
Section 1: 8-K (8-K)

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 8-K

CURRENT REPORT Pursuant to Section 13 OR 15(d) of The Securities Exchange Act of 1934

Date of Report (Date of earliest event Reported): April 30, 2019

PACIFIC CITY FINANCIAL CORPORATION

(Exact name of registrant as specified in its charter)

California
(State or other jurisdiction of
incorporation)

001-38621
(Commission
File Number)

20-8856755
(I.R.S. Employer
Identification No.)

3701 Wilshire Boulevard, Suite 900
Los Angeles, California
(Address of principal offices)

90010
(Zip Code)

Registrant's telephone number, including area code: (213) 210-2000

Not Applicable

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 8.01 Other Events.

On April 30, 2019, the Federal Deposit Insurance Corporation (the “FDIC”) and the California Department of Business Oversight (the “CDBO”) issued a consent order (the “Order”) with the agreement of Pacific City Bank (the “Bank”), the wholly owned subsidiary of Pacific City Financial Corporation, a California corporation (the “Company”), and relating to the Bank’s Bank Secrecy Act and Anti-Money Laundering compliance program (“BSA/AML”). While the Bank attempted to address the concerns raised by the FDIC and CDBO in an informal Agreement dated January 8, 2018, these agencies determined in a subsequent examination of the Bank that it had not satisfactorily addressed these concerns particularly relating to failing to maintain a qualified individual to serve as the BSA compliance officer and ensure that adequate resources are provided to administer an effective BSA/AML compliance program.

The Order requires, among other things, that the Bank correct all violations found in the prior examination and to improve its process to better identify and monitor accounts and transactions that pose a greater than normal risk for compliance with BSA/AML. The Order also requires the Board of Directors of the Bank to increase its oversight of the Bank’s compliance with BSA/AML rules and regulations. In addition, the Bank is to ensure that the BSA/AML compliance program is managed by a qualified officer with sufficient experience and resources necessary to administer an effective BSA/AML compliance program, and to seek prior FDIC and CDBO non-objection to a change in such officer or the officer in charge of Office of Foreign Assets Control compliance matters, or material changes to their responsibilities. Further, the Order requires that the Bank develop and maintain an effective BSA/AML compliance program, monitoring mechanisms, validation of risk rating and suspicious activity monitoring, and training programs for staff. Further, the Bank must review and enhance its BSA/AML risk assessment and customer due diligence, complete a BSA/AML staffing assessment and conduct a “look back” to more highly scrutinize certain transactions that occurred during a six month period in 2018 to determine if any suspicious activity requiring reporting went undetected. Finally, the Bank must provide periodic reports of progress to the FDIC and CDBO and provide for independent testing of the overall compliance program to ensure continued compliance, and seek prior FDIC and CDBO non-objection to the establishment of any new branches or other offices, or introduction of new delivery channels, products, services, or lines of business.

The Order will remain in effect until terminated, modified or suspended by the FDIC and CDBO. The Bank’s Management and Board of Directors have expressed their full intention and ability to comply with all parts of the Order. The Bank began taking corrective actions prior to entry of the Order after communicating with the regulators and expects that it will be able to undertake and implement all required actions within the time periods specified in the Order. Importantly, and prior to the entry of the Order, the Bank sought and received FDIC and CDBO non-objection to hiring a new BSA officer, Susan Wahba, CAMS, who began working for the Bank on March 19, 2019, and brings significant experience in BSA/AML compliance, including as a former bank examiner and BSA/AML trainer for the FDIC, and most recently as the Chief Risk Officer for another Los Angeles area bank. Compliance with the requirements of the Order will be determined by the regulators in subsequent examinations. The Bank will incur additional non-interest expenses associated with the implementation of the required corrective actions; however, some of these expenses were already incurred and reflected in our 2018 financial statements and a majority of the ongoing expenses were reflected in our 2019 and beyond budgets. The Order and such related expenses are not expected to have a material impact on the results of operations or financial position of the Bank or the Company.

The foregoing summary description of the Order is qualified in its entirety by reference to the full text of Order, a copy of the Order is attached hereto as Exhibit 99.1 and is incorporated herein by reference.

Item 9.01 Financial Statements and Exhibits

(d) Exhibits.

99.1 Consent Order dated April 30, 2019

EXHIBIT INDEX

Exhibit No.	Description
99.1	Consent Order dated April 30, 2019

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Pacific City Financial Corporation

Date: May 3, 2019

/s/ Timothy Chang

Timothy Chang

Executive Vice President and Chief Financial Officer

[\(Back To Top\)](#)

Section 2: EX-99.1 (EXHIBIT 99.1)

Exhibit 99.1

FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, D.C.

CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT

SACRAMENTO, CALIFORNIA

)
)
In the Matter of:)
)
PACIFIC CITY BANK)
LOS ANGELES, CALIFORNIA)
)
(INSURED STATE NONMEMBER BANK))
)

CONSENT ORDER

FDIC-19-0025b

The Federal Deposit Insurance Corporation (“FDIC”) is the appropriate Federal banking agency for Pacific City Bank, Los Angeles, California (“Bank”) under Section 3(q) of the Federal Deposit Insurance Act (“FDI Act”), 12 U.S.C. § 1813(q)(2). The California Department of Business Oversight (“CDBO”) is the appropriate State banking agency for the Bank under Division 1 of the California Financial Code (“CFC”).

The Bank, by and through its duly elected and acting Board of Directors (“Board”), has executed a Stipulation to the

Issuance of a Consent Order (“Stipulation”), dated April 25, 2019, that is accepted by the FDIC and the CDBO. With the Stipulation, the Bank has consented, without admitting or denying any charges of unsafe or unsound banking practices relating to the Bank’s Bank Secrecy Act (“BSA”) and Anti-Money Laundering (“AML”) (together, “BSA/AML”) programs, to the issuance of this Consent Order (“Order”) by the FDIC and the CDBO pursuant to Section 8(b)(1) of the FDI Act, and Section 580 of the CFC.

Having determined that the requirements for issuance of an order under Section 8(b) of the FDI Act, 12 U.S.C. § 1818 (b), and the CFC, have been satisfied, the FDIC and the CDBO hereby order that:

1. Within 120 days of the effective date of this Order, the Bank shall comply in all material respects with the BSA and its rules and regulations.
2. Within 120 days of the effective date of this Order, the Bank shall correct all violations of law, as more fully set forth in the Joint Report of Examination (“ROE”) dated August 6, 2018. In addition, the Bank shall take all necessary steps to ensure future compliance with all applicable laws and regulations.
3. (a) During the life of this Order, the Bank’s Board shall increase its oversight of the Bank’s compliance with the BSA and Parts 326 and 353 of the FDIC’s Rules and Regulations. The Bank’s Board shall take all necessary steps to ensure that it receives clear and comprehensive reports at least monthly from the Bank’s qualified BSA officer appointed pursuant to Paragraph 4 of this Order regarding the Bank’s compliance with the BSA and Parts 326 and 353.

(b) Following the effective date of this Order, the Bank’s Board shall monitor and confirm the completion of actions taken by management to comply with the terms of this Order. The Bank’s Board shall certify in writing to the Regional Director of the FDIC’s San Francisco Regional Office (“Regional Director”) and the Commissioner of the CDBO (“Commissioner”) when all actions to comply with the terms of this Order have been accomplished. All actions taken by the Bank’s Board pursuant to this Order shall be duly noted in the minutes of its meetings.
4. During the life of this Order, the Bank shall notify the Regional Director and the

Commissioner in writing prior to appointing any new BSA/AML and Office of Foreign Assets Control (“OFAC”) Compliance Officer, or materially changing the responsibilities of the BSA/AML and OFAC Compliance Officer. Such proposed appointment, employment, or change in responsibilities shall not become effective unless and until a written notice of non-objection has been received from the Regional Director and the Commissioner. The Board shall ensure that the Bank’s BSA/AML compliance program is managed by a qualified officer who:

(a) Has sufficient experience, executive authority and independence to monitor and ensure compliance with the BSA, including the ability to develop and implement BSA/AML policies and procedures;

(b) Has sufficient resources (monetary, physical, and personnel) to administer an effective BSA/AML compliance program based on the Bank’s risk profile; and

(c) Shall be responsible for assuring the proper and timely filing of Suspicious Activity Reports (“SARs”), Currency Transaction Reports (“CTRs”), Reports of International Transportation of Currency or Monetary Instruments (“CMIRs”), Reports of Foreign Bank and Financial Accounts (“FBARs”) and any other reports required by the BSA or its implementing laws or regulations.

5. Within 90 days from the effective date of this Order, the Bank shall review and enhance its BSA/AML risk assessment (“RA”) of the Bank’s operations, as detailed in the ROE, and shall establish appropriate written policies, procedures, and processes regarding RAs. The RA shall address all pertinent risk factors that affect the overall BSA/AML and OFAC risk profiles of the Bank, and shall ensure that risk ratings are appropriate and well-supported through qualitative and quantitative data.

6. Within 120 days of the effective date of this Order, the Bank shall develop or revise, adopt, and implement a written compliance program, as required by the applicable provisions of Section 326.8 of the FDIC's Rules and Regulations, 12 C.F.R. § 326.8, designed to, among other things, ensure and maintain compliance by the Bank with the BSA and the rules and regulations issued pursuant thereto, and address the BSA/AML and OFAC related deficiencies as set forth in the ROE dated August 6, 2018. The program shall ensure that clear and comprehensive BSA/AML compliance reports are provided to the Board on a monthly basis. Such program and its implementation shall be in a manner acceptable to the Regional Director and the Commissioner as determined at subsequent examinations and/or visitations of the Bank. At a minimum, the program shall:

(a) Provide for an effective system of internal controls designed to ensure full compliance with the BSA taking into consideration the Bank's size and risk profile, as determined by the RA required by Paragraph 5 of this Order. At a minimum, the BSA Internal Controls shall include policies, procedures, and processes addressing the following areas:

(i) Customer Due Diligence: The Bank shall review and enhance its customer due diligence ("CDD") policies, procedures and processes for new and existing customers to operate in conjunction with its Customer Identification Program ("CIP"), and to enable the Bank to monitor the types of transactions in which a customer is likely to engage.

(ii) Enhanced Due Diligence: The Bank shall review, enhance and implement its enhanced due diligence ("EDD") policies, procedures and processes to conduct EDD necessary for those categories of customers that the Bank has reason to believe pose a heightened risk of suspicious activity. The EDD policies, procedures, and processes shall operate in conjunction with the Bank's CIP and CDD policies, procedures, and processes.

(iii) Suspicious Activity Monitoring: The Bank shall, taking into account its size and risk profile, develop or revise, adopt and implement policies, procedures, processes, and systems for monitoring, detecting, and reporting suspicious activity being conducted in all areas within or through the Bank. Such policies, procedures, processes and systems shall require that all relevant areas of the Bank as described in the ROE dated August 6, 2018, are monitored for suspicious activity. Any systems the Bank plans to utilize to assist in monitoring, detecting and reporting suspicious activity shall be independently validated, and parameters shall be supported through a documented analysis of appropriate information.

(iv) Alert Clearing: The Bank shall ensure appropriate analysis is conducted and procedures are in place for determining whether an alert from the suspicious activity monitoring system is considered suspicious. The analysis shall be adequately documented and supported. Additionally, a documented secondary level of review shall be periodically performed on a sample of cleared alerts to ensure adequacy.

(b) Provide for independent testing of compliance with the BSA. The independent testing shall be conducted at least annually and should contain sufficient documentation and descriptions of the testing procedures performed and the resulting conclusions regarding the sufficiency of the program in assuring ongoing compliance with all BSA-related regulations. Written reports shall be prepared which document the testing results and provide recommendations for improvement. Such reports shall be presented directly by the entity conducting the independent testing to the Bank's Board.

7. Within 90 days from the effective date of this Order, the BSA Officer shall complete a look-back and evaluate the alerts that would have been generated for the period from April 2018 to September 2018 by using the rule settings that had existed and were being utilized

in the Bank's automated monitoring system during and prior to March 2018 ("Look-Back"). Based upon the result of the Look-Back, the BSA Officer shall determine if any suspicious activity went undetected and if SARs shall be filed.

(a) Upon completion of the Look-Back required pursuant to this Paragraph 7, the Bank shall submit the written findings of the Look-Back and copies of any additional SARs and CTRs filed to the Regional Director and the Commissioner.

(b) Throughout the Look-Back, 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.

(c) Documentation supporting any determination made pursuant to this Paragraph 7 shall be retained in the Bank's records for such period of time as may be required by any applicable rules or regulations.

8. Within 90 days from the effective date of this Order, the Bank shall engage a qualified firm acceptable to the Regional Director and the Commissioner to perform a validation ("Validation") of the Bank's rules based risk rating module and suspicious activity monitoring system, which shall include testing of the data feeds, evaluating the effectiveness of established filtering criteria and thresholds, and ensuring that the system appropriately detects potentially suspicious activity.

(a) Within 30 days from the completion of the Validation, the Bank shall submit to the Regional Director and the Commissioner the written results of the Validation and a plan to implement any recommendations or address any deficiencies. If the Validation identifies material deficiencies in the Bank's suspicious activity monitoring system, the Bank shall also submit a separate plan within 30 days from the completion of the Validation for expanding the

Look-Back review. Such plans and their implementation shall be in a manner acceptable to Regional Director and the Commissioner, as determined at subsequent visitations and/or examinations.

(b) Thereafter, testing of the system's effectiveness shall be performed as part of the Bank's BSA/AML audit reviews, with results available for review by the Regional Director and the Commissioner at subsequent visitations and examinations.

9. During the life of this Order, the Board shall provide and document training, which may include offsite programs and use of online BSA/AML training resources, by competent staff and/or independent contractors for all of the Bank's Board members and all appropriate personnel, including, without limitation, senior management, tellers, customer service representatives, lending officers, private and personal banking officers and all other customer contact personnel, in all aspects of regulatory and internal policies and procedures related to the BSA, with a specific concentration on accurate recordkeeping, form completion and the detection and reporting of known and/or suspected criminal and/or suspicious activity. Training shall be updated on a regular basis to ensure that all personnel are provided with the most current and up to date information. Training given to new BSA Department personnel shall be delivered over a reasonable timeframe to ensure its effectiveness. New-hire BSA training shall include on-the-job work experience to promote understanding of the Bank's policies, procedures, processes and platforms used. Management shall assess new BSA Department personnel's in-person training sessions on a periodic basis to determine and monitor their BSA/AML comprehension and competency and provide follow-up training as needed.

10. Within 90 days from the effective date of this Order, and periodically thereafter, no less than annually, the Board shall perform, either directly or through a third party, a review

of the Bank's BSA/AML staffing needs to ensure adequate and appropriate resources are in place at all times, including qualified personnel to ensure a sustained and compliant BSA/AML program and individuals with sufficient experience and knowledge to properly supervise the BSA/AML program. The review shall include, at a minimum, consideration of the Bank's size and growth plans, risk profile, geographical areas served, products and services offered, and any changes in the BSA/AML practices, rules, and regulations.

11. During the life of this Order, the Bank shall not establish any new branches or other offices, and shall not introduce any new delivery channels, products, services, or lines of business, whether directly or indirectly, without the prior written consent of the Regional Director and the Commissioner.

12. Within 30 days of the end of the first quarter following the effective date of this Order, and within 30 days of the end of each quarter thereafter, the Bank shall furnish written progress reports to the Regional Director and the Commissioner detailing the form and manner of any actions taken to secure compliance with this Order and the results thereof. Such reports may be discontinued when the corrections required by this Order have been accomplished and the Regional Director and the Commissioner have released the Bank in writing from making further reports

13. Following the effective date of this Order, the Bank shall send to its shareholder(s) or otherwise furnish a description of this Order in conjunction with the Bank's next shareholder communication and also in conjunction with its notice or proxy statement preceding the Bank's next shareholder meeting. The description shall fully describe the Order in all material respects. The description and any accompanying communication, statement, or notice shall be sent to the FDIC, Accounting and Securities Section, Washington, D.C. 20429, at

least 15 days prior to dissemination to shareholders. Any changes requested to be made by the FDIC shall be made prior to dissemination of the description, communication, notice, or statement.

The provisions of this Order shall not bar, estop, or otherwise prevent the FDIC, the CDBO, or any other federal or state agency or department from taking any other action against the Bank or any of the Bank's current or former institution-affiliated parties, as that term is defined in Section 3(u) of the FDI Act, 12 U.S.C. § 1813(u).

This Order will become effective upon its issuance by the FDIC and the CDBO.

The provisions of this Order shall be binding upon the Bank, 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 FDIC and the CDBO.

Issued pursuant to delegated authority

Dated this 30th day of April, 2019.

/s/ Paul P. Worthing

Paul P. Worthing
Deputy Regional Director
Division of Risk Management Supervision
San Francisco Region
Federal Deposit Insurance Corporation

/s/ Jan Lynn Owen

Jan Lynn Owen
Commissioner
California Department of Business Oversight

law and/or regulations, hereby consents and agrees to the issuance of a Consent Order (“Order”) by the FDIC and the CDBO. The Bank further stipulates and agrees that such Order will be deemed to be an order which has become final under the Act and the CFC, and that said Order shall become effective upon its issuance by the FDIC and the CDBO, and fully enforceable by the FDIC and the CDBO pursuant to the provisions of the Act and the CFC.

3. In the event the FDIC and the CDBO accept the Stipulation and issue the Order, it is agreed that no action to enforce said Order in the United States District Court will be taken by the FDIC, and no action to enforce said Order in State Superior Court will be taken by the CDBO, unless the Bank or any institution-affiliated party, as such term is defined in section 3 (u) of the Act, 12 U.S.C. § 1813(u), has violated or is about to violate any provision of the Order.

4. The Bank hereby waives:

- (a) The receipt of Notice;
- (b) All defenses in this proceeding;
- (c) A public hearing for the purpose of taking evidence on such alleged charges;
- (d) The filing of Proposed Findings of Fact and Conclusions of Law;
- (e) A recommended decision of an Administrative Law Judge;
- (f) Exceptions and briefs with respect to such recommended decision; and
- (g) The right to appeal.

Dated: April 25, 2019

FEDERAL DEPOSIT INSURANCE
CORPORATION, LEGAL DIVISION

BY:

/s/ Lori M. Honjiyo

Lori M. Honjiyo

Counsel

CALIFORNIA DEPARTMENT OF
BUSINESS OVERSIGHT

BY:

/s/ David Bae

David Bae

Senior Counsel

PACIFIC CITY BANK
LOS ANGELES, CALIFORNIA
BY:

/s/ Kijun Ahn

Kijun Ahn

/s/ Daniel Cho

Daniel Cho

/s/ Haeyoung Cho

Haeyoung Cho

/s/ Hong Kyun "Daniel" Park

Hong Kyun "Daniel" Park

/s/ Sarah Jun

Sarah Jun

/s/ Henry Kim

Henry Kim

/s/ Sang Young Lee

Sang Young Lee

Comprising the Board of Directors of
Pacific City Bank
Los Angeles, California