

UNITED STATES OF AMERICA
Before The
OFFICE OF THRIFT SUPERVISION

_____)	
In the Matter of)	Order No.: WE-07-007
)	
WASHINGTON MUTUAL BANK,)	Effective Date: October 17, 2007
Henderson, Nevada.)	
)	
OTS Docket No.: 08551)	
_____)	

CONSENT ORDER TO
CEASE AND DESIST FOR AFFIRMATIVE RELIEF

WHEREAS, Washington Mutual Bank, Henderson, Nevada, OTS Docket No. 08551 (Institution), has executed a Stipulation and Consent to the Issuance of an Order to Cease and Desist for Affirmative Relief (Stipulation); and

WHEREAS, the Institution, by executing the Stipulation, has consented to the issuance of this Consent Order to Cease and Desist for Affirmative Relief (Order) by the Office of Thrift Supervision (OTS), pursuant to 12 U.S.C. § 1818(b); and

WHEREAS, the Director of the 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 12 U.S.C. § 1818.

NOW, THEREFORE, IT IS ORDERED THAT:

I. ORDER TO CEASE AND DESIST

A. The Institution and its directors, officers, employees, and agents shall cease and desist from any action (alone or with another or others) for or toward causing, bringing about, participating in, counseling, or aiding and abetting any violation of:

(1) The Currency and Foreign Transactions Reporting Act (the Bank Secrecy Act or BSA), 31 U.S.C. §§ 5311 et seq., and the related BSA regulations issued by the United States Department of the Treasury, 31 C.F.R. Part 103, and the OTS, 12 C.F.R. § 563.177; and

(2) The OTS regulations governing suspicious activity reports (SARs) set forth in 12 C.F.R. § 563.180 (the SAR Regulation).

II. BANK SECRECY ACT/ANTI-MONEY LAUNDERING (BSA/AML) PLAN

A. Within thirty (30) days from the effective date of this Order, the Institution shall submit an acceptable written BSA/AML Plan to the Regional Director that includes a specific description of the actions the Institution proposes to take, or has taken, to ensure future compliance with all applicable BSA/AML requirements (Plan). The Plan shall be fully implemented by March 31, 2008, unless otherwise noted in the approved Plan. At a minimum, the Plan shall include:

(1) Strengthening the system of internal controls to ensure compliance with the BSA, the related BSA regulations, and the SAR Regulation. The strengthened system must include enhanced oversight of the BSA/AML compliance program and should ensure adequate staffing of the program by qualified and appropriately trained personnel needed for an effective control environment. The internal controls should include feedback mechanisms to monitor and assess overall effectiveness of the program;

(2) Enhancing independent testing of compliance with the BSA, the related BSA regulations, and the SAR Regulation, including a review of the coverage and scope of independent testing of the Institution's BSA/AML compliance program. Such testing, which may be accomplished by the Company's General Auditor, shall include, but not be limited to, transactions and account monitoring policies, procedures and practices and the transaction monitoring system;

(3) Providing adequate resources and authority for the BSA compliance officer, including structuring the program to provide the BSA officer with sufficient control over all components of the Institution's BSA/AML program to ensure compliance with BSA/AML requirements. The duties and responsibilities of each officer and staff member involved in the BSA/AML program should be detailed, including reporting lines within each unit and business line accountability;

(4) Reviewing the process for internal investigation of alerts to measure the volume and timeliness of workflow and determining the appropriate staff levels and skills. The Plan should provide a specific timeline for additions to staff to meet identified volume and workload demands;

(5) Establishing a program to provide appropriate training for staff, management, and the Board of Directors concerning the BSA and the related BSA regulations;

(6) Enhancing the ongoing Customer Identification Program to ensure appropriate customer risk scoring. The customer risk scoring process and the process and system for collecting and storing customer data should also be evaluated and a timeline for additional enhancements shall be provided as part of the Plan;

(7) Establishing appropriate controls, processes, procedures, and evaluation criteria to ensure the timely, accurate, and complete identification and reporting of suspicious activities as required by applicable suspicious activity reporting laws and regulations. Such controls, processes, procedures, and evaluation criteria should provide for monitoring, assessment, and review of the effectiveness of the Institution's investigation procedures and the propriety of the decision whether or not to file a suspicious activity report;

(8) Enhancing existing transaction monitoring, including aggregation of customer transactions by or on behalf of related individuals and entities. The Plan shall also provide a

timetable for the testing and full installation across all business lines of the transaction monitoring systems used by the Institution. Such a timetable should include the establishment of processes, procedures, and evaluation criteria to ensure that the systems are validated and that the program logic- and rules-based triggers are appropriate and that data feeds are accurate and complete across all business lines. The systems must be able to link and aggregate transactions by or on behalf of related individuals and entities across all business lines. The timetable should also include a methodology and target date for certification to the Regional Director that the transaction monitoring systems are fully effective.

(9) The Board shall submit the Plan to the Regional Director for his review and comment. The Board shall revise the Plan as required by the Regional Director within thirty (30) days of receiving his comments or at its next regular meeting, if later. The Plan, as modified by the comments of the Regional Director, shall be incorporated into this Order and any deviation from such Plan shall be a violation of this Order.

B. Compliance Committee.

(1) Within thirty (30) days of the effective date of this Order, the Board shall establish and appoint an oversight committee of the Board (the Compliance Committee) comprised of at least three directors, the majority of whom shall be Outside Directors,¹ to coordinate and monitor the Institution's progress and compliance with this Order.

(2) Beginning at the end of the first quarter after the effective date of this Order and quarterly thereafter, the Oversight Committee shall provide a written progress report to the Board that:

¹ As used in this Order, "Outside Director" means a director who is not: (1) a controlling shareholder (as defined in 12 C.F.R. § 215.2(m)); (2) a salaried officer or employee of the Savings Association or its subsidiary(ies) or service corporation(s); or (3) a salaried officer or employee of its holding company or subsidiary of the holding company.

- (a) Describes the actions taken by the Institution to comply with this Order and the Plan and the results of such actions;
- (b) Identifies remaining actions to be completed within the quarter;
- (c) Identifies with specificity any noncompliance with the Order or Plan and remedial actions taken or proposed with respect to any noncompliance;
- (d) Within thirty (30) days thereafter, the Board shall submit to the OTS:
 - (i) A copy of the Compliance Committee's progress reports for that quarter, with any additional comments made and actions taken by the Board; and
 - (ii) A copy of the Board minutes reflecting discussion of the progress report.
- (e) Nothing contained herein shall diminish the responsibility of the entire Board to ensure the Institution's compliance with the provisions of this Order.

C. Submission to OTS.

All submissions to the OTS that are required by or contemplated by this Order shall be submitted within the specified timeframes. Submissions, including progress reports and any requests for extension of time, shall be sent to:

Darrel Dochow, Regional Director
Office of Thrift Supervision
2001 Junipero Serra Blvd.
Daly City, CA 94014-3897

Mark Johnson, Assistant Director
Office of Thrift Supervision
101 Stewart Street, Suite 1010
Seattle, WA 98101-2419

D. 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 BSA, 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, OTS Memoranda, or other published regulatory guidance shall have meanings that are in accordance with the best custom and usage in the savings and loan industry.

E. 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.

F. No Violations Authorized; OTS Not Restricted.

Nothing in this Order or the Stipulation shall be construed as:

- (1) Allowing the Institution to violate any law, rule, regulation, or policy statement to which it is subject, or
- (2) 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 the OTS determines to be appropriate, arising out of matters described in Reports of Examination or based on other information in the possession of the OTS.

G. Time Calculations; Separability Clause; Stipulation Incorporated.

- (1) Calculation of time limitations for compliance with the terms of this Order run from the Effective Date and shall be calendar based, unless otherwise noted;
- (2) The Regional Director, in the exercise of his discretion, may extend any of the deadlines set forth in the provisions of this Order upon written request by the Institution that

includes reasons in support for any such extension. Any extension or notice of no objection to a request for an extension shall be made in writing by the Regional Director;

(3) In the event 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; and

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

H. Effective Date; Duration.

This Order is effective on the Effective Date as shown on the first page. 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/
Darrel W. Dochow
Regional Director
West Region

UNITED STATES OF AMERICA
Before The
OFFICE OF THRIFT SUPERVISION

_____)	
In the Matter of)	Order No.: WE-07-007
)	
WASHINGTON MUTUAL BANK,)	Effective Date: October 17, 2007
Henderson, Nevada.)	
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OTS Docket No.: 08551)	
_____)	

**STIPULATION AND CONSENT TO ISSUANCE OF AN
ORDER TO CEASE AND DESIST FOR AFFIRMATIVE RELIEF**

WHEREAS, the Office of Thrift Supervision (OTS), based upon information derived from the exercise of its regulatory responsibilities, is of the opinion that grounds exist to initiate an administrative cease and desist proceeding for affirmative relief against Washington Mutual Bank, Henderson, Nevada, OTS Docket No. 08551 (Institution), pursuant to 12 U.S.C. § 1818(b);

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

WHEREAS, the Institution enters into this Stipulation and Consent to the Issuance of an Order to Cease and Desist for Affirmative Relief (Stipulation): (1) without any adjudication on the merits; (ii) without admitting or denying that grounds exist to initiate an administrative cease and desist proceeding; (iii) without admitting or denying the Findings of Fact, except as to jurisdiction (¶1 below), which jurisdiction is admitted;

NOW, THEREFORE, the Institution hereby stipulates and agrees as follows:

1. Jurisdiction.

(a) The Institution is a “savings association” within the meaning of 12 U.S.C. § 1813(b) and 12 U.S.C. § 1462(4). Accordingly, the Institution is an “insured depository institution” as that term is defined in 12 U.S.C. § 1813(c).

(b) Pursuant to 12 U.S.C. § 1813(q), the Director of the OTS is the “appropriate Federal banking agency” with jurisdiction to maintain an administrative cease and desist proceeding against such a savings association. Therefore, the Institution is subject to the jurisdiction of the OTS to initiate and maintain a cease and desist proceeding against it pursuant to 12 U.S.C. § 1818(b).

(c) The Director of the OTS has delegated to the Regional Director of the West Region of the OTS (Regional Director) the authority to issue cease and desist orders where the savings association has consented to the issuance of the orders.

2. OTS Findings of Fact. The OTS has determined that the Institution has failed to comply fully with the requirements of the Currency and Foreign Transactions Reporting Act (the Bank Secrecy Act or BSA), 31 U.S.C. § 5311 et seq.; the related BSA regulations issued by the United States Department of the Treasury, 31 C.F.R. Part 103 and the OTS, 12 C.F.R. § 563.177; and the OTS regulations governing suspicious activity reports (SAR) set forth in 12 C.F.R. § 563.180.

3. Consent. The Institution consents to the issuance by the OTS of the accompanying Consent Order to Cease and Desist for Affirmative Relief (Order). The Institution further agrees to comply with the terms of the Order upon issuance and stipulates that the Order complies with all requirements of law.

4. **Finality.** The Order is issued under 12 U.S.C. § 1818(b) and upon its effective date shall be a final order, effective and fully enforceable by the OTS under 12 U.S.C. § 1818(i).

5. **Waivers.** The Institution waives the following:

(a) The right to be served with a written notice of the OTS's charges provided by 12 U.S.C. § 1818(b);

(b) The right to an administrative hearing of the OTS's charges against it as provided by 12 U.S.C. § 1818(b), 12 C.F.R. Part 509;

(c) The right to seek judicial review of 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;

(d) Any and all claims against the OTS, including its employees and agents, and any other governmental entity for the award of fees, costs, or expenses related to this OTS enforcement matter and/or the Order, whether arising under common law, or under the term of any statutes including, but not limited to, the Equal Access to Justice Act, 5 U.S.C. § 504, or 28 U.S.C. § 2412; and

(e) The right to assert this proceeding, its consent to issuance of the Order, the issuance of the Order, or any one or more of them, as the basis for a claim of double jeopardy in any pending or future proceeding brought by the United States Department of Justice or any other governmental entity.

6. **OTS Authority Not Affected.** Nothing in this Stipulation or accompanying Order shall inhibit, estop, bar, or otherwise prevent the OTS from taking any other action

affecting the Institution if at any time OTS deems it appropriate to do so to fulfill the responsibilities placed upon OTS by law.

7. **Other Government Actions Not Affected.** Institution 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 Institution 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.

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) If any provision of this Stipulation and the 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 or her sole discretion determines otherwise.

(c) The terms and provisions of this Order shall be binding upon, and inure to the benefit of, the parties hereto and their successors in interest. Nothing in this Stipulation or the Order, express or implied, shall give to any person or entity, other than the parties hereto, and their successors hereunder, any benefit or any legal or equitable right, remedy or claim under this Stipulation or the Order.

(d) 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.

(e) The terms of this Stipulation and the Order represent the final agreement of the parties with respect to the subject matters hereof and constitute the sole agreement of the parties with respect to such subject matters.

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

8. Signature of Directors.

Each Director signing this Stipulation attests that he or she voted in favor of a resolution authorizing the consent of the Institution to the issuance of the Order and the execution of the Stipulation.

WHEREFORE, the Institution, by a majority of its directors, executes this Stipulation and Consent to the Issuance of an Order to Cease and Desist for Affirmative Relief intending to be legally bound hereby.

Washington Mutual Bank
Henderson, Nevada

Office of Thrift Supervision
West Region

Accepted by a majority of its directors:

By: _____/s/_____

Darrel W. Dochow
Regional Director, West

By:

_____/s/_____
Director

Dated: _____

_____/s/_____
Director

_____/s/_____
Director

_____/s/
Director

_____/s/

_____/s/
Director

_____/s/
Director

_____/s/
Director