

FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, D.C.

AND

STATE OF ILLINOIS

DEPARTMENT OF FINANCIAL AND PROFESSIONAL REGULATION

DIVISION OF BANKING

SPRINGFIELD, ILLINOIS

_____)	
In the Matter of)	
)	CONSENT ORDER
INTERNATIONAL BANK OF CHICAGO)	
CHICAGO, ILLINOIS)	FDIC-24-0056b
)	2024-DB SUP-04
(Insured State Nonmember Bank))	
_____)	

The Federal Deposit Insurance Corporation (FDIC) is the appropriate Federal banking agency for International Bank of Chicago (Bank) under Section 3(q) of the Federal Deposit Insurance Act (FDI Act), 12 U.S.C. § 1813(q). The Illinois Department of Financial and Professional Regulation, Division of Banking (Division) is the appropriate state supervisor for the 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 Division, and having waived those rights, entered into a STIPULATION AND CONSENT TO THE ISSUANCE OF A CONSENT ORDER (STIPULATION) with representatives of the FDIC and the Division, dated 9/13/2024, 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 and violations of law or regulation 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:

**ANTI-MONEY LAUNDERING/COUNTERING
THE FINANCING OF TERRORISM PROGRAM**

1. Within ninety (90) days of the effective date of this ORDER, the Board must improve the AML/CFT Program. At a minimum, the Board must ensure that the AML/CFT Program:

(a) Is commensurate with the Bank's money laundering/terrorist financing (ML/TF), and other illicit financial activity risk profile (ML/TF Risk Profile);

(b) Addresses the deficiencies and weaknesses identified in the January 8, 2024 Report of Examination (2024 Report) and future Reports of Examination;

(c) Includes procedures for monitoring the performance of and the Bank's adherence to the AML/CFT Program with processes for documenting, tracking, and reporting on such performance and adherence to the Board;

(d) Includes procedures for periodically reviewing and revising the AML/CFT Program to ensure that it is reasonably designed to assure and monitor the Bank's compliance

with the BSA; and

- (e) Satisfies the requirements of this ORDER.

BOARD SUPERVISION

2. Within sixty (60) days of the effective date of this ORDER, the Board must:

- (a) Improve its supervision and direction of the AML/CFT Program;

(b) Develop, approve, and implement sound AML/CFT policies, procedures, and processes that:

- (i) Are reasonably designed to assure and monitor the Bank's compliance with AML/CFT laws and regulations,
- (ii) Appropriately address the ML/TF related deficiencies and weaknesses identified in the 2024 Report, and
- (iii) Reflect the Bank's actual practices;

(c) Ensure that the Bank maintains a designated individual or individuals (BSA Officer) with qualifications commensurate with the Bank's size, complexity, and organizational structure, the Risk Assessment, and ML/TF Risk Profile. The BSA Officer must report directly to the Board and be vested with sufficient authority, time, and resources, both staff and systems, to fulfill the duties and responsibilities of this position;

- (d) Provide for an adequate independent testing of AML/CFT compliance; and

(e) Designate a Board Committee (Directors' Committee) to oversee and ensure complete and timely compliance with this ORDER. The majority of the members of the Directors' Committee shall be directors not employed in any capacity by the Bank other than as a director. The Directors' Committee shall formulate and review monthly reports detailing the Bank's actions with respect to compliance with this ORDER. The Directors' Committee shall present a report detailing the Bank's adherence to this ORDER at each regularly scheduled Board meeting. Such report shall be recorded in the appropriate minutes of the Board meeting and shall be retained in the Bank's records. Establishment of the Directors' Committee does not diminish the responsibility of the entire Board to ensure compliance with the provisions of this ORDER;

OFFICER

3. Within one hundred and twenty (120) days of the effective date of this ORDER, the Board shall:

(a) Provide for an independent review of the Bank's AML/CFT resources, including staffing and systems (AML/CFT Resources Review). The AML/CFT Resources Review must include an analysis of the adequacy and appropriateness of current resource levels and be documented and supported both qualitatively and quantitatively in a written report (AML/CFT Resources Report). The AML/CFT Resources Report must be submitted to the Board upon completion. The AML/CFT Resources Review must, at a minimum, consider the Bank's size and growth plans, complexity and organizational structure; geographic locations; customers; products and services offered; systems; the ML/TF Risk Assessment; the ML/TF Risk Profile; and the deficiencies and weaknesses identified in the 2024 Report;

(b) Ensure policies, procedures, and processes are developed, adopted, and implemented requiring the BSA Officer to conduct periodic risk based AML/CFT Resource Reviews and prepare an AML/CFT Resource Report upon completion of every AML/CFT Resource Review;

(c) Provide for an adequate level of AML/CFT related resources, including staffing and systems, to implement the AML/CFT Program and ensure compliance with AML/CFT regulations;

(d) Ensure the designated BSA Officer has sufficient delegated authority across all departments and business lines to effectively coordinate, monitor, and ensure compliance with the AML/CFT regulations; and

(e) Require the BSA Officer to periodically prepare and submit an action plan to address and correct all identified AML/CFT Program weaknesses and deficiencies (AML/CFT Action Plan) to the Board.

SUSPICIOUS ACTIVITY MONITORING

4. Within thirty (30) days of the effective date of this ORDER, the Bank must ensure the Bank's policies, procedures, processes, and systems for the identification, monitoring and reporting of suspicious activity:

- (a) Are revised to satisfactorily address the deficiencies and weaknesses identified in the 2024 Report related to suspicious activity monitoring and reporting;
- (b) Result in the timely detection, investigation, reporting of suspicious activity with the filing of accurate and complete suspicious activity reports (SARs);
- (c) Comprehensively, clearly, and consistently address all stages of suspicious activity monitoring, including alert review and dispositioning;
- (d) Require appropriate levels of documentation, analysis, and support for each stage of the suspicious activity monitoring and reporting process;
- (e) Establish satisfactory quality control procedures over the alert clearing and investigation processes; and
- (f) Are adopted, implemented, and adhered to by the Bank.

INDEPENDENT REVIEW

5. Within one hundred and twenty (120) days of the effective date of this ORDER, the Bank shall provide for an effective and comprehensive independent testing of the AML/CFT program. The independent testing should thereafter be conducted at a frequency commensurate with the Bank's ML/TF risk profile. The Bank shall provide the Regional Director and Division with 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. The contract or engagement letter entered into with any third party performing the testing shall provide for unrestricted examiner access to consultant and/or auditor work papers for testing conducted by outside third parties. At a minimum, the independent testing shall include the following:

- (a) Testing that is based on the Bank's ML/TF Risk Assessment,

- (b) Testing of the Bank's internal procedures for monitoring AML/CFT compliance;
- (c) Testing to ensure the Bank has implemented effective Customer Due Diligence (CDD) Programs;
- (d) 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; and
- (e) Performing an adequate level of transaction testing.

CUSTOMER DUE DILIGENCE

6. Within ninety (90) days of the effective date of this ORDER, the Bank shall improve the written CDD Program in a manner acceptable to the Regional Director and the Division as determined at subsequent examinations and/or visitations of the Bank. The revised CDD Program must, at a minimum:

- (a) Provide a risk focused assessment of the customer base of the Bank to determine the appropriate level of ongoing monitoring required to assure that the Bank can reasonably detect suspicious activity, and determine which customers require additional monitoring due to the level of ML/TF posed by the customer relationship;
- (b) Risk rate the Bank's customers based on the potential for money laundering risk or other unlawful activity (e.g. terrorist financing) 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;
- (c) Obtain, analyze, and maintain sufficient customer information necessary to allow effective suspicious activity monitoring, including, but not limited to, documentation of normal and expected transactions of the customer;

(d) Provide guidance for documenting the analysis conducted under the CDD Program, including guidance for resolving issues when insufficient or inaccurate information is obtained;

(e) Establish monitoring procedures required for each customer category under the AML/CFT risk ratings;

(f) Provide 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 Section 353 of the FDIC Rules and Regulations, 12 C.F.R. § 353; and

(g) Require periodic, risk-based monitoring of customer relationships to determine whether the original risk profile remains accurate.

TRAINING

7. Within one hundred and twenty (120) days of the effective date of this ORDER, the Bank shall develop and implement a revised, comprehensive training program that shall have a general component for all management and Bank personnel and specific components tailored to the ML/TF Risk Profile and complexity level. Required training shall be conducted by qualified staff and/or independent contractors, shall include training in all aspects of regulatory and internal policies and procedures related to the AML/CFT regulations, and shall provide specific training regarding the ML/TF risks associated with products offered by the Bank. The revised training program shall require documentation of attendance at training with full explanations of absences with notation of when absentees will be trained. The training program must also incorporate a quality assurance function to ensure personnel implement training objectives.

SANCTIONS COMPLIANCE PROGRAM

8. (a) Within ninety (90) days of the effective date of this ORDER, the Bank must adopt an acceptable Sanctions Compliance Program, including a timetable for implementation, to ensure compliance with applicable sanctions programs issued by the United States government, that shall, at a minimum, provide for:

(i) An annual assessment of sanctions compliance risks arising from the Bank's business activities and customer base, including risks arising from transaction processing and correspondent banking activities conducted by or through the Bank;

(ii) Policies and procedures to ensure compliance with applicable sanctions programs, including screening with respect to transaction processing and correspondent banking activities for Bank customers;

(iii) The establishment of a sanctions compliance reporting system that is widely publicized within the organization and integrated into the Bank's other reporting systems in which employees report known or suspected sanctions violations, and that includes a process designed to ensure that known or suspected sanctions violations are promptly escalated to appropriate compliance personnel for appropriate resolution and reporting;

(iv) Procedures to ensure that the sanctions compliance elements are adequately staffed and funded;

(v) Training for Bank management and personnel on outstanding sanctions programs and the Bank's sanctions compliance program that is tailored to the individual's job responsibilities that is provided on an ongoing, periodic basis; and

(vi) An independent review of the sanctions compliance program.

(b) Within ninety (90) days of the effective date of this ORDER, the Bank must conduct a sanctions risk assessment that provides a complete evaluation of the Bank's sanctions risk (Sanctions Risk Assessment) and shall establish appropriate written policies, procedures, and processes regarding the Sanctions Risk Assessment. The Sanctions Risk Assessment shall address all pertinent risk factors that affect the overall sanctions risk profile of the Bank and ensure that risk ratings are accurate and well supported through qualitative and quantitative data;

(c) Within thirty (30) days of the effective date of this ORDER, the Bank must implement an effective system to ensure that sanctions screening is conducted in a timely

manner and is consistent with internal policy to ensure compliance with sanctions programs laws and regulations;

(d) During the term of this ORDER, to ensure that the Sanctions Compliance Program is functioning effectively to detect, correct, and report, if necessary, sanctioned transactions when they occur, the Bank shall provide for a periodic independent review of sanctions compliance (Sanctions Compliance Review). No later than 30 days before the scheduled commencement of the Sanctions Compliance Review, the Bank shall submit an engagement letter for review to the Regional Director and Division that details the independent external party's scope of work. The independent review should include a review of sanctions compliance policies and procedures and their implementation at the Bank and an adequate level of risk-focused transaction testing. The results of the initial and any subsequent Sanctions Compliance Reviews shall be submitted the Regional Director and Division as part of the next quarterly progress report;

(e) Within sixty (60) days of the effective date of this ORDER the Bank shall:

(i) Develop a proposed plan to provide for a lookback of transactions for compliance of sanctions regulations from January 1, 2022, to March 31, 2024,

(ii) Present the proposed scope of and independent party conducting the Sanctions Lookback Review to the Regional Director and Division for review and approval,

(iii) Complete the Sanctions Lookback Review within a time frame acceptable to the Regional Director and Division, and

(iv) Submit the results of the Sanctions Lookback Review to the Regional Director and the Division within 30 days of completion.

OTHER AML/CFT WEAKNESSES

9. Within ninety (90) days from the effective date of this ORDER, the Bank shall correct all other AML/CFT weaknesses identified in the 2024 Report.

CORRECTION OF VIOLATIONS

10. Within one hundred and twenty (120) days from the effective date of this ORDER, the Bank must ensure that all steps necessary, consistent with other provisions of this ORDER and sound banking practices, are taken to eliminate and correct any violations of law or regulation cited and appropriately address the deficiencies and weaknesses identified by the bank regulators. The Bank must also take all steps necessary to ensure future compliance with all applicable laws and regulations.

DIVIDEND RESTRICTION

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

NOTIFICATION OF SHAREHOLDER

12. 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

13. 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.

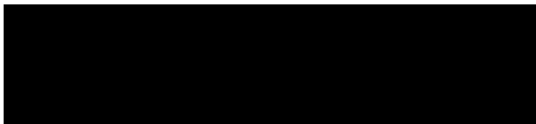
CLOSING PARAGRAPHS

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 unless the Bank has been acquired by another insured depository institution or Bank Holding Company, after proper regulatory approval, and is merged out of existence.

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.

Under delegated authority.

Dated: September 13, 2024



Larisa Collado
Deputy Regional Director
Chicago Regional Office
Federal Deposit Insurance Corporation



Susana Coriano
Acting Director, Division of Banking
Illinois Department of Financial
and Professional Regulation