

UNITED STATES OF AMERICA
Before the
OFFICE OF THRIFT SUPERVISION

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In the Matter of)	
)	Order No. NE 08-10
MASSENA SAVINGS AND LOAN,)	
)	
Massena, New York)	Effective Date: July 31, 2008
(OTS Docket No. 05323))	
_____)	

ORDER TO CEASE AND DESIST

WHEREAS, **MASSENA SAVINGS AND LOAN**, Massena, New York, OTS Docket No. 05323 ("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 ("Stipulation"); and

WHEREAS, the Association, by executing 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); and

WHEREAS, pursuant to delegated authority, the OTS Regional Director for the Northeast Region ("Regional Director") is authorized to issue consent Orders to Cease and Desist where a savings association has consented to the issuance of an order;

NOW, THEREFORE, IT IS ORDERED THAT:

1. Compliance With Laws and Regulations. 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, aiding, or abetting any violation of:

(a) 31 U.S.C. § 5318(h), 31 C.F.R. § 103.120(b), and 12 C.F.R. § 563.177, requiring an effective anti-money laundering program; and

(b) 12 C.F.R. § 563.180(d) and 31 C.F.R. § 103.18, regarding Suspicious Activity Reports.

2. Implementation of Bank Secrecy Act/Anti-Money Laundering Program.

(a) The Association shall immediately implement and monitor the program prescribed in its current written Bank Secrecy Act/Anti-Money Laundering policies ("BSA/AML Program").

The Association, its Board, officers, and employees (including the Internal Auditor) shall ensure that the BSA/AML Program, as implemented pursuant to this Order, complies with (i) the

Bank Secrecy Act (“BSA”), 31 U.S.C. §§ 5311 *et seq.*, the implementing regulations administered by the Financial Crimes Enforcement Network (“FinCEN”), 31 C.F.R. §§ 103.11 *et seq.*, and the related BSA regulations issued by OTS, 12 C.F.R. § 563.177 (collectively “BSA Laws and Regulations”), (ii) FinCEN regulations governing suspicious activity reports (“SAR”), 31 C.F.R. § 103.18, and the OTS SAR regulations, 12 C.F.R. § 563.180 (collectively “SAR Regulations”), and (iii) the terms of this Order.

(b) Assessment of Association's BSA/AML Risk Exposure.

By no later than September 30, 2008, Management shall prepare and the Board must review, update, and approve an assessment of the Association’s BSA/AML risk exposure that considers the Association’s new and existing (i) products, (ii) services, (iii) lines of business, (iv) customers, (v) entities, and (vi) geographic locations.

(c) Improved System of Internal Controls.

By September 30, 2008, the Association’s BSA/AML Program, as implemented pursuant to this Order, shall include an improved system of internal controls that addresses deficiencies disclosed in the Report of OTS’ April 7, 2008 Examination, takes into account the Risk Assessment performed pursuant to subsection (b) immediately above, and ensures compliance with the BSA Laws and Regulations and the SAR Regulations. Such internal controls must include procedures and processes to identify and report all suspicious transactions and activity.

(d) Independent Testing By An Outside Independent Third Party.

The BSA/AML Program as implemented pursuant to this Order must include independent testing by a qualified outside independent third party to ensure the Association’s compliance with all applicable BSA Laws and Regulations and the SAR Regulations (“BSA/AML Independent Testing”). The BSA/AML Independent Testing must be: (i) conducted in accordance with the guidance set forth in the Bank Secrecy Act/Anti-Money Laundering Manual published by the Federal Financial Institutions Examination Counsel (“FFIEC”), (ii) carried out at least annually, and (iii) fully documented and supported.

(e) New BSA Compliance Officer.

By no later than September 1, 2008, the Association must (i) identify the individual it proposes to hire or appoint to coordinate and monitor day-to-day compliance with the BSA pursuant to 12 CFR 563.177(c)(3) (“BSA Compliance Officer”), and (ii) submit his or her name to OTS for the agency’s non-objection. The individual proposed must be qualified and must be someone other than

the Association's President. Within fifteen (15) days of the Association's receipt of OTS' non-objection, the individual selected shall commence his or her duties and responsibilities.

(f) BSA Training and Awareness.

(i) By December 31, 2008, the BSA/AML Program as implemented pursuant to this Order shall be supplemented to provide for a training program for all appropriate personnel at the Association, including (without limitation) directors, officers, the Internal Auditor, the BSA Compliance Officer, and customer contact personnel.

(ii) The BSA Compliance Officer shall receive training in all aspects of BSA/AML compliance, including (without limitation) suspicious activity monitoring, analysis, review, and reporting.

(iii) No later than December 31, 2008, and at least annually thereafter, the BSA Compliance Officer must submit a written report to the Board that (aa) sets forth the scope, nature and frequency of the Association's BSA training efforts, (bb) evaluates the effectiveness of the training program, and (cc) recommends updates or revisions to the training program to enable Association personnel to have access to the most current information ("BSA Training Report"). The BSA Training Report shall be attached to the minutes of the Board meeting at which it is considered and reviewed.

(g) Review and Update of BSA/AML Program.

By no later than September 30, 2008, and thereafter on an ongoing basis, as necessary (but no less frequently than annually), the Association shall review its BSA/AML Program to determine whether changes in the BSA/AML Program are necessary to respond to (i) changes in the BSA Laws and Regulations, the SAR Regulations, and the OFAC regulations (as well as related forms), and (ii) changes in the Association's operations that may impact its compliance with the BSA Laws and Regulations, the SAR Regulations, and the OFAC regulations.

3. Suspicious Activity Reporting.

By October 31, 2008, the Association must implement an effective system that ensures all transactions are reviewed and all suspicious transactions and activity are reported as required by 31 C.F.R. § 103.18 and 12 C.F.R. § 563.180(d). The system must include procedures for review of unusual transactions to determine whether or not to file a SAR, and shall have the capability to review cash transactions on a cumulative basis over at least a 14-day "look back" period. The Association shall maintain documentation for (a) all SARs filed and (b) all decisions that a SAR will not be filed.

4. Currency Transaction Reporting.

By October 31, 2008, the Association must implement a system that allows for aggregation of multiple transactions to ensure proper filing of CTRs as required by 31 C.F.R. § 103.22(c)(2).

5. Effective Date; Incorporation of Stipulation.

This Order is effective on the Effective Date as shown on its first page. The Stipulation is made a part hereof and is incorporated herein by this reference.

6. Duration.

This Order shall remain in effect until terminated, modified or suspended, by written notice of such action by OTS, acting by and through its authorized representatives.

7. Time Calculations.

(a) The calculation of time limitations for compliance with the terms of this Order shall commence from the Effective Date and shall be calendar based, unless otherwise noted; and

(b) The Regional Director or his designee may extend any of the deadlines set forth in the provisions of this Order upon written request by the Association that includes a statement of reasons in support of any such extension. Any OTS extension shall be made in writing.

8. Submissions and Notices.

(a) All submissions, including progress reports, to OTS that are required by or contemplated by this Order shall be submitted within the specified timeframes; and

(b) Except as otherwise provided herein, all submissions, requests, communications, consents or other documents relating to this Order shall be in writing and sent by first class U.S. mail (or by reputable overnight carrier, electronic facsimile transmission, or hand delivery by messenger) addressed as follows:

(i) To OTS:

The original to: Mr. Joseph J. Donohue Assistant Director Office of Thrift Supervision Harborside Financial Center Plaza Five Suite 1600 Jersey City, New Jersey 07311	A copy to: Mr. Michael A. Russo Field Manager Office of Thrift Supervision Harborside Financial Center Plaza Five Suite 1600 Jersey City, New Jersey 07311
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(ii) To the Association:

Mr. Kirk E. Wilmshurst (original) Chairman and Chief Executive Officer Massena Savings and Loan 255 Main Street Massena, New York 13662-0410	
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9. No Violations Authorized.

Nothing in this Order or the Stipulation shall be construed as allowing the Association, its Board, officers, or employees to violate any law, rule, or regulation.

OFFICE OF THRIFT SUPERVISION

By: /S/
Michael E. Finn
Regional Director, Northeast Region

Date: See Effective Date on Page 1

UNITED STATES OF AMERICA
Before the
OFFICE OF THRIFT SUPERVISION

In the Matter of)	
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MASSENA SAVINGS AND LOAN)	Order No. NE 08-10
Massena, New York)	Effective Date: July 31, 2008
OTS Docket No. 05323)	
)	

STIPULATION AND CONSENT TO ISSUANCE OF ORDER TO CEASE AND DESIST

WHEREAS, the Office of Thrift Supervision (“OTS”), acting by and through its Regional Director for the Northeast Region (“Regional Director”), and based upon information derived from the exercise of its regulatory and supervisory responsibilities, has informed **MASSENA SAVINGS AND LOAN**, Massena, New York, OTS Docket No. 05323 (“Association”), that OTS is of the opinion that grounds exist to initiate an administrative proceeding against the Association pursuant to 12 U.S.C. § 1818(b); and

WHEREAS, the Regional Director, pursuant to delegated authority, is authorized to issue an Order to Cease and Desist where a savings association has consented to the issuance of an order; and

WHEREAS, the Association desires to cooperate with OTS to avoid the time and expense of such administrative cease and desist proceedings by entering into this Stipulation and Consent to the Issuance of Order to Cease and Desist (“Stipulation”) and, without admitting or denying that such grounds exist, but only admitting the statements and conclusions in Paragraph 1 below concerning Jurisdiction, hereby stipulates and agrees to the following terms:

1. Jurisdiction.

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

(b) Pursuant to 12 U.S.C. § 1813(q), the Director of OTS is the “appropriate Federal banking agency” with jurisdiction to maintain an administrative enforcement proceeding against

a savings association. Therefore, the Association is subject to the authority of OTS to initiate and maintain an administrative cease-and-desist proceeding against it pursuant to 12 U.S.C. § 1818(b).

2. OTS Findings of Fact.

Based on its April 7, 2008 examination of the Association, OTS finds that the Association has failed to comply with requirements of various laws and regulations, including:

(a) 31 U.S.C. § 5318(h), 31 C.F.R. § 103.120(b), and 12 C.F.R. § 563.177, requiring an effective anti-money laundering program; and

(c) 12 C.F.R. § 563.180(d) and 31 C.F.R. § 103.18, regarding Suspicious Activity Reports.

3. Consent.

The Association consents to the issuance by OTS of the accompanying Order to Cease and Desist (“Order”). The Association further agrees to comply with the terms of the Order upon the Effective Date of the Order and stipulates that the Order complies with all requirements of law.

4. Finality.

The Order is issued by OTS under 12 U.S.C. § 1818(b), and upon the Effective Date it shall be a final order, effective and fully enforceable by OTS under the provisions of 12 U.S.C. § 1818(i).

5. Waivers.

The Association waives the following:

(a) The right to be served with a written notice of OTS’s charges against it as provided by 12 U.S.C. § 1818(b) and 12 C.F.R. Part 509;

(b) The right to an administrative hearing concerning OTS’s charges as provided by 12 U.S.C. § 1818(b) and 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; and

(d) Any and all claims against 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, federal statutes or otherwise.

6. OTS Authority Not Affected.

Nothing in this Stipulation or accompanying Order shall inhibit, estop, bar or otherwise prevent OTS from taking any other action affecting the Association, if at any time OTS deems it appropriate to do so to fulfill the responsibilities placed upon OTS by law.

7. Other Governmental Actions Not Affected.

The Association acknowledges and agrees that its consent to the issuance of the Order is solely for the purpose of resolving the matters addressed herein, consistent with Paragraph 6 above, and does not otherwise 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 governmental entity other than 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/or 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 be affected in any way or impaired thereby, unless the Regional Director in his or her sole discretion determines otherwise;

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

(d) The section and paragraph headings in this Stipulation and the Order are for convenience only and shall not affect the interpretation of this Stipulation or the Order;

(e) The terms of this Stipulation and of the Order represent the final 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; and

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

9. Signature of Directors/Board Resolution.

Each Director signing this Stipulation attests that he or she voted in favor of a Board Resolution authorizing the Association to consent to the execution of the Stipulation and to the

