

Quarterly Journal



Office of the Comptroller of the Currency
Administrator of National Banks

John C. Dugan
Comptroller of the Currency

Volume 26, Number 1

March 2007
(Fourth quarter data)

Contents

	<i>Page</i>
About the OCC	v
Condition and Performance of Commercial Banks	1
Recent Licensing Decisions	23
Special Supervision and Enforcement Activities	26
Appeals Process	40
Speeches and Congressional Testimony	43
10/12/2006, Comptroller Dugan Highlights OCC Efforts To Assist Minority Banks, <u>Speech</u> (www.occ.gov/ftp/release/2006-112a.pdf)	
10/16/2006, Comptroller Speaks to the American Bankers Association about Credit Risk and Loan Loss Reserves, <u>Speech</u> (www.occ.gov/ftp/release/2006-113a.pdf)	
10/17/2006, Comptroller Dugan Urges Key Principles of Federal Nontraditional Mortgage Guidance Apply to all Mortgage Originators, <u>Speech</u> (www.occ.gov/ftp/release/2006-115a.pdf)	
11/10/2006, Comptroller Dugan Tells Bankers that Managing Risk in Derivatives Markets Is Essential to Maintain Public Confidence in Nation's Financial Institutions, <u>Speech</u> (www.occ.gov/ftp/release/2006-121a.pdf)	
11/16/2006, Comptroller of the Currency Visits Pittsburgh Community Reinvestment Projects, <u>Speech</u> (www.occ.gov/ftp/release/2006-124a.pdf)	
Interpretations	45
<i>October</i> [<i>Interpretations and Actions</i>]	
1069, 8/21/2006, Letter concludes that a national bank and its operating subsidiaries are authorized, pursuant to 12 USC 24(7), 12 USC 371, and 12 CFR 7.4002, to charge expedited service fees for loan payoff information. (www.occ.gov/interp/oct06/int1069.pdf)	

1070, 9/6/2006, Letter concludes that a national bank may acquire and hold two classes of certificates, one rated investment grade and one unrated, issued by a trust under a tender option bond structure as Type III investment securities, provided the bank can demonstrate that the unrated certificate is the credit equivalent of investment grade. The letter also concludes that the bank also may acquire the certificates under the authority in 12 USC 24(Seventh) to discount and negotiate evidences of debt, subject to the limitations of 12 USC 84 and the requirements of Banking Circular 181 (Rev.). (www.occ.gov/interp/oct06/int1070.pdf)

1071, 09/6/2006, Letter concludes a national bank may participate as a member in several regional Independent System Operators (ISOs) and Regional Transmission Operators (RTOs) in order to execute electricity derivatives transactions that the OCC previously has found to be permissible for the bank, subject to the limitations set forth in 12 USC 84 and 12 CFR Part 32 and any additional limitations imposed by the bank's examiner-in-charge (EIC). The bank also is required notify its EIC and receive written notification of the EIC's supervisory non-objection before becoming a member of an ISO or RTO. (www.occ.gov/interp/oct06/int1071.pdf)

1072, 9/15/2006, Letter concludes that it would be permissible under 12 USC 29 for bank to enter into a long-term ground lease with unrelated third party of property that it has owned and used as bank premises for three decades. (www.occ.gov/interp/oct06/int1072.pdf)

November [[Interpretations and Actions](#)]

1073, 10/19/2006, Letter concludes that it is permissible for the bank and its London branch to engage in customer-driven, metal derivative transactions that settle in cash or by transitory title transfer and that are hedged on a portfolio basis with derivatives that settle in cash or by transitory title transfer. Before the bank may engage in these transactions, the bank must notify its examiner-in-charge (EIC), in writing, of the proposed activities and must receive written notification of the EIC's supervisory non-objection. (www.occ.gov/interp/nov06/int1073.pdf)

1074, 11/21/2006, Letter addresses the applicability of the lending limit combination rules to loans to wind tower companies that sell their output to the same power company. (www.occ.gov/interp/nov06/int1074.pdf)

December [[Interpretations and Actions](#)]

1075, 11/14/2006, Letter concludes that national banks may retain stock received in IPO of MasterCard, Inc., because it is a byproduct of permissible membership in MasterCard. (www.occ.gov/interp/dec06/int1075.pdf)

1076, 11/14/2006, Letter concludes that the lending limits in 12 USC 84 and the public welfare investments limits of 12 USC 24(11) are separate and independent of each other. (www.occ.gov/interp/dec06/int1076.pdf)

Mergers	48
Corporate Structure of the National Banking System.....	55
Financial Performance of National Banks	73
Index	88

Special Supervision and Enforcement Activities

Special Supervision and Enforcement Activities

Special Supervision

The Special Supervision Division of the Mid-Size/Community Bank Supervision department supervises critical problem banks through rehabilitation or through other resolution processes such as orderly failure management or the sale, merger, or liquidation of such institutions. The Special Supervision Division monitors the supervision of delegated problem banks, coordinates safety and soundness examinations, provides training, analyzes and disseminates information, and supports OCC supervisory objectives as an advisor and liaison to OCC management and field staff on emerging problem bank-related issues.

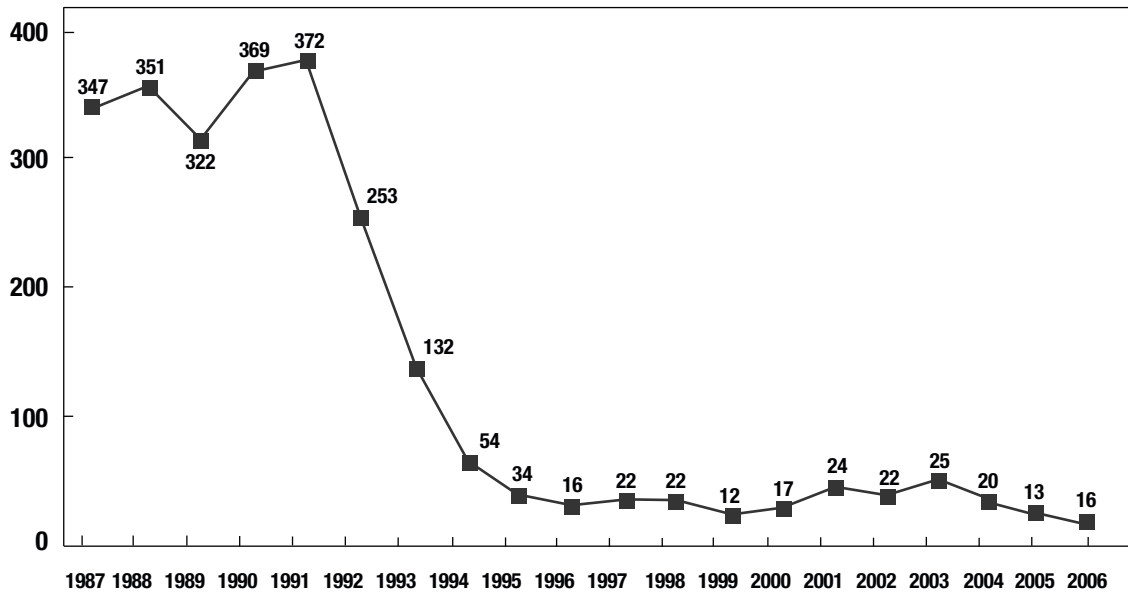
This section includes information on problem national banks, national bank failures, and enforcement actions. Data on problem banks and bank failures is provided by OCC's Special Supervision Division and the FDIC's Department of Resolutions in Washington. Information on enforcement actions is provided by the Enforcement and Compliance Division (E&C) of the Law Department. The latter is principally responsible for presenting and litigating administrative actions on the OCC's behalf against banks requiring special supervision.

Problem National Banks and National Bank Failures

Problem banks represented less than 1 percent of the national bank population as of December 31, 2006. The number of problem banks, those with a CAMELS rating of 4 or 5, has declined in recent years. The CAMELS rating is the composite bank rating based on examiner assessment of capital, asset quality, management, earnings, liquidity, and sensitivity to market risk. The total number of problem banks was 16 at December 31, 2006. This low volume of problem banks reflects the stable economy and generally favorable economic conditions of the past several years. No banks failed in 2006.

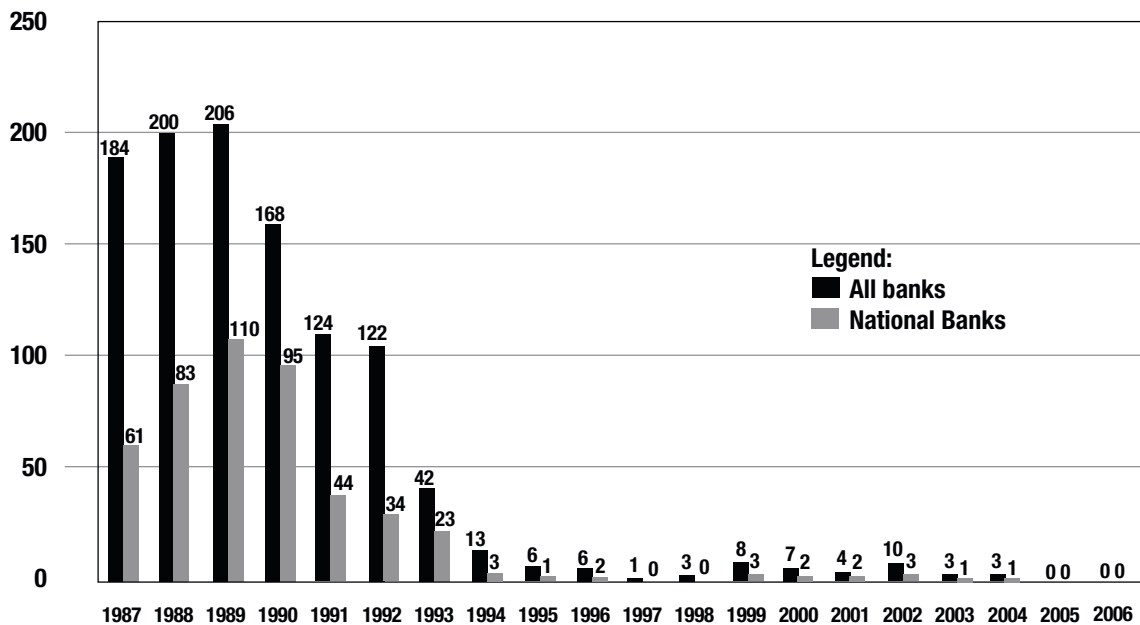
SPECIAL SUPERVISION AND ENFORCEMENT ACTIVITIES

Figure 1—Problem national bank historical trend line



Source: Special Supervision

Figure 2—Number of bank failures



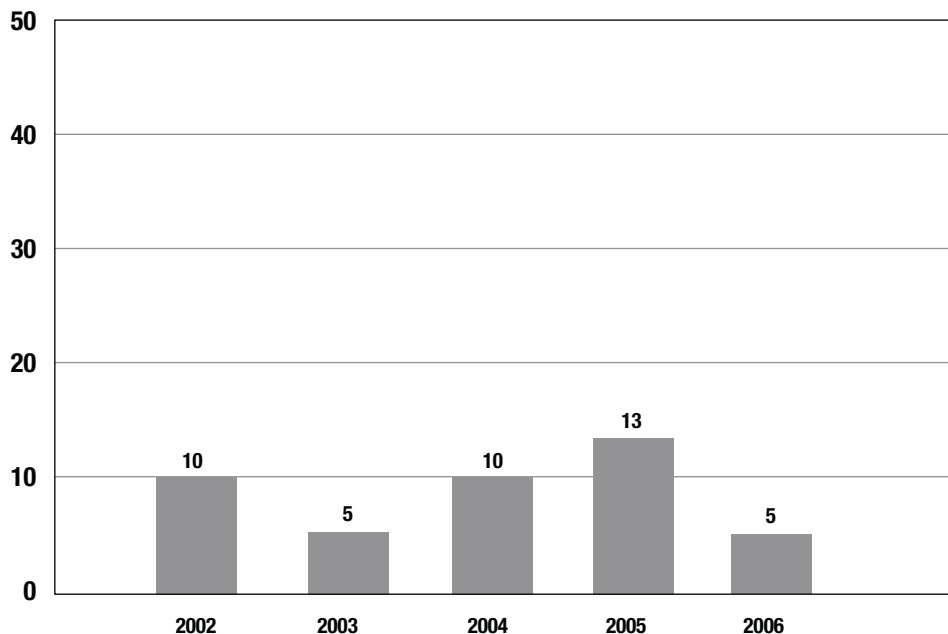
Source: Federal Deposit Insurance Corporation

Enforcement Actions

The OCC has a number of remedies with which to carry out its supervisory responsibilities. When it identifies safety and soundness or compliance problems, these remedies range from advice and moral suasion to informal and formal enforcement actions. These mechanisms are designed to achieve expeditious corrective and remedial action to return the bank to a safe and sound condition.

The OCC takes enforcement actions against national banks, parties affiliated with national banks, and servicing companies that provide data processing and other services to national banks. The OCC's informal enforcement actions against banks include commitment letters and memorandums of understanding (MOUs). Informal enforcement actions are meant to handle less serious supervisory problems identified by the OCC in its supervision of national banks. Failure to honor informal enforcement actions will provide strong evidence of the need for the OCC to take formal enforcement action. The charts below show total numbers of the various types of informal enforcement actions completed by the OCC against banks in the last several years.

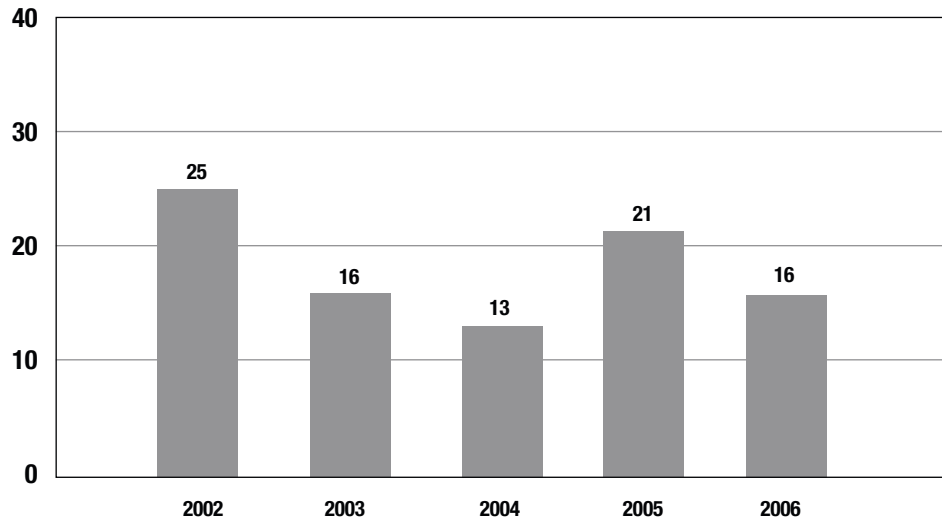
Figure 3—Commitment letters



Source: OCC Systems. Note that totals for previous years' completed enforcement actions may be adjusted to reflect revised aggregates.

SPECIAL SUPERVISION AND ENFORCEMENT ACTIVITIES

Figure 4—Memorandums of understanding

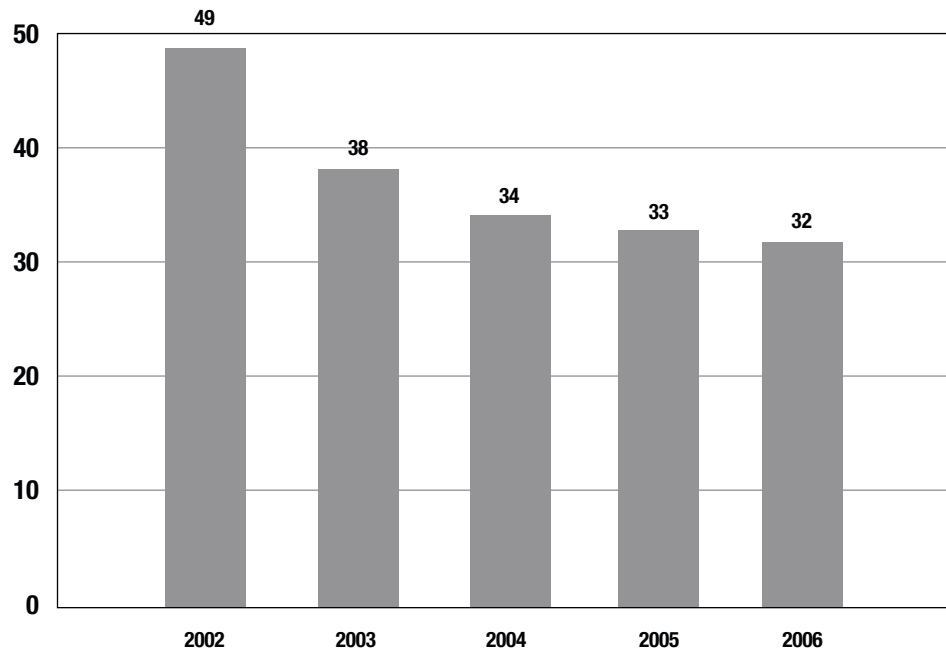


Source: OCC Systems. Note that totals for previous years' completed enforcement actions may be adjusted to reflect revised aggregates.

The most common types of formal enforcement actions issued by the OCC against banks over the past several years have been formal agreements and cease and desist orders. Formal agreements are documents signed by a national bank's board of directors and the OCC in which specific corrective and remedial measures are enumerated as necessary to return the bank to a safe and sound condition. Cease and desist orders (C&Ds), sometimes issued as consent orders, are similar in content to formal agreements, and both may be enforced through assessment of civil money penalties (CMPs). C&Ds may also be enforced by an action for injunctive relief in federal district court. The OCC may also assess CMPs against banks. During 2006, the OCC assessed CMPs against 12 banks.

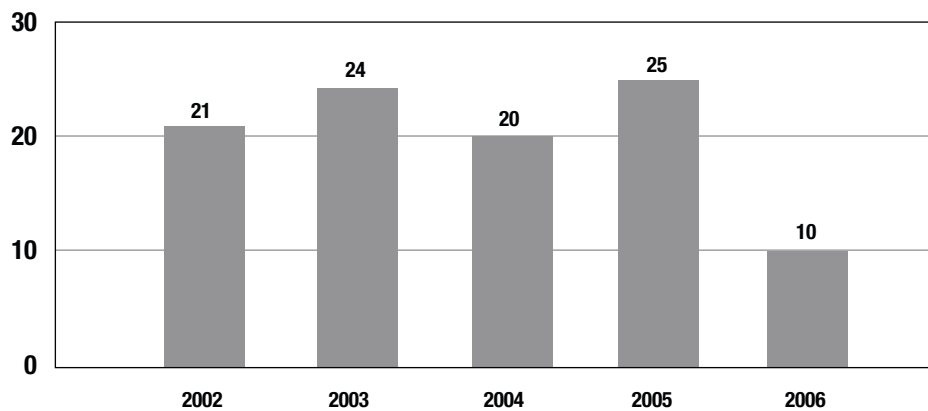
SPECIAL SUPERVISION AND ENFORCEMENT ACTIVITIES

Figure 5—Formal agreements



Source: OCC Systems. Note that totals for previous years' completed enforcement actions may be adjusted to reflect revised aggregates.

Figure 6—Cease and desist orders against banks

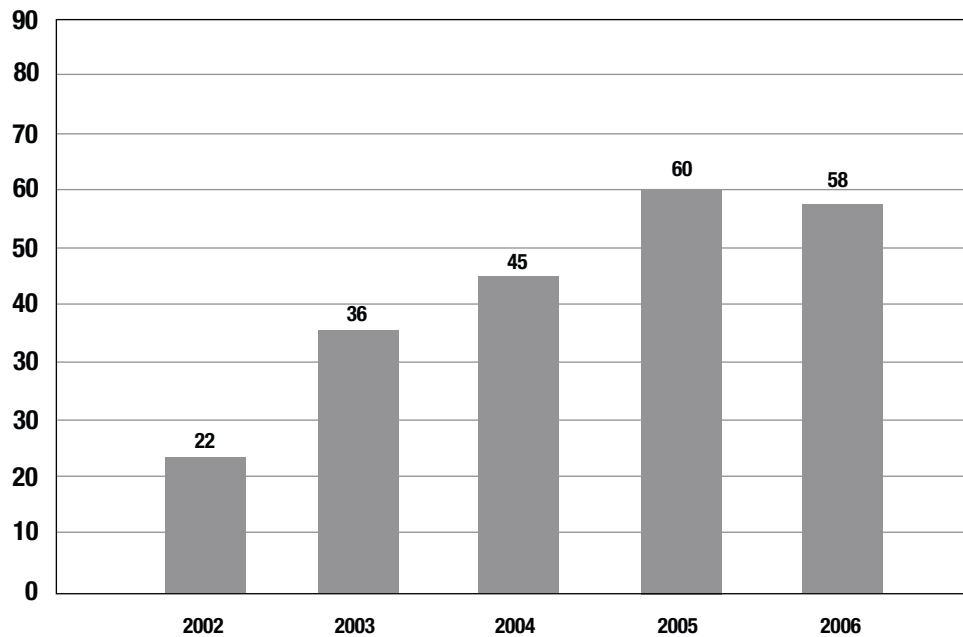


Source: OCC Systems. Note that totals for previous years' completed enforcement actions may be adjusted to reflect revised aggregates.

SPECIAL SUPERVISION AND ENFORCEMENT ACTIVITIES

The most common enforcement actions against individuals and other institution-affiliated parties are CMPs, personal C&Ds, and removal and prohibition orders. CMPs are authorized for violations of laws, rules, regulations, formal written agreements, final orders, conditions imposed in writing, unsafe or unsound banking practices, and breaches of fiduciary duty. Personal C&Ds may be used to restrict activities, order payment of restitution, or require institution-affiliated parties to take other affirmative action to correct the results of past conduct. Removal and prohibition actions, which are used in the most serious cases, result in lifetime bans from the banking industry.

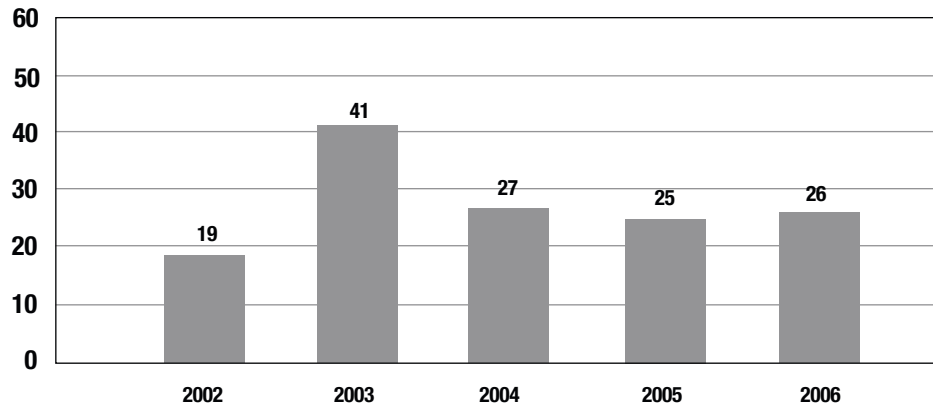
Figure 7—Civil money penalties against institution-affiliated parties



Source: OCC Systems. Note that totals for previous years' completed enforcement actions may be adjusted to reflect revised aggregates.

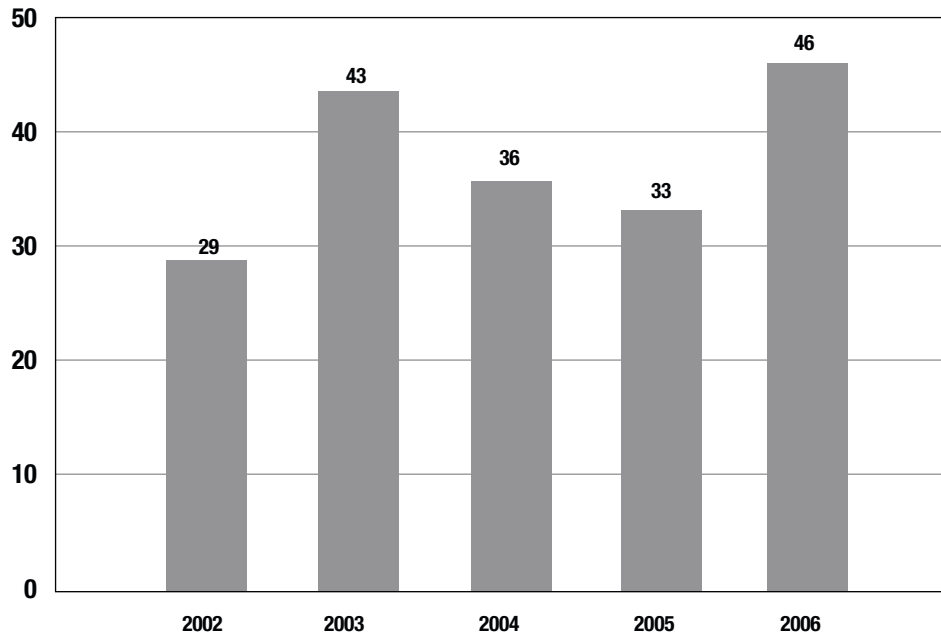
SPECIAL SUPERVISION AND ENFORCEMENT ACTIVITIES

Figure 8—Cease and desist orders against institution-affiliated parties



Source: OCC Systems. Note that totals for previous years' completed enforcement actions may be adjusted to reflect revised aggregates.

Figure 9—Removal and prohibition orders



Source: OCC Systems. Note that totals for previous years' completed enforcement actions may be adjusted to reflect revised aggregates.

Recent Enforcement Cases

Below are summaries of the significant cases completed between January 1 and December 31, 2006:

A. Actions Involving Anti-Money Laundering/Bank Secrecy Act Compliance

Banks ordered to comply with BSA/AML provisions. The OCC issued cease and desist orders by consent against banks for failing to maintain adequate BSA/AML compliance programs, requiring the banks to take remedial action. In the Matter of The Summit National Bank, Atlanta, Ga., Doc. No. 2006-2 (January 19, 2006); In the Matter of PineBank, N.A., Miami, Fla., Doc. No. 2006-1 (January 25, 2006), terminated, Doc. No. 2006-133 (September 28, 2006); In the Matter of First-Merit Bank, N.A., Akron, Ohio, Doc. No. 2006-134 (November 20, 2006).

Federal branch ordered to restrict activities. The federal branch of a foreign bank was found to have internal controls weaknesses. The branch consented to an order requiring it, among other things, to restrict its wire transfer and demand draft activities until such time as it implemented an adequate BSA/AML program. *In the Matter of Bangkok Bank Public Co. Ltd., New York, N.Y. (federal branch)*, Doc. No. 2006-29 (April 20, 2006).

Federal branch ordered to pay penalty. A federal branch of a foreign bank was found to have failed to implement policies and procedures to ensure compliance with BSA requirements, resulting in inadequate BSA systems and controls, and to have failed to file timely suspicious activity reports. The branch consented to an order requiring payment of a \$150,000 civil money penalty. *In the Matter of Metropolitan Bank and Trust Co., New York, N.Y. (federal branch)*, Doc. No. 2006-19 (March 24, 2006).

Federal branch ordered to correct deficiencies. The OCC issued a cease and desist order by consent against a federal branch for deficiencies in its BSA/AML program, including inadequate internal controls over its wire pouch activities and demand deposits and lack of independent testing. The branch had previously been subject to formal enforcement action for BSA/AML deficiencies. *In the Matter of Doha Bank, New York, N.Y. (federal branch)*, Doc. No. 2006-107 (September 19, 2006).

Order issued against bank, and bank officer prohibited and ordered to pay fine. The OCC issued a cease and desist order by consent against a bank for an inadequate BSA/AML program and for failing on multiple occasions to file suspicious activity reports. In addition, the bank's former president/CEO consented to the OCC's issuance of prohibition and cease and desist orders and assessment of a \$100,000 civil money penalty for allegedly issuing and concealing millions of dollars' worth of unsafe or unsound loan guarantees to an entity engaged in suspicious activities. The cease and desist order required the former president/CEO, among other things, to make restitution of \$407,000 to the bank, reimburse the bank \$100,000 for expenses, and to indemnify the bank for half of any judgments against the bank related to the worthless guarantees. The two orders

SPECIAL SUPERVISION AND ENFORCEMENT ACTIVITIES

replaced an earlier order by consent that required the bank to preserve its books and records and to observe restrictions on making loans and allowing overdrafts on customer accounts. Further actions are proceeding. *In the Matter of Terrabank N.A., Miami, Fla.*, Doc. No. 2006-41 (May 9, 2006); *In the Matter of Uriel Mendieta*, Doc. No. 2006-45 (May 25, 2006).

Order issued against bank, and bank officers fined. The OCC issued a cease and desist order by consent against a bank and the bank's former compliance officer and a former senior credit officer consented to pay civil money penalties of \$3,500 and \$1,000, respectively, for allegedly causing or permitting violations of law, including violations of BSA/AML requirements. *In the Matter of First United Bank, N.A., Englewood, Colo.*, Doc. No. 2006-121 (October 5, 2006); *In the Matter of Kenneth T. Sullivan*, Doc. No. 2006-152 (December 20, 2006); *In the Matter of Arnold A. Parks*, Doc. No. 2006-151 (December 14, 2006).

Bank ordered to correct prior deficiencies. The OCC issued a cease and desist order by consent against a bank for failure to correct previously identified deficiencies in its BSA/AML program. *In the Matter of AMCORE Bank, N.A., Rockford, Ill.*, Doc. No. 2006-81 (August 10, 2006).

B. Actions To Combat Identity Theft

Actions against bank insiders. The OCC issued five prohibition orders by consent and the Federal Reserve issued a prohibition order in proceedings initiated by the OCC against former bank employees in cases involving loss to bank customers due to alleged identity theft committed by bank employees or by third parties who received confidential customer information from bank employees. One individual was ordered to pay a fine and four were ordered to pay restitution. *In the Matter of Konya M. Owens, First Union National Bank, Charlotte, N.C.*, Doc. No. 2006-37 (April 26, 2006); *In the Matter of Tiffany D. (Holt) Lipscomb, Wachovia Bank, N.A., Charlotte, N.C.*, Doc. No. 2006-78 (May 23, 2006); *In the Matter of Samuel Siebu, Bank One, N.A., Columbus, Oh.*, Doc. No. 2006-99 (August 28, 2006); *In the Matter of Arpine Misislyan, Bank of America, N.A., Charlotte, N.C.*, Doc. No. 2006-97 (August 31, 2006); *In the Matter of Annette Haratunian, Wells Fargo Bank, N.A., Sioux Falls, S.D.*, Doc. No. 2006-117 (September 25, 2006); *In the Matter of Onyeacholem Moseri, First North American National Bank, Kennesaw, Ga.*, Doc. Nos. 2006-36 (March 23, 2006) and 2006-30 (March 30, 2006).

C. Actions To Enforce Lending Protections

Banks ordered to pay fines for flood insurance violations. During 2006, the OCC assessed civil money penalties by consent totaling \$161,300 against eight banks for failure to comply with federal regulations requiring flood insurance for certain properties located in special flood hazard areas that secure loans made by national banks. The penalties were paid to the National Flood Insurance Program. *In the Matter of The Farmers National Bank of Danville, Danville, Ky.*, Doc. No. 2006-3 (January 18, 2006); *In the Matter of First Fidelity Bank, N.A., Oklahoma City, Okla.*, Doc. No. 2006-20 (March 30, 2006); *In the Matter of Fort Knox National Bank, Radcliff, Ky.*, Doc. No. 2006-31 (April 10, 2006); *In the Matter of First National Bank, Fort Collins,*

SPECIAL SUPERVISION AND ENFORCEMENT ACTIVITIES

Colo., Doc. No. 2006-124 (June 6, 2006); *In the Matter of Seacoast National Bank, Stuart, Fla.*, Doc. No. 2006-83 (July 25, 2006); *In the Matter of First National Bank and Trust, London, Ky.*, Doc. No. 2006-111 (August 28, 2006); *In the Matter of Midwest Bank, N.A., Pierce, Neb.*, Doc. No. 2006-126 (October 13, 2006); *In the Matter of U.S. Bank, N.A., Cincinnati, Ohio*, Doc. No. 2006-127 (October 18, 2006).

Lending subsidiary fined for HMDA violations. A mortgage company (an operating subsidiary of a national bank) consented to pay a \$25,000 civil money penalty for alleged significant and repeated violations of the Home Mortgage Disclosure Act. *In the Matter of Cornerstone Mortgage Company (operating subsidiary of First National Bank of Omaha, Omaha, Neb.)*, Doc. No. 2006-85 (August 7, 2006).

D. Actions To Combat Insider Abuse

Former bank president prohibited. The OCC issued a prohibition order by consent against a former bank president for allegedly causing the bank to make loans significantly in excess of the bank's legal lending limit (which led to closure of the bank), creating false bank records, and engaging in a fraudulent wire transaction. The OCC's supervisory office also assisted the U.S. Attorney for the Western District of Wisconsin in the criminal prosecution of the former president. The judge in that case ordered the former president to serve 9 years in prison and pay \$13.4 million in restitution to the bank. *In the Matter of Mark R. Hardyman, The First National Bank of Blanchardville, Blanchardville, Wis.*, Doc. No. 2006-8 (January 26, 2006); U.S. Dist. Ct., W.D. Wisc., July 21, 2006.

Former bank CEO and controller prohibited and fined. The OCC issued a prohibition order by consent and assessed a \$100,000 civil money penalty against a bank's former CEO/director for allegedly causing the bank to pay unauthorized expenses and falsifying bank records to conceal the payments. The bank's former controller, who allegedly assisted the CEO/director in the falsification of bank records, was also prohibited by consent and assessed a \$7,500 civil money penalty. *In the Matter of Myron Wolff, The Ripley National Bank, Ripley, Ohio*, Doc. No. 2006-46 (April 13, 2006); *In the Matter of Katherine Gast*, Doc. No. 2006-34 (April 26, 2006).

Former bank officer prohibited and fined. The OCC issued a prohibition order by consent and assessed a \$100,000 civil money penalty against a former senior vice president/director who allegedly engaged in self-dealing and improperly diverted bank funds into his personal accounts and those of relatives, friends, and business associates. The former officer had made restitution to the bank prior to the OCC's action. *In the Matter of Gary P. Norris, Home National Bank, Racine, Ohio*, Doc. No. 2006-33 (April 13, 2006).

Former bank president prohibited and ordered to pay fine. The OCC issued a prohibition order by consent and assessed a \$100,000 civil money penalty against a former bank president who allegedly caused the bank to make unauthorized payments for personal expenses totaling at least \$388,000 for himself and his family members. The former president had made restitution of the

SPECIAL SUPERVISION AND ENFORCEMENT ACTIVITIES

unauthorized payments prior to the OCC's action. *In the Matter of Eldon B. "Brac" Thoma III, First National Bank of Tullahoma, Tullahoma, Tenn.*, Doc. No. 2006-64 (June 5, 2006).

Actions against bank's officers and directors. The OCC issued prohibition orders by consent and assessed civil money penalties of \$5,000 each against two former senior bank officers for alleged embezzlement of bank funds and for assisting other executive officers' misconduct. The OCC also issued cease and desist orders by consent against the bank's former executive vice president/senior loan officer/director and another former loan officer and assessed a \$20,000 civil money penalty against the senior loan officer, for allegedly making a nominee loan and using the proceeds to conceal nonperforming loans. In addition, the OCC also assessed civil money penalties ranging from \$7,500 to \$10,000 against five bank directors, by consent, for inadequate oversight of the affairs of the bank and for the bank's failure to comply with a 2002 Formal Agreement with the OCC. The bank has been purchased by another financial institution. Further enforcement actions are pending. *In the Matter of Judy R. Davis, First National Bank of Shelby County, Columbiana, Ala.*, Doc. No. 2006-59 (June 5, 2006); *In the Matter of Russell J. Rasco*, Doc. No. 2006-61 (May 31, 2006); *In the Matter of Jerry E. Oliver, Jr.*, Doc. No. 2006-123 (October 25, 2006); *In the Matter of Paul L. Ash*, Doc. No. 2006-131 (September 21, 2006); *In the Matter of A. Duncan McFarlane*, Doc. No. 2006-60 (June 29, 2006); *In the Matter of Martha B. Ferguson*, Doc. No. 2006-42 (May 31, 2006); *In the Matter of Robert A. Hayes*, Doc. No. 2006-43 (May 31, 2006); *In the Matter of Hewitt L. Conwill*, Doc. No. 2006-122 (October 25, 2006); *In the Matter of Joe L. Tidmore*, Doc. No. 2006-44 (May 23, 2006).

Former trust officers removed and ordered to pay restitution and fines. The OCC issued removal orders by consent against a former trust officer and a former trust administrator and assessed civil money penalties of \$20,000 and \$5,000, respectively, for allegedly making unauthorized use of bank funds for stock trading and violating laws and regulations governing the loan of funds held in trust. The former officer and administrator agreed to pay restitution to the bank in the amounts of \$10,678.49 and \$52,940.72, respectively. *In the Matter of Timothy Fullerton, National Bank of Commerce, Berkeley, Ill.*, Doc. No. 2006-69 (August 1, 2006); *In the Matter of Susan E. Osborne*, Doc. No. 2006-84 (July 27, 2006).

Actions against bank officers, directors, and employees for nominee loan scheme. The OCC issued removal orders by consent and assessed civil money penalties of \$7,500 and \$3,000, respectively, against a former officer/director and the bank's internal auditor for their alleged participation in a scheme involving nominee loans whereby the former president/CEO allegedly misappropriated more than \$1.8 million of the bank's funds. A bank employee who facilitated the scheme consented to an order to cease and desist and assessment of a \$1,000 civil money penalty. Further actions are proceeding. *In the Matter of Neal Patterson, The First National Bank of Fremont, Fremont, Ind.*, Doc. No. 2006-139 (November 2, 2006); *In the Matter of Harold Arndt*, Doc. No. 2006-173 (December 12, 2006); *In the Matter of Anne Mounts*, Doc. No. 2006-138 (November 2, 2006).

E. Early Intervention for Problem Banks

Orders issued against problem bank and its officers and directors. In 2005, the OCC issued a cease and desist order by consent against a bank and assessed a \$5,000 civil money penalty by consent against the bank's CEO/chairman of the board for alleged violations of laws and regulations governing legal lending limits, insider loans, and affiliate transactions. In 2006, the OCC issued a second cease and desist order by consent and assessed a \$20,000 CMP against the bank for failure to maintain adequate and accurate book and records and for filing inaccurate reports on the bank's condition. The OCC also issued a cease and desist order by consent and assessed a \$50,000 civil money penalty against the bank's CEO/chairman for alleged self-dealing related to his rental of bank OREO property and for violating the two prior cease and desist orders. The bank's former president/director consented to a cease and desist order and assessment of a \$5,000 civil money penalty for alleged abuse of his overdraft protection line of credit. The OCC also assessed civil money penalties of \$1,500 each, by consent, against two other directors for alleged violations of the two consent orders. *In the Matter of The First National Bank of Brewster, Brewster, Minn.*, Doc. Nos. 2005-102 (August 25, 2005), 2006-12 (February 28, 2006), and 2006-70 (July 6, 2006); *In the Matter of Charles C. Moser*, Doc. No. 2006-142 (November 6, 2006); *In the Matter of Bradford S. Fornoff*, Doc. No. 2006-140 (November 6, 2006); *In the Matter of Bruce N. Kness*, Doc. No. 2006-141 (November 22, 2006); *In the Matter of Dennis A. Walker*, Doc. No. 2006-143 (November 27, 2006).

F. Actions Involving Third Parties

Order against bank auditor to cease and desist and to pay penalty stayed, pending judicial review. After a hearing before an administrative law judge, the Comptroller issued a cease and desist order and assessed a \$300,000 civil money penalty against an auditing firm for reckless conduct in performing its audit of First National Bank of Keystone's 1998 financial statements. The auditing firm was ordered, among other things, to conduct its audits of insured depository institutions in accordance with Generally Accepted Auditing Standards. The Comptroller granted the auditing firm's subsequent motion to stay the cease and desist order and the civil money penalty assessment, pending review in the D.C. Circuit Court of Appeals. *In the Matter of Grant Thornton LLP, external auditor for The First National Bank of Keystone, Keystone, W.V.*, Doc. No. 2006-149 (order, December 7, 2006; stay, December 29, 2006).

Law firm and attorney consent to written agreements and fines. The OCC entered into agreements with an attorney and the attorney's law firm in connection with the law firm's investigation, on behalf of a bank, of the activities of certain bank officers, including the bank's CEO/chairman of the board. The OCC had discovered evidence to suggest that the officers had engaged in fraudulent transactions to hide bank losses. However, the law firm's reports cleared the officers of wrongdoing. The OCC subsequently closed the bank at a cost to the Federal Deposit Insurance Fund of approximately \$127 million. At the conclusion of a criminal trial at which OCC personnel testified for the government, the bank's CEO/chairman was convicted on 16 counts, including

SPECIAL SUPERVISION AND ENFORCEMENT ACTIVITIES

bank fraud, securities fraud, and lying to regulators. He and two other bank officers who pled guilty to related charges are currently incarcerated. The law firm and the firm attorney signed agreements with the OCC governing their representation of insured depository institution clients and agreed to pay civil money penalties of \$750,000 and \$175,000, respectively. In a separate agreement with the FDIC, the law firm agreed to pay more than \$7 million to the FDIC as the receiver for the bank. Further actions are proceeding. *In the Matter of Greenberg Traurig LLP, special outside counsel for Hamilton Bank, N.A., Miami, Fla.*, Doc. No. 2006-135 (October 31, 2006); *In the Matter of Robert L. Grossman, Greenberg Traurig LLP, special outside counsel for Hamilton Bank, N.A., Miami, Fla.*, Doc. No. 2006-136 (November 7, 2006).

G. Fast Track Enforcement Cases

The OCC continued its Fast Track Enforcement program, initiated in 1996, which ensures that bank insiders who have engaged in criminal and other serious acts in banks but who are not being criminally prosecuted are prohibited from working in the banking industry. As part of the Fast Track Enforcement program, the OCC secured 16 prohibition orders (15 by consent and one issued by the Board of Governors of the Federal Reserve System) against institution-affiliated parties from January 1 through December 31, 2006. Seven of these orders incorporated restitution to the appropriate bank for losses incurred, and two of the orders incorporated a civil money penalty. During the same period, the OCC sent out notifications to 108 former bank employees who were convicted of crimes of dishonesty; the letters informed them that under federal law they are prohibited from working again in any federally insured depository institution.