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M E M O R A N D U M

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To Our Clients and Friends

Re: FDIC Guidance on Corporate Code of Conduct Policy

The Federal Deposit Insurance Corporation (“FDIC”) has issued guidance to remind insured depository institutions of the need for an effective internal corporate code of conduct or written ethics policy that promotes the message that integrity and ethical values of the highest standard should be maintained throughout the organization. An institution’s board of directors should establish clear policies for acceptable business practices and prohibited conflicts of interest, and management should ensure the expectations are understood throughout the institution.

The corporate code of conduct or ethics policy should address:

- Requirements under the Gramm-Leach-Bliley Act for safeguarding and appropriate use of sensitive customer information
- Ensuring the accuracy and reliability of records and accounting information, timely entry of transactions and prohibiting false entries
- Compliance with internal controls for safeguarding of assets and proper reporting and disclosure of financial information
- Responding honestly and candidly to auditors, regulators and attorneys
- Avoiding self-dealing and establishing policies regarding acceptance of gifts and favors that take into account provisions of the Bank Bribery Act
- Ensuring that compliance with all laws and regulations receives a high priority and that employees do not knowingly commit violations
- Implementing an appropriate level of background checks for prospective employees and contractors
- Ensuring that the internal audit program effectively monitors the policy
- Establishing a mechanism to report questionable activity

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The guidance provides that a financial institution should implement penalties for a breach of the policy and provide periodic training on the policy to staff. The policy also should be updated to reflect new business activities.

A copy of the FDIC's guidance can be found on our web site at http://www.schwartzandballen.com/whats_new.html.

If you have any questions, please call Gilbert Schwartz, Robert Ballen or Tom Fox at (202) 776-0700.