

UNITED STATES OF AMERICA  
Before the  
OFFICE OF THRIFT SUPERVISION

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In the Matter of )  
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**FIRST FEDERAL SAVINGS AND LOAN )  
ASSOCIATION OF BUCKS COUNTY, )  
Bristol, Pennsylvania (OTS No. 02457) )**  
\_\_\_\_\_ )

Re: Order No. NE-07-02

Dated: March 1, 2007

**STIPULATION AND CONSENT  
TO ISSUANCE OF AN ORDER TO CEASE AND DESIST**

This Stipulation and Consent to Issuance of an Order to Cease and Desist ("Stipulation"), which concerns the accompanying and above-referenced Order to Cease and Desist (the "Order"), is submitted by **FIRST FEDERAL SAVINGS AND LOAN ASSOCIATION OF BUCKS COUNTY**, Bristol, Pennsylvania (the "Association,"), to the Office of Thrift Supervision ("OTS"), which is acting through its Northeast Regional Director ("Regional Director").

WHEREAS, the OTS, based upon information derived from the exercise of its regulatory responsibilities, has informed the Association that OTS is of the opinion that grounds exist to initiate administrative proceedings against the Association pursuant to 12 U.S.C. § 1818;<sup>1</sup> and

WHEREAS, the Association desires to cooperate with the OTS to avoid the time and expense of such administrative proceedings; and

WHEREAS, the Association, while admitting that the OTS has jurisdiction with respect to this matter (as addressed in Paragraph 1 below), neither admits nor denies (i) that the above-mentioned grounds exist, or (ii) the OTS Findings of Fact (in Paragraph 2 below);

NOW, THEREFORE, the Association hereby stipulates and agrees to the following terms:

**1. Jurisdiction**

(a) First Federal Savings and Loan Association of Bucks County is a "savings association" within the meaning of 12 U.S.C. §§ 1813(b) and 1462(4). Accordingly, the Association is an "insured depository institution" as that term is defined in 12 U.S.C. § 1813(c).

<sup>1</sup> All references in this Stipulation and in the Order are to the United States Code, as amended.

(b) Pursuant to 12 U.S.C. § 1813(q), the OTS is the "appropriate Federal banking agency" with jurisdiction to maintain administrative enforcement proceedings against savings associations. Therefore, the Association is subject to the authority of the OTS to initiate and maintain administrative cease-and-desist proceedings against it pursuant to 12 U.S.C. § 1818(b).

## **2. OTS Findings of Fact**

These findings concern the implementation of the Association's Bank Secrecy Act compliance program ("BSA Compliance Program") that is required by 12 C.F.R. § 563.177. There were significant weaknesses in the "independent testing" component of the BSA Compliance Program.

## **3. Consent**

(a) The Association hereby consents to the issuance by the OTS of the Order.

(b) The Association further agrees to comply with the terms of the Order upon its issuance. The Association further stipulates and agrees that the Order complies with all requirements of law, as applicable.

## **4. Finality**

The Order is issued by the OTS under the authority of 12 U.S.C. § 1818(b). Upon the issuance of the Order by the OTS, acting by and through the undersigned Regional Director (which term also shall refer to the Regional Director's authorized designees), the Order shall be a final order, effective and fully enforceable by the OTS under the provisions of 12 U.S.C. § 1818(i).

## **5. Waivers**

The Savings Association hereby waives the following:

- (i) The right to be served with a written notice of the OTS's charges;
- (ii) The right to an administrative hearing of the OTS's charges; and
- (iii) The right to seek judicial review of either the Order, including, without limitation, any such right provided by 12 U.S.C. § 1818(h), or otherwise to challenge the validity of the Order.

## **6. Other Government Actions Not Affected**

The Association acknowledges and agrees that its consent to the issuance of the Order does not release, discharge, compromise, settle, dismiss, resolve, or in any way affect any

actions, charges against, or liability of the Association that arise pursuant to this action or otherwise, and that may be or have been brought by any other government entity other than the OTS. The Association further acknowledges and understands that its stipulation and consent to issuance of the Order only settles contemplated OTS administrative proceedings that the OTS could have started, pursuant to provisions of 12 U.S.C. § 1818, based on the OTS's findings summarized at paragraph 2 of this Stipulation.

**7. Relation to Other OTS Regulatory Actions**

To the extent not already accomplished, the Association remains obligated to take all corrective actions specified in the OTS Report of Examination for the examination of the Association started on October 2, 2006. However, to the extent there are any conflicts between deadlines specified in that Report of Examination and deadlines specified in the Order, the deadlines in the Order shall prevail and be applicable.

**8. Miscellaneous**

(a) The laws of the United States of America shall govern the construction and validity of this Stipulation and of the Order.

(b) All references to the OTS in this Stipulation and the Order shall also mean any of the OTS's predecessors, successors, and assigns.

(c) The section and paragraph headings in this Stipulation and the Order are for convenience only, and such headings shall not affect the interpretation of this Stipulation or the Order.

(d) The terms of this Stipulation and of the Order represent the final written agreement of the parties with respect to the subject matters thereof, and constitute the sole agreement of the parties with respect to such subject matters.

(e) This Stipulation and the Order shall remain in effect until terminated, modified, or suspended in writing by the OTS, acting through its Director, Regional Director, or other authorized representative.

**WHEREFORE**, the Association executes this Stipulation, intending to be legally bound hereby.

**FIRST FEDERAL SAVINGS AND  
AND LOAN ASSOCIATION  
OF BUCKS COUNTY**

By:     / S /      
Bruce C. Iacobucci  
President and Chief Executive Officer  
Date:     February 13    , 2007

Accepted by:  
**OFFICE OF THRIFT SUPERVISION**

By:     / S /      
Robert C. Albanese  
Regional Director  
Date: See the date in the caption hereof

UNITED STATES OF AMERICA  
Before the  
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In the Matter of ) )  
 ) ) Order No. NE-07-02  
**FIRST FEDERAL SAVINGS AND LOAN )**  
**ASSOCIATION OF BUCKS COUNTY, )** Date: March 1, 2007  
Bristol, Pennsylvania (OTS No. 02457) )  
\_\_\_\_\_)

**ORDER TO CEASE AND DESIST**

WHEREAS, **FIRST FEDERAL SAVINGS AND LOAN ASSOCIATION OF BUCKS COUNTY**, Bristol, Pennsylvania (the "Association," OTS No. 02457) has executed a Stipulation and Consent to Issuance of an Order to Cease and Desist ("Stipulation"); and

WHEREAS, the Association, by its execution of the Stipulation, has consented and agreed to the issuance of this Order to Cease and Desist ("Order") pursuant to 12 U.S.C. § 1818(b);<sup>1</sup> and

WHEREAS, the Director of the Office of Thrift Supervision ("OTS") has delegated to the Regional Directors of the OTS the authority to issue consent orders on behalf of the OTS pursuant to provisions of Section 8 of Federal Deposit Insurance Act, 12 U.S.C. § 1818.

NOW, THEREFORE, IT IS ORDERED AS FOLLOWS:

**1. Compliance With Regulations**

The Association and its directors, officers, employees, and agents shall cease and desist from any action, taken alone or with one or more others, that is intended to or is likely to have the effect of causing, bringing about, participating in, counseling, or aiding or abetting any violation of 12 C.F.R. § 563.177 (entitled "Procedures for monitoring Bank Secrecy Act (BSA) compliance").

**2. Implementation of BSA Compliance Program**

The Association shall take all action necessary to ensure its immediate, full, and uninterrupted compliance with the requirements of 12 C.F.R. § 563.177, including (without limitation) the independent testing requirement in § 563.177(c)(2). Such independent testing shall be conducted no less frequently than annually, and proceed in accordance with guidance set forth at pages 30-31 of the Federal Financial Institutions Examination Council ("FFIEC") *Bank Secrecy Act/Anti-Money*

<sup>1</sup> All references to the United States Code ("U.S.C.") are as amended, unless otherwise indicated.

*Laundering Examination Manual*.<sup>2</sup> Each BSA independent test report shall be presented to the Board of Directors' Audit Committee ("Audit Committee") promptly upon completion in accordance with Section 3 of this Order.

### **3. Internal Audit Enhancements**

(a) The Association and its Board shall take all action necessary to ensure that the entirety of the Association's internal audit function (i) is implemented immediately and (ii) conforms to the guidelines set forth in section II.B of Appendix A to the Safety and Soundness Standards in 12 C.F.R. Part 570.

(b) On an annual basis, the Audit Committee shall establish in writing, and assure the completion of, an internal audit program conforming to industry best practices that, among other things, addresses all of the Association's operations and departments and sets out a schedule of assignments. The internal audit program shall be designed and implemented to determine:

(i) Whether the Association is in compliance with applicable statutes, regulations, and internal Association policies;

(ii) Whether the Association is complying with BSA requirements in accordance with the independent testing requirements set forth in 12 CFR 563.177 and Section 2 of this Order;

(iii) Whether the Association's internal controls system is working properly;

(iv) Whether management has corrected or is correcting within appropriate timeframes, all significant deficiencies noted in internal or external audit reports or prior Reports of Examination;

(v) The soundness and adequacy of information systems, as well as accounting, operating, and administrative controls;

(vi) The effectiveness of internal policies and procedures;

(vi) Whether the Association is properly reporting to OTS on its Thrift Financial Reports; and

(vii) The extent to which the Association's assets are protected against loss.

(c) On no less than a quarterly basis, the Internal Auditor shall prepare and submit to the Audit Committee a written report of findings from the internal audit function, including: (i) the

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<sup>2</sup> Located at [http://www.ffiec.gov/bsa\\_aml\\_infobase/default.htm](http://www.ffiec.gov/bsa_aml_infobase/default.htm).

implementing approved follow-up actions to correct identified deficiencies.

**4. Correction of Other Identified Deficiencies**

The Board and the Association shall promptly address and correct all matters identified in the Matters Requiring Board Attention section of the most recent Report of Examination.

**5. Definitions**

All technical words or terms used in this Order for which meanings are not specified or otherwise provided by the provisions of this Order shall, insofar as applicable, have meanings as defined in Chapter V of Title 12 of the Code of Federal Regulations, the Home Owners' Loan Act ("HOLA"), the Federal Deposit Insurance Act ("FDIA"), OTS Memoranda, or other published OTS guidance. Any such technical words or terms used in this Order and undefined in said Code of Federal Regulations, the HOLA, the FDIA, or OTS Memoranda/guidance shall have meanings that are in accordance with the best custom and usage in the savings and loan industry.

**6. Successor Statutes, Regulations, Guidance, Amendments**

Reference in this Order to provisions of statutes, regulations, OTS Memoranda, and other published regulatory guidance shall be deemed to include references to all amendments to such

provisions as have been made as of the Effective Date and references to successor provisions as they become applicable.

**7. No Violations Authorized; OTS Not Restricted**

Nothing in this Order or the Stipulation shall be construed as: (a) allowing the Association to violate any law, rule, regulation, or policy statement to which it is subject, or (b) restricting or estopping the OTS from taking any action(s) that it believes are appropriate in fulfilling the responsibilities placed upon it by law including, without limitation, any type of supervisory, enforcement or other action that OTS determines to be appropriate, arising out of matters described in the most recent Report of Examination, or based on other matters.

**8. Time Limits; Effect of Headings; Separability Clause; Stipulation Incorporated**

(a) Time limitations for compliance with the terms of this Order run from the Effective Date, unless otherwise noted.

(b) The section and paragraph headings herein are for convenience only and shall not affect the construction hereof.

(c) In case any provision in this Order is ruled to be invalid, illegal or unenforceable by the decision of any court of competent jurisdiction, the validity, legality and enforceability of the remaining provisions hereof shall not in any way be affected or impaired thereby, unless the Regional Director in his/her sole discretion determines otherwise.

(d) The Stipulation is made a part hereof and is incorporated herein by this reference.

**9. Effective Date; Duration**

This Order is and shall become effective on the date it is issued, *i.e.*, the Effective Date as shown on the first page hereof. This Order (including the related Stipulation) shall remain in effect until terminated, modified or suspended, in writing by the OTS, acting through its Director, Regional Director or other authorized representative.

OFFICE OF THRIFT SUPERVISION

By: /s/ Robert C. Albanese  
Robert C. Albanese  
Regional Director, Northeast Region