

FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, D.C.

AND

STATE OF ILLINOIS

DEPARTMENT OF FINANCIAL AND PROFESSIONAL REGULATION

DIVISION OF BANKING

SPRINGFIELD, ILLINOIS

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In the Matter of	)	
	)	
INTERNATIONAL BANK OF CHICAGO	)	CONSENT ORDER
CHICAGO, ILLINOIS	)	
	)	
	)	FDIC-19-0179b
	)	2020-DB-02
(Insured State Nonmember Bank)	)	
_____	)	

International Bank of Chicago, Chicago, Illinois (“Bank”), having been advised of its right to a NOTICE OF CHARGES AND OF HEARING detailing the unsafe or unsound banking practices and violations of law or regulation alleged to have been committed by the Bank, including those related to the Bank Secrecy Act, 31 U.S.C. §§ 5311-5330, and regulations implementing the Bank Secrecy Act, including 12 C.F.R. Part 326, Subpart B, and 31 C.F.R. Chapter X (hereinafter collectively, the “Bank Secrecy Act” or “BSA”), and of its right to a hearing on the charges under 12 U.S.C. § 1818(b), and under 38 Ill. Adm. Code Part 392 regarding hearings before the Illinois Department of Financial and Professional Regulation, Division of Banking (“Division”), and having waived those rights, entered into a

STIPULATION AND CONSENT TO THE ISSUANCE OF A CONSENT ORDER

(“STIPULATION”) with representatives of the Federal Deposit Insurance Corporation (“FDIC”) and the Division, dated \_\_\_\_\_, 2020, whereby, solely for the purpose of this proceeding and without admitting or denying the charges of unsafe or unsound banking practices and violations of law or regulation relating to the Bank Secrecy Act, the Bank consented to the issuance of a CONSENT ORDER (“ORDER”) by the FDIC and the Division.

The FDIC and the Division considered the matter and determined that they had reason to believe the Bank had engaged in unsafe or unsound practices related to the Bank Secrecy Act and therefore accepted the STIPULATION.

Having also determined that the requirements for issuance of an order under 12 U.S.C. § 1818(b) and Section 48(6) of the Illinois Banking Act, 205 ILCS 5/48(6), have been satisfied, the FDIC and Division HEREBY ORDER that the Bank, its institution-affiliated parties, as that term is defined in 12 U.S.C. § 1813(u), and its successors and assigns, take affirmative action as follows:

**WRITTEN BSA COMPLIANCE PROGRAM**

1. (a) Within ninety (90) days from the effective date of this ORDER, the Board shall develop, adopt, and implement a revised written BSA compliance program (“Revised BSA Program”), which fully meets all applicable requirements of 12 C.F.R. § 326.8 and 31 C.F.R. Chapter X, and is designed to, among other things, ensure and maintain full compliance with the BSA and the rules and regulations issued pursuant thereto by the Bank. At a minimum, the Revised BSA Program shall:

- i. Require the Bank to develop, adopt, and implement a revised, effective written policy designed to ensure full compliance with all

provisions of the BSA and FinCEN Regulations, including, but not limited to: suspicious activity reporting, customer due diligence, and foreign correspondent accounts;

- ii. Require the Bank to develop a system of internal controls to ensure full compliance with the BSA and the rules and regulations issued pursuant thereto, including policies and procedures to detect and monitor all transactions including, but not limited to, those conducted by wire transfer, automated clearing house (“ACH”), and internal bank transfers, to ensure the identification and proper reporting of all known or suspicious criminal activity, money laundering activity, or violations of the BSA;
- iii. Provide for written detailed guidelines regarding the administration of e-commerce, export business, payment processing activities, non-customer transaction processing, concentration accounts, and foreign correspondent accounts, including the solicitation, opening, and ongoing monitoring of all such accounts for suspicious activity and the filing of all required reports resulting therefrom;
- iv. Establish due diligence practices and written guidelines for all customers that are commensurate with the level of BSA and money laundering risk posed by each customer; and
- v. Provide for accurate and comprehensive risk assessments for BSA and Office of Foreign Assets Control (“OFAC”)

compliance procedures which fully take into account the nature of the Bank's operations including, but not limited to, e-commerce, export business, payment processing activities, non-customer transaction processing, concentration accounts, foreign correspondent accounts, and the geographic risk of the Bank.

(b) Within ninety (90) days from the effective date of this ORDER, the Board shall provide the Regional Director of the FDIC's Chicago Regional Office ("Regional Director") and the Division with a copy of the Revised BSA Program for review. Thereafter, the Revised BSA Program and its implementation shall be conducted in a manner acceptable to the Division and the Regional Director, as determined during subsequent examinations and/or visitations of the Bank.

#### **CUSTOMER DUE DILIGENCE PROGRAM**

2. (a) Within ninety (90) days from the effective date of this ORDER, the Bank shall update the Bank's Customer Due Diligence ("CDD") Program. The CDD Program and its implementation shall be prepared and implemented in a manner acceptable to the Regional Director and to the Division as determined at subsequent examinations and/or visitations of the Bank.

(b) At a minimum, the CDD Program shall provide for a risk-focused assessment of the Bank's customer base and records to determine the appropriate level of ongoing monitoring required to ensure that the Bank can reasonably detect suspicious activity, and determine which customers require additional due diligence necessary for those categories of higher risk customers.

- (c) At a minimum, the CDD Program shall provide for:
- i. Risk rating of the Bank's customers based on the potential for money laundering risk or other unlawful activity posed by the customer's activities, with consideration given to the purpose of the account, the anticipated type and volume of account activity, types of products and services utilized, and locations and markets served by the customer;
  - ii. Obtaining, analyzing, documenting, and maintaining sufficient customer information necessary to allow effective suspicious activity monitoring, including, but not limited to, documentation of: normal and expected transactions of the customer, nature of business activities, customer's occupation/employment, ACH activity, and wire transfer activity;
  - iii. Guidance for documenting the analysis conducted under the CDD Program, including guidance for resolving issues when insufficient or inaccurate information is obtained;
  - iv. Monitoring procedures required for each customer category under the BSA risk ratings;
  - v. Guidelines to reasonably ensure the identification and timely, accurate reporting of known or suspected criminal activity as required by the suspicious activity reporting provisions of 12 C.F.R. § 353; and

- vi. Periodic, risk-based monitoring of customer relationships to determine whether the original risk profile remains accurate.

### **FOREIGN CORRESPONDENT ACCOUNTS**

3. Within sixty (60) days from the effective date of this ORDER, the Bank shall take the following steps to improve administration of Foreign Correspondent Accounts:

(a) Establish a due diligence program for the Foreign Correspondent Accounts that includes appropriate, specific, risk-based, and, where necessary, enhanced policies, procedures and controls that are reasonably designed to enable the Bank to detect and report, on an ongoing basis, any known or suspected money laundering activity conducted through or involving any correspondent account established, maintained, administered, or managed by the Bank for a foreign financial institution. Such policies, procedures, and controls shall include:

- i. Determining whether any such correspondent account is subject to paragraph (b) of this section;
- ii. Assessing the money laundering risk presented by such correspondent account, based on a consideration of all relevant factors, which shall include, as appropriate:
  - a. The nature of the foreign financial institution's business and the markets it serves;
  - b. The type, purpose, and anticipated activity of such correspondent account;
  - c. The nature and duration of the Bank's relationship with the foreign financial institution (and any of its affiliates);

- d. The anti-money laundering and supervisory regime of the jurisdiction that issued the charter or license to the foreign financial institution, and, to the extent that information regarding such jurisdiction is reasonably available, of the jurisdiction in which any company that is an owner of the foreign financial institution is incorporated or chartered; and
- e. Information known or reasonably available to the Bank about the foreign financial institution's anti-money laundering record.

iii. Applying risk-based procedures and controls to each such correspondent account reasonably designed to detect and report known or suspected money laundering activity, including a periodic review of the correspondent account activity sufficient to determine consistency with information obtained about the type, purpose, and anticipated activity of the account.

(b) Take reasonable steps to ensure that the correspondent account relationships are not directly or indirectly providing banking services to a foreign shell bank.

(c) Within sixty (60) days from the effective date of this ORDER, the Bank shall develop and implement internal control procedures requiring the regular periodic comparison of actual activity in each account identified under paragraph (a) above against expected or anticipated activity. Such internal control procedures shall include procedures for identifying and documenting significant variances between anticipated and actual activity along

with procedures for reporting variances to the Board and the filing of Suspicious Activity Reports (“SAR”) when necessary.

### **ACCOUNT TRANSACTION MONITORING**

4. (a) Within one hundred twenty (120) days from the effective date of this ORDER, the Bank shall establish an effective system for identifying, monitoring, and determining the appropriateness of accounts with frequent or large cash, check, ACH, or wire transfer deposits and withdrawals. Documentation supporting the review of accounts and determinations made shall be retained in the Bank’s records.

(b) Within one hundred twenty (120) days from the effective date of this ORDER, the Bank shall develop and implement internal control procedures requiring the regular periodic comparison of actual activity in each account identified under paragraph (a) above against expected or anticipated activity. Such internal control procedures shall include procedures for identifying and documenting significant variances between anticipated and actual activity along with procedures for reporting variances to the Board and the filing of a SAR when necessary.

(c) Within one hundred twenty (120) days from the effective date of this ORDER, the Bank shall develop, adopt, and implement detailed written procedures and controls which are focused on the Bank’s automated account transaction monitoring system. Such detailed written procedures and controls shall include, at a minimum:

- i. Procedures to validate that all applications from the Bank’s core processing software are appropriately interfaced into the automated account transaction monitoring system;



- ii. Procedures to ensure timely reviews of system-generated alerts/cases for potentially suspicious activity;
- iii. Procedures, controls, and delegations of authority for determining when alerts/cases should be closed or further evaluated;
- iv. Procedures for detailing the minimum level of documentation supporting the basis for decisions to close alerts/cases with no further investigation; and
- v. Procedures and controls for establishing or making changes to the various settings and parameters used by the system to generate transaction alerts/cases.

#### **LOOK BACK REVIEW**

5. (a) Within ninety (90) days from the effective date of this ORDER, the Bank shall develop a written plan detailing how it will conduct, through an independent and qualified auditor approved by the Regional Director and the Division, a review of deposit account and transaction activity for the time period beginning May 21, 2018, through the effective date of this ORDER, to determine whether suspicious activity involving any accounts of, or transactions through, the Bank were properly identified and reported in accordance with the applicable suspicious activity reporting requirements (“Look Back Review”).

(b) The plan for the Look Back Review, and the subsequent contract or engagement letter entered into with the auditor performing the Look Back Review, shall include, at a minimum:

- i. The scope of the review, which shall specify the types of accounts and transactions to be reviewed, which shall include the Bank’s

money services business customers, third party payment processor customers, foreign correspondent accounts, ACH transactions, wire transfer transactions, transfers between Bank customers accounts, and transfers between internal general ledger accounts used to process e-commerce transactions;

- ii. The methodology for conducting the Look Back Review, including any sampling procedures to be followed;
- iii. Procedures, controls, and delegations of authority for determining when alerts/cases should be closed or further evaluated;
- iv. Procedures detailing the minimum level of documentation supporting the basis for decisions to close alerts/cases with no further investigation; and
- v. Procedures and controls for establishing or making changes to the various settings and parameters used by the system to general transaction alerts/cases.

#### **QUALIFIED BSA MANAGEMENT**

6. (a) During the life of this ORDER and thereafter, the Bank shall have and retain management qualified to oversee all aspects of the Bank's BSA Compliance Program and to ensure compliance with all applicable laws and regulations related thereto. Each member of management with responsibilities relating to Section 326.8 of the FDIC Rules and Regulations, 12 C.F.R. § 326.8, or the Treasury Department's Financial Recordkeeping Regulations, 31 C.F.R. Chapter X, shall have the qualifications commensurate with his or her duties and responsibilities under those regulations.

(b) Within sixty (60) days from the effective date of this ORDER, the Bank shall analyze and assess the Bank's staffing needs in order to provide for an adequate number of qualified staff for the Bank's BSA department, including provision for succession of BSA responsibilities. The BSA department staff shall be evaluated to determine whether these individuals possess the ability, experience, training, and other necessary qualifications required to perform present and anticipated duties, including adherence to the Bank's BSA Compliance Program, the requirements of the BSA regulations, and the provisions of this ORDER.

(c) The Board shall ensure that the Bank's BSA officer and all personnel with BSA responsibilities be provided the written authority and the necessary training, time, and resources to fully implement and comply with all requirements of this ORDER.

#### **BSA TRAINING PROGRAM**

7. Within sixty (60) days from the effective date of this ORDER, the Board shall ensure that the Bank provides for and documents an improved, comprehensive BSA training program for all personnel whose duties require knowledge of the BSA, and fully documents the completion of BSA training for all such personnel. Required training shall be conducted by qualified staff and/or independent contractors and shall include training in all aspects of regulatory and internal policies and procedures related to the BSA, and shall provide specific enhanced training with regard to Customer Due Diligence and the monitoring of high-risk customers. Additionally, the training program should provide for the BSA officer and staff to obtain periodic specialized training as appropriate to obtain adequate BSA knowledge and keep up-to-date on emerging risks specific to the banking activities in which the Bank engages.

## **BSA INDEPENDENT REVIEW**

8. (a) Within one hundred eighty (180) days from the effective date of this ORDER, the Bank shall ensure that an effective and comprehensive independent test of compliance with the BSA and 31 C.F.R. Chapter X is completed. The independent testing should thereafter be conducted on an annual basis.

(b) The Bank shall provide the Regional Director and Division a copy of the written reports documenting the scope of testing procedures performed, the findings and results made, and any recommendations for improvement based on these findings. At a minimum, the independent testing shall include, and the contract or engagement letter entered into with any third party performing the testing shall provide the following:

- i. Testing of the Bank's internal procedures for monitoring BSA compliance;
- ii. Testing to ensure the Bank has implemented effective CDD programs;
- iii. Testing to ensure Bank personnel are reviewing and monitoring reports for unusual activities and, if applicable, that appropriate SARs are filed in a timely manner with the appropriate law enforcement agencies;
- iv. Testing to ensure that the Bank is in compliance with rules and regulations relating to foreign correspondent banks; and
- v. Allowing unrestricted examiner access to consultant and/or auditor work papers for testing conducted by outside third parties.

## **OFFICE OF FOREIGN ASSETS CONTROL**

9. Within sixty (60) days from the date of this ORDER, the Bank shall develop, adopt, and implement a revised, effective written program to ensure full compliance with all OFAC rules and regulations. Said program shall, among other things, be designed to ensure that the Bank adequately monitors and screens transactions appropriately based on the level of risk associated with such transactions. The program adopted by the Bank shall be prepared and implemented in a manner acceptable to the Regional Director and Division as determined at subsequent examinations or visitations of the Bank.

## **CORRECTION OF VIOLATIONS**

10. Within one hundred twenty (120) days from the effective date of this ORDER, the Bank shall take all steps necessary to correct all violations of law, rule, and regulations listed in the Bank's 2019 Report of Examination ("ROE") issued by the FDIC and the Division. In addition, the Bank shall adopt procedures to ensure future compliance with all applicable laws, rules, and regulations.

## **OTHER BSA WEAKNESSES**

11. Within one hundred twenty (120) days from the effective date of this ORDER, the Bank shall correct all BSA weaknesses identified in the ROE.

## **INTERNAL CONTROLS**

12. Within ninety (90) days from the effective date of this ORDER, the Bank shall review and improve the internal control environment, including strengthening controls in order to address the internal control weaknesses identified in the ROE.

### **CONFLICTS OF INTEREST**

13. Within thirty (30) days from the effective date of this ORDER, the Bank shall take corrective action to ensure that directors, senior management, and all employees are in compliance with the Bank's Conflict of Interest Program and Whistleblower Policy ("Conflict Policy") and implement sufficient procedures and safeguards to ensure future compliance with the Conflict Policy.

### **CAPITAL**

14. (a) Within sixty (60) days of the effective date of this ORDER, the Board shall develop a revised and updated Capital Plan that assesses the Bank's capital adequacy in relation to its overall size and risk profile. The capital planning process shall ensure the integrity, objectivity, and consistency of the process through adequate governance and be well-supported by quantitative and qualitative risk analysis. The Capital Plan shall, at a minimum, include consideration of the substantial increase in the payment processing and e-commerce activities and ensure off-balance sheet risk exposures and potential contingent liabilities are appropriately reflected in capital levels.

(b) Upon completion, the Bank's Capital Plan shall be submitted to the Regional Director and the Division for review and comment.

(c) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of, and adherence to, the Capital Plan developed pursuant to this paragraph.

### **DIVIDEND RESTRICTION**

15. As of the effective date of this ORDER, the Bank shall not declare or pay any dividend without the prior written consent of the Regional Director and the Division.

**NOTIFICATION TO SHAREHOLDER**

16. Immediately following the effective date of this ORDER, the Bank shall send a copy of this ORDER: (1) in conjunction with the Bank’s next shareholder communication; or (2) in conjunction with its notice or proxy statement preceding the Bank’s next shareholder meeting.

**PROGRESS REPORTS**

17. Within thirty (30) days from the end of each calendar quarter following the effective date of this ORDER, the Bank shall furnish to the Regional Director and the Division written progress reports signed by each member of the Bank’s board of directors, detailing the actions taken to secure compliance with the ORDER and the results thereof.

**CLOSING PARAGRAPHS**

The effective date of this ORDER shall be the date of its issuance by the FDIC and the Division. The provisions of this ORDER shall be binding upon the Bank, its institution-affiliated parties, and any successors and assigns thereof.

The provisions of this ORDER shall remain effective and enforceable except to the extent that, and until such time as, any provision has been modified, terminated, suspended, or set aside by the FDIC and the Division.

Pursuant to delegated authority.

Dated: April 2, 2020.

**JOHN HENRIE** Digitally signed by JOHN HENRIE  
Date: 2020.04.01 15:37:15 -04'00'

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John P. Henrie  
Acting Regional Director  
Chicago Regional Office  
Federal Deposit Insurance  
Corporation



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Chasse Rehwinkel  
Acting Director, Division of Banking  
Illinois Department of Financial  
and Professional Regulation