

UNITED STATES OF AMERICA
Before The
OFFICE OF THRIFT SUPERVISION

In the Matter of)	Order No.: ATL-2007-04
Sykesville Federal Savings Association)	Date: April 12, 2007
Sykesville, Maryland)	
OTS Docket No.: 08217)	

CONSENT ORDER TO CEASE AND DESIST FOR AFFIRMATIVE RELIEF

WHEREAS, Sykesville Federal Savings Association, Sykesville, Maryland, OTS Docket No. 08217 (Sykesville or Association), by and through its Board of Directors (Board), has executed a Stipulation and Consent to the Issuance of an Order to Cease and Desist for Affirmative Relief (Stipulation); and

WHEREAS, Sykesville, by executing the Stipulation, has consented and agreed to the issuance of this Consent Order to Cease and Desist for Affirmative Relief (C&D Order) by the Office of Thrift Supervision (OTS), pursuant to Section 8(b) of the Federal Deposit Insurance Act (FDIA), 12 U.S.C. § 1818(b)¹; 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 Section 8 of the FDIA, 12 U.S.C. § 1818.

NOW, THEREFORE, IT IS ORDERED THAT:

¹ All references to the United States Code (U.S.C.) are as amended.

Order to Cease and Desist

1. The Association 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 the aiding and abetting of any violation of:

- a. the Currency and Foreign Transactions Reporting Act, as amended by the USA Patriot Act and other laws (the Bank Secrecy Act or BSA), 31 U.S.C. §§ 5311 et seq., and the related BSA regulations issued by the U. S. Department of the Treasury, 31 C.F.R. Part 103, and the OTS, 12 C.F.R. § 563.177 (collectively with the aforementioned laws and regulations, the BSA Laws and Regulations);
- b. the OTS regulations governing suspicious activity reports (SAR) and other reports and statements set forth in 12 C.F.R. § 563.180 (SAR Regulations); and
- c. the OTS regulations governing interest rate risk management procedures set forth in 12 C.F.R. § 563.176.

Management and Board Oversight

2. Effective immediately, the Board shall (i) develop a detailed and effective management and director succession plan for the Association and (ii) ensure that all Board meeting minutes completely and fully document the Board's discussions and determinations at each Board meeting and contain, as attachments, all reports and documents provided to the Board for consideration.

Bank Secrecy Act/Anti-Money Laundering

3. Within thirty (30) days after the Effective Date of this C&D Order, the Board shall conduct, or retain a knowledgeable and qualified third party with appropriate expertise and experience to conduct, a comprehensive review of the Association's written program for compliance with the BSA Laws and Regulations and SAR Regulations (BSA Compliance Program) to (i) determine the adequacy and effectiveness of the BSA

Compliance Program in view of the Association's business operations, activities, products, business lines, methods of product delivery, and geographic markets or types of customers, including any significant changes in the foregoing; and (ii) assess the Association's compliance with the BSA Laws and Regulations, SAR Regulations, guidance set forth in the Federal Financial Institutions Examination Council's Bank Secrecy Act/Anti-Money Laundering Examination Manual (BSA Examination Manual), and the Association's BSA Compliance Program (BSA Review). The review required by this Paragraph 3 shall include, but not be limited to, consideration of the findings and results of the Association's September 25, 2006 Examination Report (2006 Examination), the Association's independent BSA test and any internal or external audit or review. At a minimum, the BSA Review shall specifically consider and set forth recommendations addressing:

- a. the adequacy and effectiveness of the Association's BSA policies and procedures, including the Association's customer identification policies and procedures (CIP Policy) and Know Your Customer policies and procedures (KYC Policy), including the adequacy and reliability of all data and information obtained and maintained by the Association and each branch;
- b. the adequacy and effectiveness of the Association's identification, monitoring and documentation of accounts and transactions, including wire transfer transactions, that pose greater than normal risks for compliance with the BSA Laws and Regulations and SAR Regulations;
- c. the timely and accurate completion and filing of currency transaction reports and reporting of suspicious activities or transactions with appropriate law enforcement and bank regulatory authorities;
- d. the accurate completion and maintenance of appropriate documents, forms, logs and records as required or necessitated by the BSA Laws and Regulations, SAR Regulations and the BSA Examination Manual;
- e. the resources and staff assigned responsibility for compliance with the BSA Compliance Program, the BSA Laws and Regulations, and the SAR Regulations to ensure that the management and organizational structure,

including the level of resources dedicated to the BSA Compliance Program, are adequate and appropriate for the Association's size, complexity and level of risk; and

- f. the adequacy and effectiveness of the BSA Training Program, including a determination that Management and staff with BSA and SAR compliance responsibilities and duties are appropriately trained and qualified.

The review required by Paragraph 3 above shall be completed within sixty (60) days after the Effective Date of this C&D Order.

4. As soon as practicable, but in no event later than thirty (30) days after completion of the BSA Review, the Board shall consider the findings and results of the BSA Review conducted pursuant to Paragraph 3 above, including any recommendations for changes or modifications, and take all actions as are necessary and appropriate to strengthen and ensure that the BSA Compliance Program is adequate, appropriate, and designed to ensure the Association's full compliance with the BSA Laws and Regulations, the SAR Regulations, and the guidance set forth in the BSA Examination Manual. At a minimum, the Board shall take the following actions:

- a. Within thirty (30) days after receipt of the BSA Review, the Board shall prepare and adopt a written corrective action plan with specific completion timeframes to amend the Association's BSA Compliance Program to implement the modifications and changes required by this C&D Order and address and correct all BSA weaknesses, deficiencies and violations of laws and regulations identified by the 2006 Examination, the Association's March 23, 2006 Independent Test, and the BSA Review required by Paragraph 3 above (BSA Corrective Action Plan). The Board shall require Management to implement the BSA Corrective Action Plan, as adopted by the Board, and provide written monthly updates to the Board detailing the Association's compliance with the BSA Corrective Action Plan and the details and status of all corrective actions. The Board shall provide a copy of the BSA Corrective Action Plan to the Regional

Director within ten (10) days after adoption. Written quarterly progress reports shall be provided to the Regional Director in accordance with Paragraph 13 below.

- b. Within thirty (30) days after the receipt of the BSA Review, the Board shall revise the Association's BSA Compliance Program to establish a formal process, with appropriate written policies and procedures, to monitor wire transfers for compliance with the BSA Laws and Regulations and BSA Examination Manual. At a minimum, the policies and procedures for monitoring wire transfers shall (i) ensure the accurate completion of all wire transfer orders, (ii) ensure that appropriate records and other documentation respecting wire transfers and wire transfer activities are established and maintained, (iii) provide for verification of the identities of the parties to wire transfers, and (iv) ensure that Office of Foreign Assets Control (OFAC) checks are conducted on all parties to wire transfers.
- c. Effective immediately, the Board shall direct Management to ensure that the Association fully complies with its written CIP Policy, including documentation and recordkeeping requirements, for all commercial customers.
- d. Effective immediately, the Board shall direct Management to ensure that the Association conducts OFAC checks on all new customers and that the Association prepares and retains appropriate documentation of initial OFAC checks on new customers and quarterly OFAC checks on its entire customer base.

Financial Reporting

5. Effective immediately, the Board shall (i) ensure that all thrift financial reports are accurately and timely filed with the OTS and (ii) ensure that all accounting, general ledger, or audit issues are resolved timely and sufficiently explained and documented in the Association's records.

Interest Rate Risk Management

6. Within sixty (60) days after the Effective Date of this C&D Order, the Board shall direct Management to prepare for the Board's review a written analysis of all existing investments in complex securities. Management's analysis shall be consistent with the requirements of OTS Thrift Bulletin 13a (TB 13a) and specifically address the appropriateness of the investment and the effect of the investment on the Association's interest rate risk position and liquidity. The Board will review Management's analysis and prepare and adopt a written plan of action for the remaining investments in complex securities. The Board shall require Management to prepare a similar analysis in the future prior to making any further investments in complex securities. The Board's review and approval of investments in complex securities and Management's analysis, including the Board's conclusions and decisions, shall be fully detailed in the Board meeting minutes. The Board shall submit a copy of Management's analysis and the Board meeting minutes to the Regional Director within ten (10) days after the Board's review.

7. Within ninety (90) days after the Effective Date of this C&D Order, the Board shall review and amend the Association's policies and procedures governing the Association's interest rate risk exposure (IRR Policy) to (i) implement the requirements contained in Paragraph 6 above; (ii) ensure that the IRR Policy complies with applicable laws, regulations and regulatory guidance, including but not limited to 12 C.F.R. § 563.176(b); OTS TB 13a, and OTS Examination Handbook Sections 500 and 600; (iii) establish a quarterly review process and appropriate reporting requirements; and (iv) require that quarterly reports be provided to and reviewed by the Board to monitor the Association's IRR exposure and compliance with the IRR Policy. The Board shall take all steps necessary to ensure that the IRR Policy required by this Paragraph 7 is implemented and thereafter fully adhered to by Management and staff of the Association. The Board shall submit a copy of the IRR Policy required by this Paragraph 7 to the Regional Director within ten (10) days after adoption.

Loan Underwriting

8. Within thirty (30) days after the Effective Date of this C&D Order, the Board shall review and amend the Association's loan underwriting policies, procedures and standards to correct the weaknesses and deficiencies identified by the OTS in the Association's 2006 Examination consistent with the directions set forth in the 2006 Examination.

Fair Lending

9. Within thirty (30) days after the Effective Date of this C&D Order, the Board shall develop, adopt and require Management to adhere to a fair lending review process to monitor the Association's compliance with applicable non-discrimination and fair lending laws and regulations. The Board shall require Management to prepare and provide written reports to the Board discussing the results of the fair lending reviews.

Consumer Compliance

10. Within thirty (30) days after the Effective Date of this C&D Order, the Board shall ensure that all deficiencies and weaknesses noted by the compliance reviews conducted in June 2006 and August 2006, and discussed further in the 2006 Examination, are fully addressed and that appropriate corrective action has been taken. The Board minutes shall detail the Board's discussions and corrective actions as necessary to document the Board's compliance with this Paragraph 10.

Board Compliance Committee

11. Within thirty (30) days of the Effective Date of this C&D Order, the Board shall appoint a committee (the Regulatory Compliance Committee) comprising three or more Directors, the majority of whom shall be independent of Management, to monitor and

coordinate the Association's compliance with the provisions of this C&D Order and the completion of all corrective action required in the 2006 Examination. Nothing contained herein shall diminish the responsibility of the entire Board to ensure the Association's compliance with the provisions of this Order.

12. By April 30, 2007, and thereafter within thirty (30) days after the end of each calendar quarter, the Regulatory Compliance Committee shall submit a written progress report to the full Board detailing the actions taken to comply with each provision of this C&D Order and the corrective actions required by the 2006 Examination and the results of those actions. The Board shall review the Regulatory Compliance Committee's progress report and adopt a resolution (i) certifying that each director has reviewed the progress report; (ii) detailing the Association's compliance with the provisions of this C&D Order and the directives and corrective actions contained in the 2006 Examination; (iii) identifying each instance of noncompliance; and (iv) setting forth in detail additional corrective actions or steps adopted or required by the Board to address each instance of noncompliance.

13. By May 15, 2007, and thereafter within forty-five (45) days after the end of each calendar quarter, the Board shall submit to the Regional Director: (i) a copy of the Regulatory Compliance Committee's quarterly progress report required by Paragraph 12 above and (ii) a copy of the Board resolution required by Paragraph 12 above, including the Board meeting minutes.

Compliance with Order

14. All policies, procedures, corrective actions, plans, programs, reviews and systems required by this C&D Order (collectively, Policies and Procedures) shall conform to all applicable statutes, regulations, OTS policy and guidance. The Board shall submit copies of all Policies and Procedures required by this C&D Order to the Regional Director within the timeframes specified or, in the event a timeframe is not specified, within thirty (30) days after adoption by the Board. The Board shall revise such Policies and

Procedures as required by the Regional Director within thirty (30) days of receipt of written direction from the Regional Director. The Policies and Procedures, as modified consistent with the written direction of the Regional Director, shall be incorporated into this C&D Order and any deviation from such Policies and Procedures shall be a violation of this C&D Order.

Definitions

15. All technical words or terms used in this C&D Order for which meanings are not specified or otherwise provided by the provisions of this C&D Order shall, insofar as applicable, have meanings as defined in Chapter V of Title 12 of the Code of Federal Regulations, the HOLA, the FDIA, OTS Memoranda or other published OTS guidance. Any such technical words or terms used in this C&D 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.

Successor Statutes, Regulations, Guidance, Amendments

16. Reference in this C&D 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.

No Violations Authorized; OTS Not Restricted

17. Nothing in this C&D Order or the Stipulation shall be construed as: (i) allowing the Association to violate any law, rule, regulation, or policy statement to which it is subject, or (ii) 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 the most recent Report of Examination, or based on other matters.

Time Limits; Effect of Headings; Separability Clause; Stipulation Incorporated

18. Time limitations for compliance with the terms of this C&D Order run from the Effective Date, unless otherwise noted.

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

20. In case any provision in this C&D 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.

21. The Stipulation is made a part hereof and is incorporated herein by this reference.

Effective Date; Duration

22. This C&D 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 C&D 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/
John E. Ryan
Regional Director

UNITED STATES OF AMERICA
Before The
OFFICE OF THRIFT SUPERVISION

In the Matter of)	Order No.: ATL-2007-04
Sykesville Federal Savings Association)	Date: April 12, 2007
Sykesville, Maryland)	
OTS Docket No.: 08217)	

**STIPULATION AND CONSENT TO THE 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 Sykesville Federal Savings Association, Sykesville, Maryland, OTS Docket No. 08217 (Sykesville or Association), pursuant to 12 U.S.C. § 1818(b),¹ and

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

WHEREAS, Sykesville enters into this Stipulation and Consent (i) 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 (Paragraph 1 below), which jurisdiction is admitted; and (iv)

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

solely for the purpose of settling this matter in accordance with Rule 408 of the Federal Rules of Evidence and equivalent state provisions.

NOW, THEREFORE, on these premises, Sykesville hereby stipulates and agrees as follows:

1. Jurisdiction.

- a. Sykesville is a “savings association” within the meaning of 12 U.S.C. § 1813(b), and 12 U.S.C. § 1462(4). Accordingly, it 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 Association 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) and (i). The Director of the OTS has delegated to the Regional Director of the Southeast Region of the OTS or his/her designee (Regional Director) the authority to issue cease and desist orders where an association has consented to the issuance of the order.

2. OTS Findings of Fact.

The OTS finds that the Association has engaged in certain unsafe and unsound practices and violated various laws and regulations to which the Association is subject, as outlined in detail in the OTS’s September 25, 2006 Report of Examination of Sykesville (2006 Examination). Such violations include violations of 12 C.F.R. § 563.172 regarding interest rate risk management; the Currency and Foreign Transactions Reporting Act, as amended by the

USA Patriot Act and other laws (the Bank Secrecy Act or BSA),² the related BSA regulations issued by the U. S. 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) and other reports and statements set forth in 12 C.F.R. § 563.180.

3. Consent.

Sykesville consents to the issuance by the OTS of the accompanying Consent Order to Cease and Desist for Affirmative Relief (C&D Order). The Association 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). Upon its issuance by the Regional Director for the Southeast Region, it shall be a final order, effective and fully enforceable by the OTS under the provisions of 12 U.S.C. § 1818(i).

5. Waivers.

Sykesville waives the following:

- a. The right to be served with a written notice of the OTS's charges against it as 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);
- c. The right to seek judicial review of the C&D Order, including, without limitation, any such right provided by 12 U.S.C. § 1818(h), or otherwise to challenge the validity of the Order;

² 31 U.S.C. § 5311 et seq.

- 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, 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 the issuance of the Order or the issuance of the Order, 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. **Other Governmental Actions Not Affected.**

- a. Upon the OTS's issuance of the accompanying C&D Order, following the OTS's acceptance of this Stipulation executed by Sykesville, OTS does release and discharge Sykesville from all potential claims and charges that have been or might have been asserted by the OTS, based on the alleged violations described in the Findings of Fact set forth in Paragraph 2 of this Stipulation to the extent known to the OTS as of the effective date of the accompanying C&D Order. Notwithstanding the foregoing, the violations alleged above in Paragraph 2 of this Stipulation may be utilized by the OTS in future enforcement actions to establish a pattern or practice of violations or the continuation of a pattern or practice of violations. This release shall not preclude or affect any right of the OTS to determine and ensure compliance with the terms and provisions of this Stipulation and the accompanying C&D Order.
- b. Sykesville acknowledges and agrees that its consent to the issuance of the accompanying C&D Order is solely for the purpose of resolving certain potential

OTS administrative enforcement charges as provided by Paragraph 6(a) above, and does not otherwise release, discharge, compromise, settle, dismiss, resolve, or in any way affect any actions, charges against, liability, or other administrative, civil, or criminal proceeding that arise pursuant to this action or otherwise, and that may be or have been brought by another governmental entity.

7. **Agreement for Continuing Cooperation.**

Sykesville agrees that, on reasonable notice and without service of a subpoena, it will promptly respond to any written request from the OTS for documents that the OTS reasonably requests to demonstrate compliance with the C&D Order. Sykesville agrees to cooperate with the OTS or any other federal agency in any review requested by the OTS or any other federal government agency, or in any investigation, litigation, or other proceeding relating to the Association, its holding company, subsidiaries, service corporations, or institution-affiliated parties.

8. **Miscellaneous.**

- a. The construction and validity of this Stipulation and the C&D Order shall be governed by the laws of the United States of America.
- b. If any provision of this Stipulation and the C&D 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. All references to the OTS in this Stipulation and the C&D Order shall also mean any of the OTS's predecessors, successors, and assigns.

- d. The section and paragraph headings in this Stipulation and the C&D Order are for convenience only, and such headings shall not affect the interpretation of this Stipulation or the C&D Order.
- e. The terms of this Stipulation and the C&D 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 C&D Order shall remain in effect until terminated, modified, or suspended in writing by the OTS, acting through its Director, Deputy Director, Regional Director, or other authorized representative.

10. Signature of Directors.

Each Director signing this Stipulation attests that he/she voted in favor of a resolution authorizing the execution of the Stipulation.

[This Space Intentionally Left Blank]

