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MEMORANDUM

December 27, 2005

To Our Clients and Friends

Re: OCC Guidance on Enforcement Actions for Bank Secrecy Act Violations

The Office of the Comptroller of the Currency (“OCC”) has released guidelines which set out the OCC’s process for taking administrative enforcement actions against national banks based on Bank Secrecy Act (“BSA”) violations. The purpose of the guidance is to ensure that the OCC’s process “is measured, fair and fully informed.”

The guidance provides that when a bank’s deficiencies in its BSA systems and controls rise to the level of a BSA compliance program violation, the OCC is required to issue a cease and desist order. The OCC’s process for taking administrative enforcement action will proceed through the following stages:

- Preliminary assessment of facts is made and discussed with management.
- An OCC review group composed of representatives from bank supervision, compliance policy and legal provides additional review.
- Written findings describing the basis for the violation are prepared.
- The Washington Supervision Review Committee reviews the findings and makes a recommendation to the appropriate senior deputy comptroller.
- The final decision to cite a violation is delegated to the senior deputy comptroller for Large Bank Supervision or the senior deputy comptroller for Mid-Size and Community Bank Supervision.
- The proposed enforcement action is finalized with the bank and the proposed enforcement action is finalized with the bank’s representatives. If civil money penalties are

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warranted, the OCC will contact FinCEN (Financial Crimes Enforcement Network) and the bank is advised that imposition of such penalties are being considered.

In the event potential criminal violations are involved, the OCC will ensure that suspicious activity reports are files and will co-ordinate with law enforcement agencies.

A copy of the OCC'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.