

UNITED STATES OF AMERICA
BEFORE THE
BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON, D.C.

In the Matter of

RICHARD ALAN HENDERSON and
PHILIP HENRY COOPER

Institution-Affiliated Parties of
Regions Bank, Birmingham, Alabama

Docket No. 16-027-G-I

Notice of Prohibition Issued Pursuant to
Section 8(g)(1)(A) of the
Federal Deposit Insurance Act, as
amended

The Board of Governors of the Federal Reserve System (the “Board of Governors”) is of the opinion or has reasonable cause to believe that:

(A) On September 28, 2016, the U.S. Department of Justice filed a superseding indictment against Richard Alan Henderson and Philip Henry Cooper (together, “Respondents”) in the United States District Court for the Northern District of Alabama. *See United States v. Henderson and Cooper*, No. 2:16-cr-182, Dkt. 36 (N.D. Ala. Sept. 28, 2016) (the “Indictment”).

(B) The charges in the Indictment concern a conspiracy among Respondents, as institution-affiliated parties (“IAPs”) of Regions Bank (“Regions”), a state member bank, and a third-party to defraud Regions and its subsidiary, Regions Equipment Finance Corporation (“REFCO”).

(C) The Indictment charges that from about July 2010 until about November 2015, Respondents committed: (1) conspiracy to commit bank bribery and wire fraud affecting a financial institution; (2) bank bribery in violation of 18 U.S.C. §§ 215(a)(2) and 2; (3) eight counts of wire fraud affecting a financial institution in violation of 18 U.S.C. §§ 1343, 1346 and 2; (4) conspiracy to commit money laundering in violation of 18 U.S.C. § 1956(h); and (5)

twenty-eight counts of money laundering in violation of 18 U.S.C. § 1956(a)(1)(B)(i) and 2. Each of these charged crimes involves dishonesty or breach of trust and is punishable by imprisonment for a term exceeding one year within the meaning of section 8(g)(1)(A) of the of the Federal Deposit Insurance Act (“FDI Act”), 12 U.S.C. § 1818(g)(1)(A).

(D) Respondents’ continued service or participation in the conduct of the affairs of any relevant depository institution, as defined in section 8(g)(1)(E) of the FDI Act, 12 U.S.C. § 1818(g)(1)(E), posed, poses, or may pose a threat to the interests of depositors of such institution, or threatened, threatens, or may threaten to impair public confidence in such institution.

THEREFORE, NOTICE IS HEREBY GIVEN by the Board of Governors that, pursuant to section 8(g)(1)(A) of the FDI Act, 12 U.S.C. § 1818(g)(1)(A), each Respondent is prohibited from participating in any manner in the conduct of the affairs of any insured depository institution, holding company thereof, foreign bank, or any institution specified in section 8(e)(7)(A) of the FDI Act, 18 U.S.C. § 1818(e)(7)(A); and such prohibitions shall remain in effect until the Indictment (or any additional superseding indictment) is finally disposed of, or the Board of Governors terminates such prohibitions;

In support of this Notice, which applies individually to each Respondent, the Board of Governors alleges as follows.

JURISDICTION

1. Regions is a state member bank subject to the jurisdiction of the Board of Governors under section 3(d)(2) of the FDI Act, 12 U.S.C. § 1813(d)(2). Accordingly, the Board of Governors is the appropriate Federal banking agency within the meaning of sections 3(q)(3)(A) and 8(g)(1)(A) of the FDI Act, 12 U.S.C. §§ 1813(q)(3)(A) and 1818(g)(1)(A).

2. During the relevant time period, Henderson was an employee of Regions, serving as REFCO's Senior Vice President and Finance Manager until April 2012, when he became REFCO's Chief Administrative Officer.

3. During the relevant time period, Cooper was an employee of Regions, serving as REFCO's Senior Vice President and Asset Manager.

4. Accordingly, during the relevant time period, each Respondent was an IAP of Regions, as defined in sections 3(u), 8(b)(3), and 8(i)(3) of the FDI Act, 12 U.S.C. §§ 1813(u), 1818(b)(3), and 1818(i)(3).

FACTUAL ALLEGATIONS

5. According to the Indictment, Regions offered business customers various financing tools, including equipment financing and lease options for many types of equipment, through REFCO. Before and during the relevant period, REFCO obtained residual value insurance from third party insurance providers. Residual value insurance is a product that helps companies manage asset value risk by guaranteeing that a properly maintained asset will have a specified value at a future date, and allows favorable tax treatment in connection with equipment leases.

6. During the relevant time period, Cooper's duties included procuring residual insurance on REFCO's behalf, and Henderson's duties included approving payments REFCO made to REFCO's residual value insurance providers.

7. In 2010, Respondents conspired with a third party to form Residual Assurance Inc. ("RAI"), and Respondents directed that REFCO purchase residual value insurance from RAI. Between September 2010 and November 2015, REFCO paid RAI approximately \$5.1 million.

8. The payments REFCO made to RAI were then distributed to Respondents as follows: Henderson received 35% (approximately \$1.8 million) and Cooper received 30% (approximately \$1.5 million).

9. According to the Indictment, Respondents formed additional shell companies to receive payments from RAI to disguise that they were the true recipients of the REFCO-RAI transaction proceeds.

10. Respondents' continued participation in Regions' affairs may threaten to impair public confidence in Regions, particularly given the negative publicity of the pending criminal action against Respondents, the serious nature of the allegations set forth in the Indictment, and the particular crimes involved.

PROCEDURES

Within thirty (30) days of service of this Notice, either Respondent (or both Respondents) may file a request for an informal hearing regarding his individual suspension pursuant to section 8(g)(3) of the FDI Act, 12 U.S.C. § 1818(g)(3), and Subpart D of the Rules of Practice for Hearings of the Board of Governors (the "Rules of Practice"), 12 C.F.R. § 263.72. The request shall be filed in writing with the Secretary of the Board of Governors. Upon receipt of a timely request for an informal hearing, the Secretary shall promptly issue an order directing an informal hearing concerning the Respondent's suspension to commence within 30 days of the receipt of the request, which hearing will be conducted in the manner prescribed in section 8(g)(3) of the FDI Act, 12 U.S.C. § 1813(g)(3), and Subpart D of the Rules of Practice, 12 C.F.R. § 263.73. Either Respondent (or both Respondents) may waive in writing his right to an oral hearing and instead elect to have the Board of Governors determine the matter solely on the basis of written submissions. The failure of a Respondent to individually file a timely written request for an

informal hearing shall be deemed to be a waiver of his right to request such a hearing of that Respondent's suspension.

By order of the Board of Governors of the Federal Reserve System, effective
this 20th day of December, 2016.

BOARD OF GOVERNORS OF THE
FEDERAL RESERVE SYSTEM

By: /s/ Robert deV. Frierson
Robert deV. Frierson
Secretary of the Board