

IN THE MATTER OF  
MILLVILLE SAVINGS AND LOAN ASSOCIATION  
MILLVILLE, NEW JERSEY

) STATE OF NEW JERSEY  
) DEPARTMENT OF  
) BANKING AND INSURANCE

CONSENT ORDER

TO: MILLVILLE SAVINGS AND LOAN ASSOCIATION  
c/o William Wenz, Chairman  
One Savings Place  
PO Box 190  
Millville, New Jersey 08332

BOARD OF DIRECTORS  
MILLVILLE SAVINGS AND LOAN ASSOCIATION

Acknowledged:  
Millville Savings and Loan Association, Millville, New Jersey

By: William Wenz, Chairman

David J. Greenfield, President, Chief Executive Officer and Director

Charles H. Mintz, Director

Michael Mitchell, Director

George L. Waltman, Director

H.E. Chuck Wyble, Jr., Director

WHEREAS, the Commissioner of Banking and Insurance of the State of New Jersey ("Commissioner") is charged with the responsibility of administering and enforcing the Savings and Loan Act (1963), N.J.S.A. 17:12B-1 et seq. ("the Act"); and

WHEREAS, Millville Savings and Loan Association is an Association chartered by the Commissioner pursuant to the Act; and

WHEREAS, pursuant to N.J.S.A. 17:12:B-178, the Commissioner may order a state chartered association to cease any unsafe and unsound practices; and

WHEREAS, the Commissioner and the Association having agreed to enter into this Consent Order pursuant to N.J.S.A. 17:12B-178, and the Association, without admitting or denying any charges of unsafe and sound banking practices and violations of law or regulation, hereby consents to the following provisions;

NOW THEREFORE, it is on this 26 day of June, 2014,  
ORDERED AND AGREED that:

### **BOARD SUPERVISION**

1. The Association's Board shall increase its supervision and direction in the affairs of the Association, assuming full responsibility for the approval of sound policies and objectives and for the supervision of all of the Association's activities, consistent with the role and expertise commonly expected for directors of associations of comparable size. The supervision shall include holding meetings no less frequently than monthly, at which it shall review and approve, at a minimum, programs and practices pertaining to, among other things, earnings, internal audit, internal controls and Bank Secrecy Act ("BSA") compliance, along with all respective committee minutes pertaining to these matters. The Association's Board minutes shall document these reviews and approvals, including the names of any dissenting directors.

### **MANAGEMENT**

2. The Association shall have and retain management qualified to oversee all aspects of the Association's BSA Compliance Program. Management shall ensure compliance with all applicable laws and regulations. Each member of management shall have the qualifications and experience commensurate with his or her duties and responsibilities related to applicable laws and regulations. Additionally, within 60 days from the effective date of this ORDER, the Board shall approve a corporate wide Management and Board of Directors Succession Plan

("Succession Plan"), to address the weaknesses described in the Report of Examination dated November 18, 2013 ("Report") issued by the New Jersey Department of Banking and Insurance. The Succession Plan shall be documented in writing, identify key personnel, and name respective successors.

#### **WRITTEN BSA COMPLIANCE PROGRAM**

3. (a) Within 120 days from the effective date of this ORDER, the Association shall develop, adopt, and implement a revised, written BSA Compliance Program, including policies and procedures, which fully meets all applicable requirements of section 326.8 of the FDIC's Rules and Regulations, 12 C.F.R. § 326.8, and which is designed to, among other things, ensure and maintain full compliance by the Association with the BSA and its rules and regulations.

(b) The Association shall provide the Commissioner and the Regional Director of the FDIC's New York Regional Office ("Regional Director") with a copy of the revised, written BSA Compliance Program for non-objection or comment. Thereafter, the revised BSA Compliance Program shall be implemented in a manner acceptable to the Commissioner and the Regional Director, as determined at subsequent examinations and/or visitations of the Association.

#### **BSA RISK ASSESSMENT**

4. Within 60 days from the effective date of this ORDER, the Association shall conduct an initial BSA risk assessment of the Association's operations ("Risk Assessment"). Subsequently, the Association shall conduct periodic Risk Assessments, no less than annually, consistent with the guidance for risk assessments set forth in the *Bank Secrecy Act/Anti-Money Laundering Examination Manual* compiled by the Federal Financial Institutions Examination Council (the "BSA Manual"), and shall establish appropriate written policies, procedures, and processes

regarding Risk Assessments. The Risk Assessment shall address all pertinent risk factors that affect the overall BSA/Anti-money laundering ("AML") risk profile of the Association and ensure that risk ratings are accurate and well supported through qualitative and quantitative data.

#### **BSA INTERNAL CONTROLS**

5. (a) Within 120 days from the effective date of this ORDER, the Association shall develop a revised system of internal controls designed to ensure full compliance with the BSA ("BSA Internal Controls") taking into consideration the Association's size and risk profile as determined by the Risk Assessment required by paragraph 4 of this ORDER.

(b) At a minimum, such system of BSA Internal Controls shall include policies, procedures, and processes addressing the following areas:

(i) **Suspicious Activity Monitoring and Reporting:** The Association shall, taking into account its size and risk profile, develop, adopt and implement policies, procedures, processes, and systems for monitoring, detecting, and reporting suspicious activity being conducted in all areas within or through the Association; and ensure the timely, accurate, and complete filing of Suspicious Activity Reports ("SARs"), with an appropriate level of documentation and support for management's decisions to file or not to file a SAR, as required by law. These policies, procedures, processes and systems should ensure that all relevant areas of the Association are monitored for suspicious activity, including, but not limited to: cash transactions, international and domestic wire transfers, ACH and ATM transactions. Any systems the Association plans to utilize to assist in monitoring, detecting and reporting suspicious activity should be validated and parameters which are established should be supported through a documented analysis of appropriate information.

(ii) **Due Diligence:** The Association shall review and enhance its customer due diligence ("CDD") policies, procedures and processes for new and existing customers to:

a. be consistent with the guidance for CDD set forth in the BSA Manual; and

b. operate in conjunction with its Customer Identification Program ("CIP").

(iii) At a minimum, the CDD program shall provide for:

a. a risk assessment of the customer base through an appropriate risk rating system to ensure that the risk level of the Association's customers is accurately identified based on the potential for money laundering or other illicit activity posed by the customer's activities, with consideration given to the purpose of the account, the anticipated type and volume of account activity, types of products and services offered, and locations and markets served by the customer;

b. an appropriate level of ongoing monitoring commensurate with the risk level to ensure that the Association can reasonably detect suspicious activity and accurately determine which customers require enhanced due diligence ("EDD");

c. obtaining and analyzing a sufficient level of customer information at account opening to assist and support the risk ratings assigned;

d. a process for documenting and supporting the analysis conducted under the CDD process, including a process for validating risk ratings assigned at account opening, and resolving issues when insufficient or inaccurate information is obtained; and

e. processes to reasonably ensure the timely identification and accurate reporting of known or suspected criminal activity, as required by the suspicious activity reporting provisions of Part 353 of the FDIC's Rules and Regulations 12 C.F.R. Part 353.

(iv) Enhanced Customer Due Diligence: The Association shall establish EDD policies, procedures and processes to conduct EDD necessary for those categories of customers the Association has reason to believe pose a heightened risk of suspicious activity, including, but not limited to, high risk accounts. The EDD policies, procedures and processes adopted should:

- a. be consistent with the guidance for EDD set forth in the BSA Manual; and
- b. operate in conjunction with its CIP and CDD policies, procedures and processes.

(v) At a minimum, the EDD program shall require EDD procedures to:

- a. determine the appropriate frequency for conducting ongoing reviews, based on customer risk level;
- b. determine the appropriate documentation necessary to conduct and support ongoing reviews and analyses in order to reasonably understand the normal and expected transactions of the customer; and

c. reasonably ensure the timely identification and accurate and complete reporting of known or suspected criminal activity against or involving the Association to law enforcement and supervisory authorities, as required by the suspicious activity reporting provisions of Part 353 of the FDIC's Rules and Regulations, 12 C.F.R. Part 353.

(vi) These policies, procedures, processes, and practices shall operate in conjunction with each other, and be consistent with the guidance for account/transaction

monitoring and reporting set forth in the BSA Manual, including arranging for the dissemination of a high risk customer list to appropriate departments within the Association.

(vii) **Section 314(a) Information Sharing Requests:** The Association shall ensure that all information sharing requests issued under section 314(a) of the USA PATRIOT Act are checked against all areas in the Association subject to such review, including customer and non-customer transactions, in accordance with FINCEN regulations and guidelines and are fully completed and documented within mandated time constraints.

(c) The Board shall approve the revised system of internal controls, which approval shall be recorded in the minutes of the Board meeting. Thereafter, the Association shall implement and fully comply with the revised system of internal controls.

#### **BSA INDEPENDENT TESTING**

6. (a) Within 60 days from the effective date of this ORDER, the Association shall establish independent testing programs for on-going compliance with the BSA and the Office of Foreign Assets Control (OFAC) rules and regulations, to be performed on no less than an annual basis. The scope of the testing procedures to be performed shall be documented in writing and approved by the Board or its designee. Testing procedures should be consistent with the guidance for independent testing as set forth in the BSA Manual and, at a minimum, address the following:

- (i) overall integrity and effectiveness of the BSA/AML compliance program, including policies, procedures, and processes;
- (ii) BSA/AML risk assessment;
- (iii) BSA reporting and recordkeeping requirements;
- (iv) CIP implementation;

- (v) adequacy of CDD and EDD policies, procedures, and processes and whether they comply with internal requirements;
  - (vi) personnel adherence to the Association's BSA/AML policies, procedures, and processes;
  - (vii) appropriate transaction testing, with particular emphasis on high-risk operations;
  - (viii) training adequacy, including its comprehensiveness, accuracy of materials, the training schedule, and attendance tracking;
  - (ix) an evaluation of management's efforts to resolve violations and deficiencies noted in the previous tests or audits and regulatory examinations;
  - (x) an assessment of the overall process for identifying and reporting suspicious activity, including a review of filed or prepared SARs to determine their accuracy, timeliness, completeness, and effectiveness of the Association's policy; and
  - (xi) accuracy and completeness of account risk profiles.
- (b) Testing results shall be documented in a written report which shall provide recommendations for improvement, and be approved by the Board or its designee within 60 days of completion.

#### **BSA OFFICER**

7. Within 60 days from the effective date of this ORDER, the Association shall designate a qualified individual or individuals ("BSA Officer") acceptable to the Commissioner and the Regional Director with delegated authority and an adequate level of appropriate resources to implement and enforce BSA compliance, including training, in all material respects with all applicable laws and regulations. The BSA Officer's qualifications should be commensurate with



the complexity of the Association's activities and operations and the appointment of the BSA Officer shall conform with guidance for the BSA officer position, as set forth in the BSA Manual.

#### **BSA STAFFING**

8. Within 60 days from the effective date of this ORDER, and periodically thereafter, no less than annually, the Association will perform a review of its BSA staffing needs to ensure adequate and appropriate resources are in place at all times. The review should include, at a minimum, consideration of the Association's size and growth plans, geographical areas served, products and services offered, and changes in the BSA/AML practices, rules and regulations.

#### **BSA TRAINING**

9. (a) The Association shall take all steps necessary, consistent with sound banking practices, to ensure that all appropriate personnel are aware of, and can comply with, the requirements of the BSA applicable to the individual's specific responsibilities to assure the Association's compliance with the BSA.

(b) Within 120 days from the effective date of this ORDER, the Association shall develop, adopt and implement effective training programs designed for the Board, management and staff and their specific compliance responsibilities on all relevant aspects of laws, regulations, and Association policies, procedures and processes relating to the BSA ("Training Program"). The Training Program shall ensure that all appropriate personnel are aware of, and can comply with, the requirements of the BSA on an ongoing basis, including as they relate to high-risk products and services. The Training Program shall, at a minimum, include:

(i) an overview of the BSA for new staff along with specific training designed for their specific duties and responsibilities upon hiring;

(ii) training on the Association's BSA policies, procedures and processes along with new rules and requirements as they arise for appropriate personnel designed to address their specific duties and responsibilities;

(iii) a requirement that the Association fully document the training of each employee with respect to the BSA policies, procedures and processes, including the designated BSA Officer; and

(iv) a requirement that BSA training be conducted no less frequently than annually.

#### **LOOK BACK REVIEW**

10. (a) Within 60 days from the effective date of this ORDER, the Association shall engage a qualified firm, acceptable to the Commissioner and the Regional Director, to conduct a review of all accounts and transaction activity for the time period beginning March 31, 2012 through the effective date of this ORDER to determine whether suspicious activity involving any accounts or transactions within or through the Association was properly identified and reported in accordance with the applicable suspicious activity reporting requirements ("Look Back Review").

(b) Within 90 days of receipt of the Commissioner's and the Regional Director's non-objection, the qualified firm shall commence the Look Back Review, and shall prepare any additional Currency Transaction Reports (CTRs) and SARs necessary based upon the review. Upon completion of the Look Back Review, the Association shall submit the findings of the review and copies of any additional SARs and CTRs filed to the Commissioner and the Regional Director.

## **PROFIT AND BUDGET PLAN**

11. (a) Within 60 days from the effective date of this ORDER, and within the first 30 days of each calendar year thereafter, the Association shall formulate and submit for review as described in subparagraph (c), a written profit and budget plan ("Profit Plan") consisting of goals and strategies, consistent with sound banking practices, and taking into account the Association's other written plans, policies, or other actions as required by this ORDER.

(b) The Profit Plan shall include, at a minimum:

(i) a description of the operating assumptions that form the basis for, and adequately support, material projected revenue and expense components;

(ii) specific goals to maintain appropriate provisions to the Allowance for Loan and Lease Losses;

(iii) realistic and comprehensive budgets for all categories of income and expense;

(iv) an executive compensation plan, addressing any and all salaries, bonuses and other benefits of every kind or nature whatsoever, both current and deferred, whether paid directly or indirectly, which plan incorporates qualitative as well as profitability performance standards for the Association's senior executive officers;

(v) a budget review process to monitor the revenue and expenses of the Association whereby actual performance is compared against budgetary projections not less than quarterly; and

(vi) recording the results of the budget review and any actions taken by the Association as a result of the budget review in the Board minutes.

(c) The Profit Plan shall be submitted to the Commissioner and the Regional Director for non-objection or comment. Within 30 days from receipt of non-objection or any comments from the Commissioner and the Regional Director, and after incorporation and adoption of all comments from the Commissioner and the Regional Director, the Board shall approve the Profit Plan, which approval shall be recorded in the minutes of the Board meeting. Thereafter, the Association shall implement and fully comply with the Profit Plan.

(d) Within 30 days following the end of each calendar quarter following completion of the Profit Plan required by this paragraph, the Board shall evaluate the Association's actual performance in relation to the Profit Plan, record the results of the evaluation, and note any actions taken by the Association in the minutes of the Board meeting at which such evaluation is undertaken.

#### **INTERNAL AUDIT PROGRAM**

12. (a) Within 60 days from the effective date of this ORDER, the Association shall develop a revised internal audit program ("Audit Program") that establishes procedures to protect the integrity of the Association's operational and accounting systems. At a minimum the Audit Program shall:

- (i) Comply with the Interagency Policy Statement on the *Internal Audit Function and its Outsourcing* (FIL-21-2003, issued March 17, 2003);
- (ii) Provide procedures to test the validity and reliability of operating systems, procedural controls and resulting records; and
- (iii) Provide for quarterly reports of audit findings from the internal auditors directly to the Audit Committee. The minutes of the Board shall reflect consideration of these reports and describe any discussion or action taken as a result thereof.

(b) The Board shall approve the Audit Program, which approval shall be recorded in the minutes of the Board meeting. Thereafter, the Association shall implement and fully comply with the Audit Program.

### **INTERNAL ROUTINE AND CONTROLS**

13. (a) Within 60 days from the effective date of this ORDER, the Association shall revise and submit for review as described in subparagraph (b), the Association's internal routine and controls policy ("IRC Policy") for the operation of the Association.

(b) The IRC Policy shall be submitted to the Commissioner and Regional Director for non-objection or comment. Within 60 days from receipt of non-objection or any comments from the Commissioner and Regional Director, and after incorporation and adoption of all comments from the Commissioner and Regional Director, the Board shall approve the IRC Policy, which approval shall be recorded in the minutes of the Board meeting. Thereafter, the Association shall implement and fully comply with the IRC Policy.

### **CORRECTIVE ACTION**

14. The Association shall take all steps necessary, consistent with other provisions of this ORDER and sound banking practices, to correct any unsafe or unsound banking practices and prevent any violations of law or regulation cited in the November 18, 2013 Report of Examination issued by the NJDOBI.

### **DIRECTORS' BSA COMMITTEE**

15. Within 30 days from the effective date of this ORDER, the Board shall establish a directors' BSA Committee ("BSA Committee") a majority of which members who are not now, and have never been, involved in the daily operations of the Association, and whose composition is acceptable to the Commissioner and the Regional Director, with the responsibility of

overseeing the Association's compliance with this ORDER, the BSA, and the Association's BSA Compliance Program. The BSA Committee shall receive comprehensive monthly reports from the BSA Compliance Officer regarding the Association's compliance with BSA and the Association's BSA Compliance Program. The BSA Committee shall present a report to the Board, at each regularly scheduled Board meeting, regarding the Association's compliance with BSA and the Association's BSA Compliance Program, which shall be recorded in the appropriate minutes of the Board meeting and retained in the Association's records.

### **PROGRESS REPORTS**

16. Within 45 days from the end of each calendar quarter following the effective date of this ORDER, the Association shall furnish to the Commissioner and the Regional Director written progress reports detailing the form, manner, and results of any actions taken to secure compliance with this ORDER. All progress reports and other written responses to this ORDER shall be reviewed by the Board, and made a part of the Board minutes.

### **MISCELLANEOUS**

The provisions of this ORDER shall not bar, estop, or otherwise prevent the Commissioner or any other federal or state agency or department from taking any other action against the Association or any of the Association's current or former institution-affiliated parties.

This ORDER shall be effective on the date of issuance.

The provisions of this ORDER shall be binding upon the Association, its institution-affiliated parties, and any successors and assigns thereof.

The provisions of this ORDER shall remain effective and enforceable except to the extent that and until such time as any provision has been modified, terminated, suspended, or set aside by the Commissioner.

This agreement may be executed in several counterparts, each of which shall be deemed an original, and all counterparts together shall constitute one and the same instrument.

In the event any paragraph of this ORDER is ruled to be invalid, illegal or unenforceable by the decision of any court of competent jurisdiction, the validity, legality and enforceability of the remaining paragraphs hereof shall not in any way be affected or impaired thereby.

This ORDER is entered into under the Commissioner's authority under the Savings and Loan Act (1963) and shall have the full force of the law as provided in N.J.S.A. 17:12B-178.



Kenneth E. Kobylowski, Commissioner  
Department of Banking and Insurance

Consented to as to form, substance and entry:

Millville Savings and Loan Association

  
William Wenz, Chairman

Date: 6-25-14

  
David J. Greenfield, President, Chief Executive Officer and Director

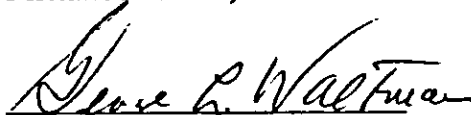
Date: 6-25-14

  
Charles H. Mintz, Director


Date: 6-25-14

  
Michael Mitchell, Director

Date: 6/25/14

  
George L. Waltman, Director

Date: 6/25/14

  
H.E. Chuck Wyble, Jr., Director

Date: 8/25/14