

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

In the Matter of

ASIAN FINANCIAL CORPORATION  
Philadelphia, Pennsylvania

and

ASIAN BANK  
Philadelphia, Pennsylvania

Docket Nos. 12-050-B-HC  
12-050-B-SM

Cease and Desist Order Issued  
Upon Consent Pursuant to the  
Federal Deposit Insurance Act,  
as amended

WHEREAS, Asian Financial Corporation, Philadelphia (“Asian Financial”), a registered bank holding company, owns and controls Asian Bank, Philadelphia, Pennsylvania (the “Bank”), a state-chartered bank that is a member of the Federal Reserve System;

WHEREAS, on March 8, 2006, Asian Financial and the Bank entered into a Cease and Desist Order Issued Upon Consent with the Board of Governors of the Federal Reserve System (the “Board of Governors”) to correct certain deficiencies at the Bank relating to safety and soundness (the “2006 Order”);

WHEREAS, Asian Financial and the Bank have not achieved full compliance with each and every provision of the 2006 Order;

WHEREAS, Federal Reserve Bank of Philadelphia (the “Reserve Bank”) examiners have recently identified certain deficiencies at the Bank related to the Bank’s compliance with certain applicable federal and state laws, rules, and regulations relating to anti-money laundering (“AML”), including the Bank Secrecy Act (the “BSA”) (31 U.S.C. § 5311 et seq.); the rules and regulations issued thereunder by the U.S. Department of the Treasury (31 C.F.R. Chapter X); and

the AML requirements of Regulation H of the Board of Governors (12 C.F.R. §§ 208.62 and 208.63);

WHEREAS, the Board of Governors, the Reserve Bank, Asian Financial, and the Bank have the common goal to restore and maintain the financial soundness of the Bank and that the Bank operates in compliance with all applicable federal and state laws, rules, and regulations;

WHEREAS, Asian Financial, the Bank, and the Board of Governors have mutually agreed to enter into this Cease and Desist Order Issued Upon Consent (the “Order”);

WHEREAS, on July 26, 2012, the boards of directors of Asian Financial and the Bank, at duly constituted meetings, adopted resolutions authorizing and directing James Wang, as an officer of Asian Financial and of the Bank, to enter into this Order on behalf of Asian Financial and the Bank and consenting to compliance with each and every applicable provision of this Order by Asian Financial, the Bank, and their institution-affiliated parties, as defined in sections 3(u) and 8(b)(3) of the Federal Deposit Insurance Act, as amended (the “FDI Act”) (12 U.S.C. §§ 1813(u) and 1818(b)(3)), and waiving any and all rights that Asian Financial and the Bank may have pursuant to section 8 of the FDI Act (12 U.S.C. § 1818), including, but not limited to: (i) the issuance of a notice of charges; (ii) a hearing for the purpose of taking evidence on any matters set forth in this Order; (iii) judicial review of this Order; (iv) contest the issuance of this Order by the Board of Governors; and (v) challenge or contest, in any manner, the basis, issuance, validity, terms, effectiveness or enforceability of this Order or any provision hereof.

NOW, THEREFORE, IT IS HEREBY ORDERED that, pursuant to sections 8(b)(1) and (3) of the FDI Act (12 U.S.C. §§1818(b)(1) and 1818(b)(3)), Asian Financial, the Bank, and their institution-affiliated parties shall cease and desist and take affirmative action as follows:

## **Safety and Soundness**

### **Source of Strength**

1. The board of directors of Asian Financial shall take appropriate steps to fully utilize Asian Financial's financial and managerial resources, pursuant to section 38A of the FDI Act (12 U.S.C. § 1831o-1) and section 225.4(a) of Regulation Y of the Board of Governors (12 C.F.R. § 225.4(a)), to serve as a source of strength to the Bank, including, but not limited to, taking steps to ensure that the Bank complies with this Order and any other supervisory action taken by the Bank's federal or state regulators.

### **Board Oversight**

2. Within 60 days of this Order, the board of directors of the Bank shall submit to the Reserve Bank a written plan to strengthen board oversight of the management and operations of the Bank. The plan shall, at a minimum, address, consider, and include:

(a) The actions that the board of directors will take to improve the Bank's condition and maintain effective control over, and supervision of, the Bank's major operations and activities, including, but not limited to, the BSA/AML compliance program and the Bank's earnings;

(b) the responsibility of the board of directors to monitor management's adherence to approved Bank policies and procedures, and applicable laws and regulations;

(c) adequate staffing of the compliance function with individuals who have the demonstrated ability, experience, training, and other necessary qualifications required to perform present and anticipated duties;

(d) measures to strengthen management; and

(e) a management succession plan for senior management.

## Capital Plan

3. Within 60 days of this Order, Asian Financial and the Bank shall submit to the Reserve Bank an acceptable joint written plan to maintain sufficient capital at the Bank. The plan shall, at a minimum, address, consider, and include the Bank's current and future capital requirements, including:

(a) Compliance with the Capital Adequacy Guidelines for State Member Banks: Risk-Based Measure and Tier 1 Leverage Measure, Appendices A and B of Regulation H of the Board of Governors (12 C.F.R. Part 208, App. A and B);

(b) the adequacy of the Bank's capital, taking into account the volume of classified assets, concentrations of credit, the adequacy of the allowance for loan and lease losses ("ALLL"), current and projected asset growth, projected earnings, and anticipated and contingency funding needs;

(c) the source and timing of additional funds to fulfill the Bank's future capital requirements; and

(d) the requirements of section 38A of the FDI Act and section 225.4(a) of Regulation Y of the Board of Governors that Asian Financial serve as a source of strength to the Bank.

4. Asian Financial and the Bank shall notify the Reserve Bank, in writing, no more than 30 days after the end of any calendar quarter in which any of the Bank's capital ratios (total risk-based, Tier 1 risk-based, or leverage) fall below the approved capital plan's minimum ratios. Together with the notification, Asian Financial and the Bank shall submit to the Reserve Bank an acceptable written plan that details the steps Asian Financial and the Bank will take to increase the Bank's capital ratios to or above the approved capital plan's minimums.

## **Audit Committee**

5. Within 90 days of this Order, the Bank shall submit to the Reserve Bank an acceptable enhanced written internal audit program that is suitable to the Bank's risk profile.

The enhanced program shall, at a minimum, provide for:

- (a) Improved oversight of all aspects of the audit program by the board of directors' audit committee;
- (b) a requirement that the audit committee be composed solely of outside directors;
- (c) regularly scheduled audit committee meetings and procedures for the maintenance of full and complete audit meeting minutes and written reports to the full board of directors;
- (d) procedures for timely resolution of audit findings; and
- (e) comprehensive tracking and reporting of the status and resolution of audit and examination findings to the audit committee and full board of directors.

## **Earnings Plan and Budget**

6. (a) Within 60 days of this Order, the Bank shall submit to the Reserve Bank a plan to improve the Bank's earnings and a revised budget for the remainder of 2012. The written plan shall include, but not be limited to:

- (i) Identification of the major areas where, and means by which, the Bank's board of directors will seek to improve the Bank's operating performance;
- (ii) a realistic and comprehensive revised budget for calendar year 2012, including income statement and balance sheet projections; and

(iii) a description of the operating assumptions that form the basis for, and adequately support, major projected income, expense, and balance sheet components.

(b) A plan and budget for each calendar year subsequent to 2012 shall be submitted to the Reserve Bank at least 30 days prior to the beginning of that calendar year.

### **Dividends**

7. (a) Asian Financial and the Bank shall not declare or pay any dividends without the prior written approval of the Reserve Bank and the Director of the Division of Banking Supervision and Regulation of the Board of Governors.

(b) Asian Financial shall not take any other form of payment representing a reduction in capital from the Bank without the prior written approval of the Reserve Bank.

(c) All requests for prior approval shall be received at least 30 days prior to the proposed dividend declaration date. All requests shall contain, at a minimum, current and projected information, as appropriate, on Asian Financial's capital, earnings, and cash flow; the Bank's capital, asset quality, earnings and ALLL needs; and identification of the sources of funds for the proposed payment or distribution. Asian Financial and the Bank, as appropriate, must also demonstrate that the requested declaration or payment of dividends is consistent with the Board of Governors' Policy Statement on the Payment of Cash Dividends by State Member Banks and Bank Holding Companies, dated November 14, 1985 (Federal Reserve Regulatory Service, 4-877 at page 4-323).

### **Debt and Stock Redemption**

8. (a) Asian Financial shall not, directly or indirectly, incur, increase, or guarantee any debt without the prior written approval of the Reserve Bank. All requests for prior written approval shall contain, but not be limited to, a statement regarding the purpose of the

debt, the terms of the debt, and the planned source(s) for debt repayment, and an analysis of the cash flow resources available to meet such debt repayment.

(b) Asian Financial shall not, directly or indirectly, purchase or redeem any shares of its stock without the prior written approval of the Reserve Bank.

### **Compliance with Laws and Regulations**

9. (a) In appointing any new director or senior executive officer, or changing the responsibilities of any senior executive officer so that the officer would assume a different senior executive officer position, Asian Financial and the Bank shall comply with the notice provisions of section 32 of the FDI Act (12 U.S.C. § 1831i) and Subpart H of Regulation Y of the Board of Governors (12 C.F.R. §§ 225.71 *et seq.*).

(b) Asian Financial and the Bank shall comply with the restrictions on indemnification and severance payments of section 18(k) of the FDI Act (12 U.S.C. § 1828(k)) and Part 359 of the Federal Deposit Insurance Corporation's regulations (12 C.F.R. Part 359).

### **BSA/AML Compliance**

#### **Compliance Program**

10. Within 60 days of this Order, the Bank shall submit to the Reserve Bank an acceptable revised written BSA/AML compliance program designed to improve the Bank's internal controls to ensure compliance with all applicable provisions of the BSA and the rules and regulations issued thereunder. The program shall include provisions for updates on an ongoing basis as necessary to incorporate amendments to the BSA and the rules and regulations issued thereunder. At a minimum, the program shall include:

(a) Improvements to the Bank's system of internal controls to ensure compliance with all recordkeeping and reporting requirements; and

(b) adequate resources for the BSA/AML compliance officer, including sufficient staffing levels, to implement and maintain an effective program for compliance by the Bank with all applicable BSA/AML requirements and the institution's internal policies and procedures.

### **Suspicious Activity Reporting and Customer Due Diligence**

11. Within 60 days of this Order, the Bank shall submit to the Reserve Bank an acceptable written customer due diligence program designed to reasonably ensure the identification and timely, accurate, and complete reporting of all known or suspected violations of law against or involving the Bank and suspicious transactions at the Bank to law enforcement and supervisory authorities as required by applicable suspicious activity reporting laws and regulations. At a minimum, the program shall include:

(a) A risk-focused assessment of the Bank's customer base that:

(i) identifies the categories of customers whose transactions and banking activities are routine and usual; and

(ii) determines the appropriate level of enhanced due diligence necessary for those categories of customers that pose a heightened risk of conducting potentially illicit activities at or through the Bank;

(b) for each customer who requires enhanced due diligence, procedures to:

(i) determine the appropriate documentation necessary to verify the identity and business activities of the customer;

(ii) understand the normal and expected transactions of the customer;

and

- (iii) periodically review the adequacy of the customer files

documentation;

(c) establishment of procedures and appropriate monitoring criteria to ensure proper detection and timely reporting of all known or suspected violations of law and suspicious transactions, including, but not limited to:

- (i) effective monitoring of customer accounts and transactions;

(ii) appropriate participation by senior management in the process of identifying, reviewing, and reporting potentially suspicious activity;

(iii) adequate referral and escalation of information about potentially suspicious activity through appropriate levels of management;

(iv) adequate procedures to ensure the timely and complete preparation and filing of Suspicious Activity Reports; and

(v) maintenance of sufficient documentation with respect to the investigation and analysis of potentially suspicious activity, including the escalation and resolution of concerns.

### **Transaction Review**

12. Within 30 days of this Order, the Bank shall engage an independent consultant acceptable to the Reserve Bank (the “Independent Firm”) to conduct a review of account and transaction activity during the time period between January 1, 2011 and March 1, 2012 to determine whether suspicious activity involving accounts or transactions at, by, or through the Bank was properly identified and reported in accordance with applicable suspicious activity reporting regulations (the “Transaction Review”) and to prepare a written report detailing the Independent Firm’s findings (the “Independent Firm’s Report”).

13. Within 10 days of the engagement of the independent consultant, but prior to the commencement of the Transaction Review, Asian Bank shall submit to the Reserve Bank for approval an engagement letter that sets forth:

- (a) The scope of the Transaction Review;
- (b) the methodology for conducting the Transaction Review;
- (c) the expertise and resources to be dedicated to the Transaction Review;
- (d) the anticipated date of completion of the Transaction Review and the Independent Firm's Report; and
- (e) a commitment that supporting material associated with the Transaction Review will be made available to the Reserve Bank upon request.

14. The Bank shall provide to the Reserve Bank a copy of the Independent Firm's Report at the same time that the report is provided to the Bank.

15. Throughout the Transaction Review, the Bank shall ensure that all matters or transactions required to be reported that have not previously been reported are reported in accordance with applicable rules and regulations.

### **Compliance with the Order**

16. Within 45 days after the end of each calendar quarter following the date of this Order, the boards of directors of the Asian Financial and the Bank shall jointly submit to the Reserve Bank written progress reports detailing the form and manner of all actions taken to secure compliance with this Order and the results thereof.

## **Approval and Implementation of Plan and Programs**

17. (a) The Bank and, as applicable, Asian Financial shall submit a written plan and programs that are acceptable to the Reserve Bank within the time periods set forth in paragraphs 3, 4, 5, 10, and 11 of this Order. An independent consultant acceptable to the Reserve Bank shall be retained by the Bank within the time period set forth in paragraph 12 of this Order. An engagement letter acceptable to the Reserve Bank shall be submitted within the time period set forth in paragraph 13 of this Order.

(b) Within 10 days of written approval by the Reserve Bank, the Bank shall adopt the approved plan and programs. Upon adoption, the Bank and, as applicable, Asian Financial shall promptly implement the approved plan and programs, and thereafter fully comply with them.

(c) During the term of this Order, the approved plan, programs, and engagement letter shall not be amended or rescinded without the prior written approval of the Reserve Bank.

## **Communications**

18. All communications regarding this Order shall be sent to:

- (a) Christopher C. Henderson  
Assistant Vice President  
Federal Reserve Bank of Philadelphia  
Ten Independence Mall  
Philadelphia, Pennsylvania 19106-1574
- (b) James Wang  
President  
Asian Financial Corporation  
Asian Bank  
913 Arch Street  
3<sup>rd</sup> Floor  
Philadelphia, Pennsylvania 19107

19. Notwithstanding any provision of this Order, the Reserve Bank may, in its sole discretion, grant written extensions of time to Asian Financial and the Bank to comply with any provision of this Order.

20. The provisions of this Order shall be binding upon Asian Financial, the Bank, and their institution-affiliated parties, in their capacities as such, and their successors and assigns.

21. Each provision of this Order shall remain effective and enforceable until stayed, modified, suspended or terminated in writing by the Reserve Bank.

22. The provisions of this Order shall not bar, estop, or otherwise prevent the Board of Governors, the Reserve Bank, or any other federal or state agency from taking any other action affecting Asian Financial, the Bank, or any of their current or former institution-affiliated parties and their successors and assigns.

23. This Order supersedes the 2006 Order.

By order of the Board of Governors, effective this 1<sup>st</sup> day of August, 2012.

ASIAN FINANCIAL CORPORATION

BOARD OF GOVERNORS OF THE  
FEDERAL RESERVE SYSTEM

By: /s/ James Wang  
James Wang  
President and  
Chief Executive Officer

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

ASIAN BANK

By: /s/ James Wang  
James Wang  
President and  
Chief Operating Officer