUDY OF BANK SECRECY ACT COMPLIANCE

(1) Within forty five (45) days of the date of this Order, the General Manager, with approval of Head Office executive management, shall retain the services of a qualified independent Consultant to assess the Branch's staffing, risk assessment, and internal control deficiencies in the BSA area.

(2) Prior to the appointment or employment of any Consultant or entering into any contract with a Consultant, the Branch shall submit a copy of the Branch's proposed "Engagement Letter" with this Consultant, and any amendments thereto, to the Assistant Deputy Comptroller for review and a prior determination of no supervisory objection.

(3) Within ninety (90) days of the date of this Order, the Consultant specified in paragraph (1) of this Article shall:

- (a) complete a study of the responsibilities, competence, and capabilities of the Bank's BSA compliance officer ("BSA Officer") and the BSA Officer's supporting staff who monitor, ensure, and oversee the Bank's compliance with the Bank Secrecy Act ("Bank Secrecy Act" or "BSA"), as amended (31 U.S.C. §§ 5311-5330), the regulations promulgated thereunder at 31 C.F.R. Part 103, as amended, and 12 C.F.R. Part 21, Subparts B and C, including amendments from the USA PATRIOT Act (collectively referred to as the "Bank Secrecy Act"), and the rules and regulations of the Office of Foreign Assets Control ("OFAC");
- (b) assess the levels of risks throughout the Bank, including risks for all accounts, customers, products, services, and geographic areas.

- (c) develop findings, observations and recommendations on the Branch's internal controls addressing compliance with the Bank Secrecy Act, with particular emphasis on remittances. The Consultant shall conduct a review of all account activity at the Branch since June 30, 2004. This review shall include remittances, pouch activity, deposit accounts, loan transactions, wire activity, certified check activity, Currency Transaction Report ("CTR") activity (including structuring) and traveler's check activity, in order to ascertain any unusual or suspicious transactions that may have occurred at the Branch during this period.

(4) The Consultant's findings, observations, and recommendations made in connection with the assessments and reviews conducted in accordance with paragraph 3 of the Article shall be set forth in a written report to the General Manager, with a copy submitted to the Assistant Deputy Comptroller. At a minimum, the report shall address the following issues:

- (a) the level and scope of responsibilities of the BSA Officer;
- (b) the level and scope of responsibilities of the BSA Officer's supporting staff, including recommendations for additional staffing;
- (c) the competence of the BSA Officer's and the BSA Officer's supporting staff in monitoring and ensuring the Branch's compliance with the Bank Secrecy Act, including:
 - (i) establishing risk-based internal controls
 - (ii) ensuring that Branch management implements systems and controls to identify, monitor, access and report potentially suspicious transactions;

- (d) the capability of the BSA Officer's and the BSA Officer's supporting staff to monitor and ensure the Bank's compliance with the Bank Secrecy Act, including:
 - (i) education and training focused on bank operations;
 - (ii) knowledge of the process and systems for monitoring suspicious activities;
 - (iii) expertise in the laws and regulations of the United States for the BSA/AML and OFAC; and
 - (iv) experience in fraud control and compliance monitoring.
- (e) an evaluation of the types of the transactions, including accounts, customers, products, services, and geographic areas, that pose greater than normal risks for compliance with the Bank Secrecy Act, including money remitters, pouch activities, payable upon proper identification ("PUPIDs") accounts, jewelry, precious metal dealers, import/export companies, and off-shore corporations; and
- (f) recommendations for improving the Branch's internal controls to ensure compliance with the Bank Secrecy Act.

(5) Within thirty (30) days of receiving the written report of the Consultant, the Branch shall file Suspicious Activity Reports ("SARs"), in accordance with 12 C.F.R. § 21.11, for any previously unreported suspicious activity identified during this review.

(6) The General Manager shall assure ongoing compliance with the Consultant's findings, observations and recommendations.

ARTICLE II

ACTION PLAN

(1) Within thirty (30) days of receipt of the Consultant's report produced in accordance with Article I of this Order, the General Manager, with the approval of Head Office executive management, shall adopt, implement, and thereafter ensure the Branch adherence to a written action plan detailing the General Manager's assessment of what needs to be done to improve the Branch's compliance with the requirements of the Bank Secrecy Act, USA PATRIOT Act ("USPA") and OFAC and to respond to the recommendations of the Consultant as set forth in Article I; specifying how the Branch will implement the plan; and setting forth a timetable for the implementation of the plan.

(2) Upon completion of the plan, the General Manager shall submit the plan to the Assistant Deputy Comptroller for review. The General Manager shall establish appropriate procedures for the implementation of the plan.

(3) In the event the Assistant Deputy Comptroller recommends changes to the action plan, the General Manager shall immediately incorporate those changes into the plan.

(4) The plan shall be implemented pursuant to the time frames set forth within the plan unless events dictate modifications to the plan. Where the General Manager considers modifications appropriate, those modifications shall be submitted to the Assistant Deputy Comptroller for prior determination of no supervisory objection.

(5) The General Manager shall ensure that the Branch has processes, personnel, and control systems to ensure implementation of and adherence to the plan developed pursuant to this Article.

ARTICLE III

BANK SECRECY ACT - INTERNAL CONTROLS

(1) Within thirty (30) days of receipt of the Consultant's report produced in accordance with Article I of this Order, and in response to the risks and deficiencies identified by the Consultant, the Branch shall strengthen the Branch's written BSA policies and procedures to ensure that such policies and procedures are comprehensive and effective for promoting ongoing compliance with the suspicious activity monitoring and reporting requirements of the BSA.

Policies and procedures should include at a minimum the following:

- (a) a system of internal controls, independent testing and auditing to ensure ongoing compliance with the Bank Secrecy Act;
- (b) an integrated system to link related accounts across all business lines to evaluate patterns of activity;
- (c) definitions and guidance for identification of high risk accounts;
- (d) operating procedures for both the opening of new accounts and the monitoring of high risk accounts, in particular money remitters; pouch activities; PUPIDs accounts; and accounts for jewelry and precious metal dealers, import/export companies, and off shore corporations;
- (e) strengthening customer due diligence policies and procedures including, but not limited to, requiring additional information for higher-risk customers, pouch activities, PUPIDs accounts, and transactions inconsistent with customers' known occupation and income levels;

- (f) adequate controls and procedures to ensure that all suspicious and large currency transactions are identified and reported. Procedures should be comprehensive as to all points of cash entry and exit;
- (g) procedures to ensure that records are maintained on monetary instrument transactions and funds transfers, as required by the Bank Secrecy Act;
- (h) comprehensive procedures to identify and report to appropriate management personnel, through an integrated system linking related accounts across product lines within the Branch:
 - (i) frequent or large volume cash deposits or wire transfers or book entry transfers to or from offshore or domestic entities or individuals;
 - (ii) wire transfers or book entry transfers that are deposited into several accounts;
 - (iii) receipt and disbursement of wire transfers or book entry transfers without an apparent business reason;
 - (iv) receipt and disbursement of wire transfers or book entry transfers when they are inconsistent with the customer's business;
 - (v) receipt and disbursement of currency or monetary instruments when they are inconsistent with the customer's business; and
 - (vi) bank accounts opened in the name of a casa de cambio (money exchange house) or any "financial institution" as defined in 31 C.F.R. § 103.11(n) (bank, broker/dealer, currency dealer or exchanger, issuer or seller or redeemer of traveler's checks or

money orders, transmitter of funds, telegraph company, casino, etc.).

- (i) a comprehensive training program for all appropriate operational and supervisory personnel to ensure their awareness of and compliance with the requirements of the Bank Secrecy Act, USPA and OFAC, including the currency reporting and monetary instrument and funds transfer recordkeeping requirements, and the reporting requirements associated with SARs;
- (j) an officer who will be responsible for filing CTRs, Reports of International Transportation of Currency or Monetary Instruments (CMIRs), and Reports of Foreign Bank and Financial Accounts (FBARs);
- (k) comprehensive guidelines and procedures to identify and report both the shipment and receipt of currency or monetary instruments via common couriers, which guidelines should specifically detail procedures that will cover and address improperly labeled courier pouches containing monetary instruments, as well as related procedures for reporting and filing SARs for such pouches;
- (l) adequate tools, particularly technology, necessary to monitor and ensure BSA compliance throughout the Branch; and
- (m) develop a standard review process for your remittance program. Such items to consider include; planned growth versus requisite controls, staffing, reporting lines, volumes by country, patterns or trends of activity,

as well as comparisons of fees and related expenses and established and approved thresholds.

(2) Upon completion and approval of Head Office executive management, a copy of this program shall be submitted to the Assistant Deputy Comptroller for review. In the event the Assistant Deputy Comptroller recommends changes to the program, the General Manager, with approval of Head Office executive management shall immediately incorporate those changes into the program.

(3) The General Manager, with oversight by Head Office, shall ensure that the Branch has processes, personnel, and control systems to ensure implementation of and adherence to the program developed pursuant to this Article.

ARTICLE IV

BANK SECRECY ACT - AUDIT FUNCTION

(1) Within ninety (90) days of the date of this Order, the General Manager shall review and evaluate the level of service and ability of the audit function currently being provided by its Head Office Auditor (Internal Auditor) and its current BSA consultant. Such an assessment should include the General Manager's expectations of how the Internal Auditor and the BSA consultant can assist in ensuring the Branch's compliance with the Bank Secrecy Act.

(2) Within ninety (90) days of the date of this Order, the General Manager, with approval of Head Office executive management, shall expand the Branch's existing audit procedures to include:

- (a) development of a program to test the adequacy of internal controls designed to ensure compliance with the provisions of the Bank Secrecy Act;
- (b) prompt management response and follow-up to all audit exceptions or other recommendations of the Internal Auditor and/or designated vendor; and
- (c) a risk based approach to Bank Secrecy Act compliance that includes transactional testing and verification of data for higher risk accounts, including pouch activities, or geographic areas of specific concern.
- (d) procedures to review the Branch's compliance with all applicable sections of the USPA, OFAC and CTR filing exemptions.
- (e) providing the Internal Auditor with up-to-date comprehensive BSA/AML/OFAC/USPA training.

ARTICLE V

SUSPICIOUS ACTIVITY REPORTS

(1) Within thirty (30) days of receipt of the consultant's report, the General Manager, with approval of Head Office executive management, shall develop, implement, and thereafter ensure the Branch's adherence to a written program establishing a system of internal controls and processes to ensure compliance with the requirements to file Suspicious Activity Reports set forth in 12 C.F.R. § 21.11, as amended. At a minimum, this written program shall establish procedures for identifying and reporting known or suspected violations of Federal law, violations of the Bank Secrecy Act, or suspicious transactions related to money laundering activity,

including suspicious activity relating to the opening of new accounts, the monitoring of current accounts, and the transfer of funds through the Branch.

(2) Upon completion, a copy of this program shall be submitted to the Assistant Deputy Comptroller for review. In the event the Assistant Deputy Comptroller recommends changes to the program, the General Manager, with approval of Head Office executive management, shall immediately incorporate those changes into the program.

(3) The General Manger shall ensure that the Branch has processes, personnel, and control systems to ensure implementation of and adherence to the program developed pursuant to this Article.

ARTICLE VI

STAFFING PLAN

(1) Within thirty (30) days of receipt of the Consultant's report produced in accordance with Article I of this Order, and taking into account the assessments and recommendations in the report, the General Manager, with approval of Head Office executive management, shall develop a BSA/AML staffing plan that is consistent with the overall risk profile established for the Branch. At a minimum, the plan will consist of the following:

- (a) identification of the skills and expertise needed to correct the deficiencies and ensure ongoing enforcement of the Branch's BSA compliance program;
- (b) identification of the skills and expertise of the Branch's current staff; and

(c) comparison of the current staff's skills and expertise identified in (1)(b) of this Article to the skills and expertise identified in (1)(a) of this Article as necessary to ensure ongoing compliance with the Bank Secrecy Act.

(d) delineate duties, responsibilities, reporting lines and approval authority for branch employees who also are conducting transactions for MRCI.

(2) Within thirty (30) days of the development of the staffing plan, the General Manager, with the approval of Head Office executive management, will implement the plan and direct any changes necessary to provide the Branch with a staff that possesses the skills and expertise identified in (1)(a) of this Article. Thereafter, the General Manager will ensure that the Branch adheres to the staffing plan.

(3) Upon completion of the actions required by (1) and (2), the General Manager will provide a copy of its staffing plan to the Assistant Deputy Comptroller for review.

ARTICLE VII

AFFILIATE TRANSACTIONS

(1) Effectively immediately, the Branch and its personnel shall cease to process transactions for or on behalf of MRCI, including acting as an intermediary.

(2) The proscription in paragraph 1 of this Article shall remain in effect until such time as the branch has developed, and the OCC has approved, policies and procedures that outline the branch's relationship with MRCI and the terms and conditions under which the branch shall conduct business with or on behalf of MRCI. At a minimum, such procedures shall dictate the designation of a dedicated compliance officer who shall be responsible for managing

the branch's relationship with MRCI and ensuring compliance with the BSA and the USA Patriot Act.

ARTICLE VIII

ADMINISTRATIVE APPEALS AND EXTENSIONS OF TIME

(1) If the General Manager determines that an exception to any provision of this Order is in the best interests of the Branch, or requires an extension of any timeframe within this Order, the General Manager shall submit a written request to the Assistant Deputy Comptroller asking for relief.

(2) Any written requests submitted pursuant to this Article shall include a statement setting forth in detail the special circumstances that prevent the Branch from complying with any provision, that require the Assistant Deputy Comptroller to exempt the Branch from any provision, or that require an extension of any timeframe within this Order. All such requests shall be accompanied by relevant supporting documentation.

(3) The Assistant Deputy Comptroller's decision in granting the request is final and not subject to further review.

ARTICLE IX

CLOSING

(1) Although the Branch, through its General Manager is required to submit certain proposed actions and programs for the review or approval of the Assistant Deputy Comptroller,

the General Manager has the ultimate responsibility for proper and sound management of the Branch as well as compliance with all of the provisions contained in this Order.

(2) It is expressly and clearly understood that if, at any time, the Comptroller deems it appropriate in fulfilling the responsibilities placed upon him by the several laws of the United States of America to undertake any action affecting the Branch, nothing in this Order shall in any way inhibit, estop, bar or otherwise prevent the Comptroller from so doing.

(3) Any time limitations imposed by this Order shall begin to run from the effective date of this Order. Such time limitations may be extended in writing by the Assistant Deputy Comptroller for good cause upon written application by the General Manager.

(4) The provisions of this Order are effective upon issuance of this Order by the Comptroller, through his authorized representative whose hand appears below, and shall remain effective and enforceable, except to the extent that, and until such time as, any provisions of this Order shall have been amended, suspended, waived, or terminated in writing by the Comptroller.

(5) In each instance in this Order in which the General Manager is required to ensure adherence to, and undertake to perform certain obligations of the Branch it is intended to mean that the General Manager shall:

- (a) authorize and adopt such actions on behalf of the Branch as may be necessary for the Branch to perform its obligations and undertakings under the terms of this Order;
- (b) require the timely reporting by Branch management of such actions directed by the General Manager to be taken under the terms of this Order;
- (c) follow-up on any non-compliance with such actions in a timely and appropriate manner; and

(d) require corrective action be taken in a timely manner of any non-compliance with such actions.

(6) This Order is intended to be, and shall be construed to be, a final order issued pursuant to 12 U.S.C. § 1818(b) and expressly does not form, and may not be construed to form, a contract binding on the Comptroller or the United States.

(7) The terms of this Order, including this paragraph, are not subject to amendment or modification by any extraneous expression, prior agreements or prior arrangements between the parties, whether oral or written.

IT IS SO ORDERED, this 15th day of December 2004.

/s/ Michael A. Canovali

Michael A. Canovali
Assistant Deputy Comptroller
Manhattan North Field Office

12/15/04

Date

**UNITED STATES OF AMERICA
DEPARTMENT OF THE TREASURY
OFFICE OF THE COMPTROLLER OF THE CURRENCY**

In the Matter of:)
Metropolitan Bank & Trust Company)
New York, New York)
)
a Federal branch of)
)
Metropolitan Bank & Trust Company)
Manila, Philippines)

**STIPULATION AND CONSENT TO THE ISSUANCE
OF A CONSENT ORDER**

The Comptroller of the Currency of the United States of America (“Comptroller”) has initiated cease and desist proceedings against Metropolitan Bank & Trust Company New York, New York (“Branch”), a Federal Branch of Metropolitan Bank & Trust Company Manila, Philippines (“Bank”), pursuant to 12 U.S.C. § 1818(b) and 12 U.S.C. § 3101 *et seq.*

The Bank and the Branch, in the interest of compliance and cooperation, consent to the issuance of a Consent Order, dated December 15, 2004 (“Order”);

In consideration of the above premises, the Comptroller, through his authorized representative, and the Board of Directors of the Bank, by and through its designated representative, and the Branch, by and through its General Manager, hereby stipulate and agree to the following:

ARTICLE I

Jurisdiction

(1) The Branch is a Federal branch licensed and examined by the Comptroller pursuant to the International Banking Act of 1978, as amended, 12 U.S.C. § 3101 *et seq.*

(2) The Comptroller is “the appropriate Federal banking agency” regarding the Branch pursuant to 12 U.S.C. §§ 1813(q), 1818(b) and 3108(b).

(3) The Branch is an “insured depository institution” within the meaning of 12 U.S.C. §§ 1813(c)(3) and 1818(b)(1).

ARTICLE II

Agreement

(1) The Bank and the Branch, without admitting or denying any wrongdoing, hereby consent and agree to the issuance of the Order by the Comptroller. The Bank and the Branch further agree that said Order shall be deemed an “order issued with the consent of the depository institution” as defined in 12 U.S.C. § 1818(h)(2), and consent and agree that said Order shall become effective upon its issuance and shall be fully enforceable by the Comptroller under the provisions of 12 U.S.C. §§ 1818(i) and 3101 *et seq.*

(2) Notwithstanding the absence of mutuality of obligation, or of consideration, or of a contract, the Comptroller may enforce any of the commitments or obligations herein undertaken by the Bank and the Branch under its supervisory powers, including 12 U.S.C. § 1818(i), and not as a matter of contract law. The Bank and the Branch expressly acknowledge that neither the Bank, the Branch, nor the Comptroller has any intention to enter into a contract.

(3) The Bank and the Branch also expressly acknowledge that no officer or employee of the Office of the Comptroller of the Currency has statutory or other authority to bind the United States, the U.S. Treasury Department, the Comptroller, or any other federal bank regulatory agency or entity, or any officer or employee of any of those entities to a contract affecting the Comptroller’s exercise of its supervisory responsibilities.

ARTICLE III

Waivers

- (1) The Bank and Branch, by signing this Stipulation and Consent, hereby waive:
- (a) the issuance of a Notice of Charges pursuant to 12 U.S.C. § 1818(b);
 - (b) any and all procedural rights available in connection with the issuance of the Order ;
 - (c) all rights to seek any type of administrative or judicial review of the Order; and
 - (d) any and all rights to challenge or contest the validity of the Order.

ARTICLE IV

Other Action

(1) The Bank and the Branch agree that the provisions of this Stipulation and Consent shall not inhibit, estop, bar, or otherwise prevent the Comptroller from taking any other action affecting the Bank and the Branch if, at any time, he/she deems it appropriate to do so to fulfill the responsibilities placed upon him/her by the several laws of the United States of America.

IN TESTIMONY WHEREOF, the undersigned, authorized by the Comptroller as his/her representative, has hereunto set his hand on behalf of the Comptroller.

/s/ Michael A. Carnovali

Michael A. Carnovali
Assistant Deputy Comptroller
Manhattan North Field Office

12/15/04

Date

IN TESTIMONY WHEREOF, the undersigned, the designated representative of the Board of Directors of the Bank and the General Manager of the Branch, have hereunto set their hands, on behalf of the Bank and the Branch, respectively:

Antonio S. Abacan, Jr.
Designated Representative and Title
Metropolitan Bank & Trust Company

12/23/04
Date

Alfred Madrid
General Manager
Metropolitan Bank & Trust Company

Dec. 15, 2004
Date