

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

In the Matter of

FANG FANG

A former institution-affiliated party of  
J.P. Morgan Securities (Asia Pacific) Limited,  
Central, Hong Kong, China

A Non-Bank Subsidiary of a Registered Bank  
Holding Company

Docket Nos. 17-006-E-I  
17-006-CMP-I

Notice of Intent to Prohibit and  
Notice of Assessment of a Civil  
Money Penalty Pursuant to Section 8  
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) Fang Fang (“Fang”), a former employee of J.P. Morgan Securities (Asia Pacific) Limited (“JPMSAP”), a non-bank subsidiary of J.P. Morgan Chase & Co. (“JPMC”), a bank holding company, New York, New York (collectively, the “Firm”), engaged in unsafe or unsound practices, violations of law, and breaches of fiduciary duty. The practices, violations, and breaches of fiduciary duty relate to a referral hiring program operated by Fang at J.P. Morgan’s Asia-Pacific region investment bank. Through this referral hiring program, individuals referred by foreign officials, clients and prospective clients were offered internships and other employment opportunities in order to obtain improper business advantages in violation of Firm policies and U.S. anti-bribery law. In connection with the misconduct described herein, Fang received a financial gain or other benefit and the Firm suffered financial loss or other damage; and

(B) The misconduct described herein involves personal dishonesty or a willful or continuing disregard for the safety and soundness of the Firm on the part of Fang.

Accordingly, the Board of Governors hereby institutes this combined Notice of Intent to Prohibit and Assessment of Civil Money Penalty (the “Notice”) for the purpose of determining whether an appropriate order should be issued:

- i. Permanently barring Fang from participating in any manner in the conduct of the affairs of any institution specified in 12 U.S.C. § 1818(e)(7)(a), pursuant to section 8(e) of the Federal Deposit Insurance Act, as amended (the “FDI Act”), 12 U.S.C. § 1818(e); and
- ii. Assessing a civil money penalty against Fang pursuant to section 8(i) of the FDI Act, 12 U.S.C. § 1818(i), of \$1,000,000.

In support of this Notice, the Board of Governors alleges as follows:

### **JURISDICTION**

1. JPMSAP is, and was at all material times relevant to this Notice, a non-bank subsidiary of JPMC, a bank holding company subject to the supervision and regulation of the Board of Governors. In addition, JPMSAP is, and was at all material times relevant to this Notice, a subsidiary of an Edge Act corporation organized under section 25A of the Federal Reserve Act (12 U.S.C. § 611 *et seq.*) subject to the supervision and regulation of the Board of Governors. Accordingly, the Board of Governors is the appropriate Federal Banking Agency to bring charges against institution-affiliated parties of JPMSAP within the meaning of sections 3(q)(3) and 8(b)(3) of the FDI Act, 12 U.S.C. §§ 1813(q)(3), 1818(b)(3).

2. Fang was employed by JPMSAP as a Managing Director and head of China Investment Banking at all material times relevant to this Notice, and was an institution-affiliated party of the Firm, as defined in sections 3(u) and 8(b)(3) of the FDI Act, 12 U.S.C. §§ 1813(u)

and 1818(b)(3), and subject to the Board of Governors' enforcement jurisdiction under sections 8(e) and 8(b)(3) of the FDI Act, 12 U.S.C. §§ 1818(e)(3) and 1818(b)(3).

3. The material period for purposes of this notice, unless otherwise stated, is January 1, 2008 through at least April 12, 2013.

### **FACTUAL ALLEGATIONS**

4. The Foreign Corrupt Practices Act ("FCPA"), 15 U.S.C. §§78dd-1 *et seq.*, and JPMC's firm-wide policies prohibit the Firm's employees from offering, directly or indirectly, anything of value to foreign officials in order to obtain improper business advantages for the Firm.

5. Other applicable anti-bribery laws and JPMC's firm-wide policies prohibit the Firm's employees from offering, directly or indirectly, anything of value to existing or prospective commercial clients in order to obtain improper business advantages for the Firm.

6. Fang was hired by JPMSAP in 2001. By 2007, Fang was a Managing Director and Head of China Investment Banking. In 2010, Fang was promoted to Vice Chairman of the Asia-Pacific region and remained Head of China Investment Banking until his resignation in June 2014. Throughout the relevant period, Fang supervised junior bankers and served as a coverage banker for various clients.

7. From at least 2008 through 2013, as further set forth below, Fang managed a referral hiring program for the Firm's Asia-Pacific region ("APAC") investment bank, principally in China. That program provided internships and other employment opportunities within the Firm for candidates who were referred, directly or indirectly, by foreign government officials and existing or prospective commercial clients in order to obtain improper business advantages for the Firm. The referral hiring program violated the FCPA, the Firm's internal policies and other applicable bribery laws.

## **Overview of the Referral Hiring Program**

8. From approximately 2004 to 2013, the Firm's APAC investment banking group operated a referral hiring program to provide internships, training, and other employment opportunities to candidates referred, directly or indirectly, by foreign government officials and existing or prospective commercial clients who were not qualified for the Firm's traditional internship program ("Referral Hires"). Generally, the referral hire internships were hosted in the Firm's Beijing and Hong Kong offices.

9. Referral requests largely came in from foreign government officials and existing or prospective commercial clients. Fang and other bankers prioritized referred candidates based on the importance of the client and the likely benefit to the Firm of hiring a candidate. Although Referral Hires were generally not subject to the same qualifications, workload and expectations as non-referred candidates, they frequently received the same titles and comparable salaries.

10. By early 2008, APAC bankers began to use the program as a tool to generate revenue by extending offers to candidates referred by executives and government officials in exchange for improper business advantages. For example, in 2008, Fang sponsored an intern referred by an executive of a state-owned entity. Fang was told that the intern was "way under-qualified" but was also informed that the entity had a "pending placement subject to market condition and [the referring executive] made it clear that [the proposed intern] is our ticket to this mandate." After obtaining the approval of the Junior Resources Management, a division which helped administer the referral hiring program, Fang indicated that he would pressure the state-owned entity "until we get some revenue from them to 'compensate' this."

### **Fang Helped Institutionalize a Referral Hiring Program for the Purpose of Winning Business**

11. The referral hiring program was overseen by the Junior Resources Management group in APAC. In or around 2008, the head of APAC's Investment Banking Group asked Fang

to help approve Referral Hires. Fang worked with the Junior Resources Management group to approve internship offers for the program. Fang prioritized hiring based on the importance of business, the near term revenue that could be generated, and the importance of the hiring to the company that referred the candidate.

12. In June 2009, Fang supported creating a formalized referral hiring program to compete with other banks and win business. He told colleagues, “[y]ou all know I have always been a big believer of the sons and daughters program – it almost has a linear relationship with mandates, at least in China. We lost a deal to [a competitor] today because they got chairman’s daughter work for them this summer. I am supportive to have our own program.”

13. In September 2009, Fang emailed the head of APAC regarding takeaways from a China Offsite meeting, “[o]ne specific item that we may need your help is how to run a better sons and daughters program, which has an almost linear relationship with mandates in China. People believe [competing banks] are doing a much better job. On the other hand, we J.P. Morgan have had a few disastrous cases which I can share with you later.”

14. In 2009, Fang and other APAC senior bankers refined the program with the goal of maximizing business benefits and deal conversion from full-time Referral Hires. Fang was shown a presentation to the head of APAC investment banking which indicated that there must be a “[d]irectly attributable linkage to [a] business opportunity” to extend an internship or other opportunity to a referred candidate, and there must be “[c]lear accountability for deal conversion,” that is, the ability for a referral hire to convert actual transactions for the Firm. Accordingly, for a certain period of time, bankers tracked “deal conversion” for each referral hire in a spreadsheet. The purposes for such tracking included ensuring there was “absolutely no free lunch,” given that the hires that they took up “company resources and management time.”

15. In approximately 2009, the Firm's APAC investment banking group also began hiring referral candidates on an ad hoc basis for 1-year fixed terms. Fang ensured that the APAC investment bank in China "roll[ed] people off after one year in order to refresh the quota for new business leads (and the kids benefit[ed] from 'gold plating' with [JPMC's Investment Bank] on their CVs)." However, contracts were generally renewed when bankers had a concern that off-boarding the referral would adversely affect the client relationship.

16. Starting in 2010, as a result of the refinements, many Referral Hires were accommodated through a four-week "Summer Training Program," which bankers often referred to informally as "summer camp." The purpose of converting it to a training program was so that the investment bank could "handle a larger volume of summer interns."

17. By 2010, Fang was seen within the investment bank as the "gatekeeper" for the referral hiring program and had final sign-off for proposed candidates. Fang and Junior Resources Management staff discussed tying referred candidates to specific benchmarks for potential business. A Junior Resources Management banker who worked with Fang on the referral hiring program reported:

Fang's view is this is a very competitive program, costs us lots of resources to run and sponsors need to make a strong case for their referrals – minimum \$3m tangible fees sounds like a sensible benchmark. . . [F]ang is very happy that we are doing this program and said he can sleep better at night knowing that we now have a structured program to entertain the little darlings.

18. Fang tied hiring referred candidates to potential business for the Firm. In regards to one referred candidate, Fang asked, "[i]s there any mandate currently we are pitching to [the company] that we can 'exchange' for? As you know, we are in the business of doing deals not doing charity school work." Fang passed on some candidates who were not tied to business deals. For example, in 2011, Fang directed that one candidate be interviewed but not hired "until

the major deal materializes.” In 2013, he forwarded an internship request from the chairwoman of a private company to colleagues stating, “[t]he key is if she has real business for us.”

19. Fang was also aware that other APAC bankers used the referral hiring program to solicit business. For example, in 2009, the Head of Junior Resources Management emailed Fang and others cautioning “we have to be incredibly stingy with any summer offerings, only made available to top tier deal situations, as numbers are tight as expected.” In 2011, Fang was informed that the Financial Institutions Group hired a referred candidate for a permanent position after the Chairman of the company confirmed JPMC would have a senior position in an initial public offering (“IPO”) if they hired his daughter full time.

20. In April 2013, JPMC ended the Firm’s referral hiring and training program.

**Anti-Bribery Laws and JPMC Policies Prohibited Offering Internships in Exchange for Improper Business Advantages**

21. The anti-bribery provisions of the FCPA prohibit payments of anything of value to foreign officials for the purposes of influencing the foreign official in his or her official capacity in order to obtain improper business advantages for the Firm.

22. From at least September 2007 to the present, JPMC incorporated the FCPA’s anti-bribery provisions into a firm-wide Anti-Corruption Policy which prohibited offers of anything of value to public officials to secure improper business advantages. The Anti-Corruption Policy identified the offering of internships and training to the relatives of public officials as a potential bribery risk pursuant to federal law and other anti-corruption statutes.

23. From at least June 2011 to the present, JPMC’s firm-wide Anti-Corruption Policy prohibited offers of anything of value to existing or prospective commercial clients to secure improper business advantages. JPMC identified the offering of internships and training to the relatives of existing or prospective commercial clients as a potential bribery risk pursuant to applicable anti-corruption statutes.

**Fang knew that Offering Internships in Exchange for Business  
Violated Applicable Anti-Bribery Laws and JPMC Policies**

24. In March 2006, the Head of the Junior Resources Management Group emailed all APAC bankers, including Fang, stating that “the firm does not condone the hiring of the children or other relatives of clients or potential clients of the Firm . . . for the purpose of securing or potentially securing business for the Firm. In fact, the firm’s policies expressly forbid this. There are no exceptions.”

25. In September 2007, Fang participated in a training course on the Firm’s Anti-Corruption Policy. The training stated that:

It is improper and illegal to make an offer to secure an advantage by causing a non-U.S. public official to misuse his or her position as result of the offer. \* \* \* The [prohibited] expenditure is not limited to gifts and entertainment. It also includes items of ‘value’ like an offer of an internship or training for relatives of a non-U.S. public official.

26. To ensure adherence to the Firm’s policies regarding anti-bribery, bankers were required to complete a questionnaire for each referral hire that was designed to identify potential anti-bribery and corruption-related issues. During this process, Fang was instructed that referred candidates could not be hired as part of an agreement to secure business for the Firm.

27. In October 2009, Fang participated in a training course on the Firm’s Anti-Corruption Policy. The training explained that employees were prohibited from offering things of value to public officials to secure improper business advantages. The training stated, “[p]lease note that ‘value’ does not just include gifts and entertainment; it can also include such things as the offer of internships or training for relatives of a public official.”

28. In November 2009, Fang distributed to the China Investment Bank an article about a banker at a competitor who was prosecuted for violations of the FCPA. Fang noted, “China anti-bribery laws as well as FCPA may apply in the following situations . . . any

proposed hiring of close relatives of Public Officials or candidates (including interns) recommended by any Public official.” Subsequently, an APAC banker emailed Fang highlighting a section in the article “about the hiring of the daughter and how chinese and US investigators and seeking to find whether it was for a quid pro quo,” and suggesting that the case “may have broader implications for our relationship hires.”

29. In June 2010, the head of the APAC investment banking group emailed APAC bankers advising them of the restrictions under the FCPA. The guidelines stated that expenses such as “internships and training for family members” would need to be pre-cleared by compliance.

30. In September 2011, Fang participated in a training course on the Firm’s Anti-Corruption Policy. The training explained that JPMC employees must pre-clear “[a]ny offer of JPMorgan Chase employment or internship (whether paid or unpaid) to any person upon the recommendation of friends, relatives or associates of a non-U.S. government official.”

31. In March 2012, the Firm distributed an Asia Compliance Reminder regarding anti-corruption policies. Fang’s secretary forwarded an excerpt to him, “What needs to be pre-cleared? Expenses valued at over US\$ 100 (e.g., meals, entertainment, gifts), offers of employment for family or associates of the official, or charitable contributions requested by the official.”

**For Years, Fang Facilitated or Approved Hiring Referred Candidates in Violation of Anti-Bribery Laws and Internal Policies**

32. Fang engaged in a pattern of hiring referred candidates in violation of applicable anti-bribery laws and the Firm’s internal policies. Below are some of the representative examples of these hires.

33. In May 2008, Fang was contacted by a government official regarding his son’s (Candidate 1) job elimination at the Firm. Fang emailed the CEO of JPMC Asia advocating

retaining Candidate 1 to obtain business for the Firm stating, “I do have a few cases where I think we can leverage the father’s connection.” Although Fang was notified that Candidate 1 was a poor performer, he arranged for Candidate 1 to work in an APAC investment group located in New York. Candidate 1 was eventually terminated for poor performance.

34. In 2009, Fang was forwarded negative interview feedback for Candidate 2, a daughter of two government officials. Candidate 2’s mother was employed by a government entity with regulatory authority over a Firm client who was seeking to issue an IPO. The feedback stated that Candidate 2 was “very marginal; we have doubt about her education background. very messy and not consistent; Her accounting and financial knowledge is so so too; Her thinking is not clear.” Fang discussed Candidate 2 with the Head of Junior Resources Management and Candidate 2 was hired by the Firm.

35. In January 2010, an executive at a state-owned entity (“SOE”), SOE 1, referred family friend, Candidate 3, to Fang requesting that the candidate be hired and placed in the New York office. At that time, JPMC was pitching for a lead role in SOE 1’s IPO and the referring executive was leading the IPO effort. A senior banker in New York understood that JPMC’s chances of winning the SOE 1 deal would increase if Candidate 3 were hired by the Firm.

36. To accommodate the referral, Fang and the senior banker sought out the assistance of a number of groups, explaining the importance of hiring Candidate 3 and offering to fund his internship in other business units. Notwithstanding these efforts, three groups refused to hire Candidate 3 due to his lack of qualifications. Fang therefore requested that a position be created specifically for Candidate 3 in the APAC investment banking group that worked out of the Firm’s New York office. The request to create a special position for Candidate 3 was in order to further the APAC investment bank’s IPO pitch with SOE 1. A special position in the

Firm's New York office was created for Candidate 3 and SOE 1 named the Firm a bookrunner for the IPO, which generated net fees of over \$23 million for the Firm.

37. In March 2010, Fang was approached by the Chairman of SOE 2 regarding an internship for his son, Candidate 4. Fang informed other senior bankers: "Given the size of the group and the existing and potential business opportunities from this group to [the Firm], I responded to this request positively. Let's gather our thought on how we can leverage more on this account going forward." Fang asked other bankers to coach Candidate 4 prior to his interview. In April 2010, Candidate 4 received an offer. In May 2010, Fang emailed other bankers that JPMC had "a mandate to be sole bookrunner for a USD300mm+ placement of a SOE 2's listed subsidiary in HK. This will be our first transaction for this group."

38. In March 2011, the APAC investment bank extended Candidate 4's contract. A banker explained, "Fang said one contract will be necessary—we are [Joint Book Runner] without being [Joint Global Coordinator] at present and they are trying to squeeze into [Joint Global Coordinator] role." In May 2012, Fang emailed a Junior Resources Management banker regarding another contract extension for Candidate 4, "[g]iven where we are on [SOE 2], I think we may need another contract for Candidate 4." When asked about length of the contract, Fang replied "[I]et's have another one year then." In the fall of 2012, Fang successfully sought a promotion for Candidate 4 with the understanding that he would leave the company shortly thereafter. The Firm eventually withdrew from the IPO due to inquiries by regulators into the Firm's referral hiring practices.

39. In September 2011, the Chairman of a private company (Company 1) approached APAC bankers for a permanent position for his niece (Candidate 5). One of the bankers explained that the job "should be somehow [a] check point to ensure us a senior role (leading JGC) when the deal come[s] out." This discussion was forwarded to Fang. In February 2012,

Fang was informed by the Head of the Financial Institutions Group, “[a]s you know, as part of our [Company 1] ipo strategy and after [the chairman] confirmed that J.P. Morgan would have ‘a very senior position in the ipo’ we have kept [Candidate 5] as an analyst given her family background. . . . I believe this is the right commercial decision.”

40. In March 2012, a senior banker forwarded the resume of Candidate 6 to Fang and the Junior Resources Management banker. Candidate 6 was referred by the daughter of a Chairman of a private company (Company 2) that previously did a placement with the Firm. The senior banker told Fang the Chairman “told me they are very likely to do CB or another placement, after Company 2’s latest annual result announcement in late March.” Fang agreed to support the internship once satisfied the referral hire would lead to business for the Firm. Candidate 6 received an offer.

41. In July 2012, Fang emailed colleagues about a potential deal with Company 3. Fang stated that “[a]s part of the ‘swap’, he wants his daughter (Candidate 7) (last year in high school) to spend some time with us this summer. I agreed to put her into our training program and told him that it will end July 27. He is happy.” Candidate 7 received an invitation to the summer program.

42. In January 2013, a banker emailed Fang and others asking for a position for Candidate 8, the son of the Chairman of Company 4, who was employed by the joint venture. The banker stated that Company 4 will be active in the bond market. Fang suggested that headcount would be difficult suggested that the joint venture hire Candidate 8, noting “[i]f he can’t qualify for SJV, you can hardly believe he will survive at JPM.” After the joint venture did not want to hire Candidate 8, the bankers suggested “a 6 month internship. If there is no deal in that time we don’t renew, if there is, we renew...and if there has been a second deal, we can restart an internship in Jan (we’ve just done this elsewhere).” This offer was discussed with

Fang. Before offering the internship, the bankers sought and received clarity that they would be on Company 4's future financings. Based on feedback from the Chairman, the bankers extended the internship to a year term. A position was offered to Candidate 8 but he resigned to join another bank full time.

**The Firm's Referral Hiring Practices Have Resulted in Fines and Reputational Losses**

43. On November 17, 2016, JPMSAP entered into a non-prosecution agreement with the DOJ relating to the Firm's Referral Hiring Practices, including those mentioned above, by agreeing to pay a \$72 million penalty.

44. On November 17, 2016, JPMC settled allegations relating to the Firm's Referral Hiring Practices, including those mentioned above, with SEC by agreeing to pay \$105 million in disgorgement and \$25 million in prepayment interest.

45. JPMC has also suffered reputational losses in the form of negative news stories regarding the APAC Investment Bank's Referral Hiring Program.

**VIOLATIONS OF LAW AND REGULATION, UNSAFE OR UNSOUND PRACTICES, AND BREACHES OF FIDUCIARY DUTY BY FANG**

**COUNT I: Unsafe or Unsound Banking Practices**

46. As set forth in paragraphs 1 through 45, Fang engaged in unsafe or unsound practices by failing to follow policies and procedures aimed at preventing violations of applicable anti-bribery laws. These unsafe or unsound practices caused the Firm to suffer financial loss and posed legal and reputational risks to the Firm.

47. In addition, Fang engaged in unsafe or unsound practices by failing to supervise his subordinates during the course of their employment and to prevent or report his subordinates' failure to follow policies and procedures aimed at preventing violations of applicable anti-bribery

laws. These unsafe or unsound practices caused the Firm to suffer financial loss and posed legal and reputational risks to the Firm.

### **COUNT II: Violations of the Foreign Corrupt Practices Act**

48. As set forth in Paragraphs 1 through 45 above, Fang knowingly participated in the Firm's FCPA violations while employed at the Firm.

49. At all relevant times, the FCPA, 15 U.S.C. § 78dd-1(a), prohibited offers to pay money or anything of value to a foreign official in order to influence an official act or decision of the foreign official in order to obtain or retain business.

50. The internships, training, and other employment opportunities offered to candidates referred, directly or indirectly, by foreign government officials are a thing of value for purposes of federal anti-bribery law.

51. On November 17, 2016, JPMSAP entered a non-prosecution agreement with the Department of Justice for violations of the FCPA related to the APAC Investment Bank's referral hiring program from 2007-2012.

52. On November 17, 2016, JPMC entered into a civil settlement with the Securities Exchange Commission for civil violations of the FCPA related to the APAC Investment Bank's referral hiring program from 2006-2013.

### **COUNT III: Breaches of Fiduciary Duty**

53. At all relevant times, the Firm had general policies and procedures prohibiting Fang's conduct, including the Anti-Corruption Policy and Code of Conduct. In addition, as a Managing Director at the Firm, Vice Chairman of APAC and head of China Investment Banking, Fang had a duty to supervise the personnel working under him, and to escalate any misconduct by his subordinates to appropriate senior management or compliance personnel. By overseeing a referral hiring program whereby the Firm offered candidates who were referred, directly or

indirectly, by public officials and existing or prospective clients internships, training, and other employment opportunities in order to obtain improper business advantages for the Firm without taking any corrective measures, Fang exposed the Firm to risk of harm.

54. As set forth in Paragraphs 1 through 45 above, Fang violated the aforementioned policies and the FCPA, and he failed to act as a prudent and diligent person would in operating a referral hiring program and failed to adequately supervise other employees or to escalate their conduct within the Firm. As such, Fang breached his fiduciary duties to his employer.

### **REQUESTED RELIEF**

#### **PROHIBITION ACTION**

55. Notice is hereby given that a hearing will be held on a date determined by the presiding administrative law judge, at the United States Courthouse in the Southern District of New York or any place designated by the presiding administrative law judge, for the purpose of taking evidence on the charges specified herein, in order to determine whether an appropriate order should be issued under section 8(e) of the FDI Act to prohibit the future participation of Fang in 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). As set forth above, by reason of Fang's violations of law, unsafe or unsound practices, and breaches of fiduciary duty, Fang received a financial gain or other benefit and the Firm has suffered or will probably suffer financial loss or other damage, or the interests of its depositors have been or could be prejudiced; and, the violations of law, unsafe or unsound practices, and breaches of fiduciary duty involved personal dishonesty or continuing or willful disregard for the safety and soundness of the Firm on Fang's part.

56. The hearing shall be held before an administrative law judge to be appointed from OFIA, pursuant to section 263.54 of the Rules of Practice, 12 C.F.R. § 263.54. The hearing shall

be public, unless the Board of Governors determines that a public hearing would be contrary to the public interest, and in all other aspects shall be conducted in compliance with the provisions of the FDI Act and the Rules of Practice.

57. **Fang is hereby directed to file an answer to this Notice within 20 days of the service of this Notice, as provided by section 19 of the Rules of Practice, 12 C.F.R. § 263.19, with the Office of Financial Institution Adjudication (“OFIA”). Fang is encouraged to file any answer to this Notice by electronic mail with OFIA at [ofia@fdic.gov](mailto:ofia@fdic.gov).** Pursuant to section 263.11(a) of the Rules of Practice, 12 C.F.R. § 263.11(a), any answer filed with OFIA shall also be served on the Secretary of the Board of Governors. As provided in section 263.19(c)(1) of the Rules of Practice, 12 C.F.R. § 263.19(c)(1), the failure of Fang to file an answer required by this Notice within the time provided herein shall constitute a waiver of his right to appear and contest the allegations of this Notice in which case the presiding officer is authorized, upon proper motion, to find the facts to be as alleged in the Notice and to file with the Secretary of the Board of Governors a recommended decision containing such findings and appropriate conclusions. Any final order issued by the Board based upon a failure to answer is deemed to be an order issued by consent.

58. Fang may submit to the Secretary of the Board of Governors, within 20 days of the service of this Notice, a written statement detailing the reasons why the hearing described herein should not be public. The failure to submit such a statement within the aforesaid period shall constitute a waiver of any objection to a public hearing.

59. Authority is hereby delegated to the Secretary of the Board of Governors to designate the time and place and presiding officer for any hearing that may be conducted on this Notice and to take any and all actions that the presiding officer would be authorized to take

under the Board's Rules of Practice for Hearings with respect to this Notice and any hearing to be conducted hereon, until such time as a presiding officer shall be designated.

### **CIVIL MONEY PENALTY ASSESMENT**

60. At all material times relevant to the Notice of Charges, the violations and practices set forth in Counts I-III permit the assessment of civil money penalties under section 8(i)(2)(B) of the FDI Act, 12 U.S.C. § 1818(i)(2)(B), in a daily amount not to exceed \$37,500, pursuant to 12 C.F.R. § 263.65(b)(2)(ii).

61. Fang engaged in violations of law and regulation, recklessly engaged in unsafe or unsound practices, and breached his fiduciary duties by overseeing the Firm's referral hiring programs. Fang's violations of law and regulation, unsafe or unsound practices, and breaches of fiduciary duties, as set forth in Counts I-III, constituted a pattern of misconduct and conferred upon him a financial gain or other benefit and caused the Firm more than minimal financial loss or other damage.

62. After taking into account the size of Fang's financial resources, his good faith, the gravity of the violations, the history of previous violations, and such other matters as justice may require, the Board of Governors hereby assesses a civil money penalty of \$1,000,000 against Fang for his knowing and intentional violations of 12 C.F.R. § 261.22(e), and for Fang's willfully and recklessly engaging in unsafe and unsound practices, and breaching his fiduciary duties, as set forth in this Notice of Charges. Fang shall forfeit and pay the penalty as hereinafter provided.

63. The penalty set forth in this Notice is assessed by the Board of Governors pursuant to section 8(i) of the FDI Act, 12 U.S.C. § 1818(i) and subparts A and B of the Board of Governors' Rules of Practice for Hearings ("Rules of Practice"), 12 C.F.R. § 263.1 *et seq.*

64. Remittance of the penalty set forth herein shall be made within 60 days of the date of this Notice, in immediately available funds, payable to the order of the Secretary of the Board of Governors of the Federal Reserve System, Washington, D.C. 20551, who shall make remittance of the same to the Treasury of the United States.

65. Notice is hereby given, pursuant to section 8(i)(2) of the FDI Act, 12 U.S.C. § 1818(i)(2) and section 263.23 of the Rules of Practice, 12 C.F.R. § 263.23, that Fang is afforded an opportunity for a formal hearing before the Board of Governors concerning this assessment.

66. **Any request for such a hearing must be filed with the Office of Financial Institution Adjudication (“OFIA”), 3501 N. Fairfax Drive, Suite VS-D8113, Arlington, VA 22226-3500, and with the Secretary of the Board of Governors, Washington, D.C. 20551, within 20 days after the issuance and service of this Notice on Fang, with regard to the civil money penalty proceedings against Fang. Fang is encouraged to file any request for a hearing by electronic mail with OFIA at [ofia@fdic.gov](mailto:ofia@fdic.gov).** A hearing, if requested, will be public, unless the Board of Governors shall determine that a public hearing would be contrary to the public interest, and in all other aspects will be conducted in compliance within the provisions of the FDI Act and the Rules of Practice before an administrative law judge to be designated pursuant to applicable law as in effect at the time of such hearing. The hearing described above may, in the discretion of the Board of Governors, be combined with any other hearing to be held on the matters set forth in this Notice.

By order of the Board of Governors of the Federal Reserve System, effective this 9th day  
of March, 2017.

BOARD OF GOVERNORS OF THE  
FEDERAL RESERVE SYSTEM

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