

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): October 31, 2023 (October 25, 2023)

RBB BANCORP

(Exact name of Registrant as Specified in Its Charter)

California
(State or Other Jurisdiction
of Incorporation)

001-38149
(Commission
File Number)

27-2776416
(IRS Employer
Identification No.)

1055 Wilshire Blvd., 12th floor,
Los Angeles, California
(Address of Principal Executive Offices)

90017
(Zip Code)

Registrant's Telephone Number, Including Area Code: (213) 627-9888

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 Instructions 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.

Securities registered pursuant to Section 12 (b) of the Act:

Title of each class	Trading Symbol(s)	Name of exchange on which registered
Common Stock, No Par Value	RBB	NASDAQ Global Select Market

Item 8.01 Other Events.

Effective October 25, 2023, Royal Business Bank (the “Bank”), the wholly-owned subsidiary of RBB Bancorp (the “Company”), entered into a Stipulation to the Issuance of a Consent Order (the “Stipulation”) with the Federal Deposit Insurance Corporation (the “FDIC”) and the California Department of Financial Protection and Innovation (the “DFPI”), consenting to the issuance of a consent order (the “Consent Order”) relating to the Bank’s Anti-Money Laundering/Countering the Financing of Terrorism (“AML/CFT”) compliance program. In connection to the issuance of the Consent Order, the Bank did not admit or deny any charges of violating Bank Secrecy Act (“BSA”) and its implementing regulations.

Pursuant to the terms of the Consent Order, and within certain timeframes, the Bank is required to make certain enhancements and take certain actions with respect to its AML/CFT compliance program, including (i) enhancing personnel with oversight responsibilities with respect to the Bank’s AML/CFT compliance program, (ii) enhancing existing AML/CFT policies and practices, internal controls, customer due diligence, and training programs, and (iii) establishing an independent testing program to analyze and assess the Bank’s BSA Department. The Consent Order also requires the Bank to correct certain alleged violations of the BSA program, including internal controls, staffing and the timing of the filing of one suspicious activity report. The Consent Order does not require the Bank to pay any civil money penalty, require additional capital, increase liquidity, improve asset quality or otherwise concern other aspects of the Bank’s operations.

The foregoing summary description of the Consent Order is not complete and is qualified in its entirety by reference to the full text of the Consent Order, a copy of which is filed as Exhibit 99.1 to this Current Report on Form 8-K and the Stipulation, which is filed herewith as Exhibit 99.2, each of which is incorporated herein by reference.

The Bank has been proactive in addressing the items identified in the Consent Order prior to entering into the Consent Order. Actions the Bank has taken to date include but are not limited to:

- Hiring a new Deputy Chief Risk Officer/Senior BSA Officer;
- Conducting a comprehensive review, revision and enhancement of the Bank’s AML/CFT policies and procedures to strengthen the Bank’s customer and enhanced due diligence programs;
- Performing a qualitative and quantitative staffing analysis and expanding AML/CFT personnel through a combination of new hires and specialized consultants;
- Enhancing training with respect to the Bank’s AML/CFT policies and procedures;
- Engaging consultants to test enhanced AML/CFT policies and procedures; and
- Enhancing the Bank’s AML/CFT audit scope.

The Consent Order will remain in effect and be enforceable until it is modified, terminated, suspended or set aside by the FDIC and the DFPI. Although the Bank believes it has addressed many of the deficiencies identified in the Consent Order, there can be no guarantee that additional measures will not be required until the FDIC and the DFPI have reexamined and retested the Bank’s AML/CFT policies and procedures to the FDIC’s and the DFPI’s satisfaction, the timing of which is uncertain.

Except with respect to the salary and related expenses associated with the recently-hired new Deputy Chief Risk Officer/Senior BSA Officer, all expenses associated with the activities described above are reflected in the Company’s results of operations for the nine months ended September 30, 2023. The Bank may incur additional expenses associated with the implementation of corrective actions; however these expenses are not expected to have a material impact on the results of operations or financial position of the Bank or the Company.

Issuance of the Consent Order does not preclude further government action with respect to the Bank’s AML/CFT program, including the imposition of fines, sanctions, additional expenses and compliance costs, and/or restrictions on the Bank’s activities, including the timing and pace of future growth.

Forward-Looking Statements

The statements made by the Company in this Current Report on Form 8-K concerning the Company’s remediation efforts associated with its AML/CFT program, possible actions of government authorities related thereto and the potential impact of such matters on the Company’s business initiatives, share repurchases and dividends constitute forward-looking statements. Words such as “expects,” “anticipates,” “believes,” “estimates,” “intends,” “forecasts,” “projects” and other similar expressions or future or conditional verbs such as “will,” “should,” “would” and “could” are intended to help identify such forward-looking statements. These statements are not historical facts, but instead represent current expectations, plans or forecasts of the Company and are based on the beliefs and assumptions of the management of the Company and the information available to management at the time that these disclosures were prepared. The Company intends for all such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and the provisions of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These statements are not guarantees of future results or performance and involve certain risks, uncertainties and assumptions that are difficult to predict and often are beyond the Company’s control. Actual outcomes and results may differ materially from those expressed in, or implied by, the Company’s forward-looking statements.

You should not place undue reliance on any forward-looking statement and should consider the following uncertainties and risks, as well as the risks and uncertainties discussed elsewhere in this report and in any of the Company’s other Securities and Exchange Commission filings, which could cause the Company’s future results to differ materially from the plans, objectives, goals, estimates, intentions, and expectations expressed in forward-looking statements: the success of the Company at managing the risks involved in the remediation efforts associated with its AML/CFT program; costs of enhancements to its AML/CFT program are greater than anticipated; and governmental authorities undertake enforcement actions or legal proceedings with respect to its AML/CFT program beyond those contemplated by the Consent Order. All forward-looking statements speak only as of the date on which such statements are made, and the Company undertakes no obligation to update or revise any forward-looking statements to reflect changed assumptions, the occurrence of unanticipated events, changes to future operating results over time, or the impact of circumstances arising after the date the forward-looking statement was made.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

99.1 [Consent Order dated October 25, 2023](#)

99.2 [Stipulation and Consent to the Issuance of a Consent Order dated October 18, 2023](#)

104 Cover Page Interactive Data File (embedded within the Inline XBRL document)

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 thereunto duly authorized.

Date: October 31, 2023

RBB BANCORP

(Registrant)

By: /s/ David R. Morris

David R. Morris

Chief Executive Officer

FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, D.C.

CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION

SACRAMENTO, CALIFORNIA

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)	
In the Matter of:)	
)	
ROYAL BUSINESS BANK)	CONSENT ORDER
LOS ANGELES, CALIFORNIA)	
)	FDIC-23-0042b
(INSURED STATE NONMEMBER BANK))	
)	
_____)	

The Federal Deposit Insurance Corporation (“FDIC”) is the appropriate Federal banking agency for Royal Business Bank, Los Angeles, California (“Bank”) under Section 3(q) of the Federal Deposit Insurance Act (“FDI Act”), 12 U.S.C. § 1813(q). The California Department of Financial Protection and Innovation (“CDFPI”) is the appropriate State banking agency for the Bank under Division 1 of the California Financial Code.

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 October 18, 2023, that is accepted by the FDIC and the CDFPI. The Bank has entered the stipulation without admitting or denying any charges of violating the Bank Secrecy Act (“BSA”), 31 U.S.C. §§ 5311 *et. seq.*, 12 U.S.C. § 1829b, and 12 U.S.C. §§ 1951-60, and the implementing regulations, 31 C.F.R. Chapter X, and 12 U.S.C. § 1818(s) and its implementing regulations, 12 C.F.R. Part 353 and 12 C.F.R. § 326.8, (collectively referred to as the laws, rules, and regulations governing “Anti-Money Laundering/Countering the Financing of Terrorism” or “AML/CFT”). With the Stipulation, the Bank has consented to the issuance of this Consent Order (“Order”) by the FDIC and the CDFPI pursuant to Section 8(b)(1) of the FDI Act, and Section 580 of the California Financial Code (“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 CFC have been satisfied, the FDIC and the CDFPI hereby order that:

COMPLY WITH AML/CFT RULES & REGULATIONS

1. Within 120 days of the effective date of this Order, the Bank shall comply in all material respects with AML/CFT laws, rules, and regulations, including correcting all citations and violations as more fully set forth in the FDIC and CDFPI Report of Examination as of January 23, 2023 (“ROE”). The Bank shall:

(a) Correct the apparent violation of 12 C.F.R. § 326.8(c)(1) by developing, adopting, and fully implementing effective AML/CFT internal controls.

(b) Correct the apparent violation of 12 C.F.R. § 326.8(c)(3) by ensuring that adequate staffing/resources are provided to administer an effective AML/CFT program.

(c) Correct the apparent violation of 12 C.F.R. § 353.3 related to the failure to file Suspicious Activity Reports (“SARs”).

(d) Take all necessary steps to ensure future compliance with all applicable laws and regulations.

ACCEPTABLE AML/CFT PROGRAM

2. Within 90 days of the effective date of this Order, the Bank shall review, enhance and implement its written compliance program designed to, among other things, ensure and maintain compliance by the Bank with AML/CFT laws, rules, and regulations. The program shall ensure that clear and comprehensive AML/CFT compliance reports are provided to the Bank's Board on a monthly basis. Such program and its implementation shall be in a manner acceptable to the Regional Director of the FDIC's San Francisco Regional Office ("Regional Director") and the CDFPI Commissioner ("Commissioner") as determined at subsequent examinations and/or visitations of the Bank. At a minimum, the program shall:

(a) Review and improve a system of internal controls, as discussed in Paragraph 4 herein, to ensure compliance with AML/CFT laws, rules, and regulations, including policies and procedures to detect and monitor all transactions that may be conducted for illegitimate purposes and that there is full compliance with all applicable laws and regulations.

(b) Ensure that the Bank's AML/CFT program is managed by a qualified officer who has the required authority, responsibility, training, resources, and management reporting structure to ensure compliance with the Bank's AML/CFT program requirements and AML/CFT laws, rules, and regulations. Such a program shall include without limitation:

(i) Identification of timely, accurate and complete reporting to law enforcement and supervisory authorities of unusual or suspicious activity or known or suspected criminal activity perpetrated against or involving the Bank; and

(ii) Monitoring the Bank's compliance and ensuring that full and complete corrective action is taken with respect to identified violations and deficiencies.

(c) Provide and document training by competent staff and/or independent contractors of all 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 AML/CFT laws, rules, and regulations.

(i) Ensure that training is tailored to address the specific compliance responsibilities of the group or individual for which the training is being provided.

(ii) Training shall be updated on a regular basis to ensure that all personnel are provided with the most current and up to date information, such as the particular money laundering, terrorist financing and illicit finance risks of the Bank based on its products, services, business lines, customer types, geographic reach and any other risks identified.

(iii) This training shall be conducted at least annually and shall be updated, as appropriate, to include changes to the relevant AML/CFT laws and regulations and changes to the Bank's Risk Assessment.

3. Within 90 days of the effective date of this Order, the Bank shall revise, adopt, and implement its AML Policy to include provisions which implement the requirements of this Order. The Bank's Board and management shall fully implement the provisions of the revised AML Policy. The revised AML Policy, and its implementation, shall be in a form and manner acceptable to the Regional Director and the Commissioner as determined at subsequent examinations and/or visitations of the Bank.

ACCEPTABLE CUSTOMER DUE DILIGENCE PROGRAM

4. Within 90 days of the effective date of this Order, the Bank shall review, enhance and implement appropriate risk-based policies and procedures for a written Customer Due Diligence ("CDD") program that complies with the requirements set forth in 31 C.F.R. § 1020.210(b)(v) and as detailed in the ROE. 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 Bank shall:

(a) Update customer risk profiles to reflect current expected activity information for High Risk Account (“HRA”) reviews. The customer risk rating system must ensure that all customers of the Bank are appropriately risk-rated to capture the money laundering or terrorist financing risk they pose. The Bank’s CDD shall operate in conjunction with the Bank’s Customer Identification Program (“CIP”) to enable the Bank to understand the nature and purpose of customer relationships and develop sufficient customer risk profiles.

(b) Update procedures to instruct analysts to reference expected activity from customer risk profiles when reviewing transaction monitoring alerts. The Bank must have appropriate policies, procedures and processes for monitoring and updating customer information including policies to address when and what customer information will be collected to ensure the Bank’s customer risk ratings are current and serve as an accurate reflection of risk.

(c) Maintain a sustainable process to ensure all HRA customer relationships receive a periodic review.

(d) Maintain processes and procedures to investigate and, as appropriate, report suspicious or unusual activity detected in the course of the Bank’s ongoing monitoring and updating of customer information.

(e) Conduct a rules tuning/calibration of transaction monitoring and risk scoring parameters and ensure the system is operating as expected.

SARS POLICY AND PROCEDURES

5. Within 90 days of the effective date of this Order, the Bank shall review and enhance policies and procedures to ensure that SARs are filed within 30 days of identifying a suspect or unusual and suspicious activity (or a total of 60 days if a suspect is unknown or once per quarter for ongoing transactions).

(a) Such a program must ensure that timely identification of suspicious activity occurs and that timely investigation into unusual activity is undertaken.

(b) The Bank shall review and enhance its policies and procedures concerning notification to the Bank's Board of SAR filings.

BOARD OVERSIGHT OF AML/CFT COMPLIANCE

6. Within 90 days from the effective date of this Order, and periodically thereafter, but no less than annually, the Board shall perform, either internally or through a third party, an analysis and assessment of the Bank's BSA Department.

(a) At a minimum, the assessment should analyze and address staffing needs to ensure appropriate resources are in place to administer an AML/CFT program. In addition, the staffing needs assessment shall ensure the Bank has designated a qualified individual to coordinate and monitor day-to-day compliance with AML/CFT laws, rules, and regulations. The analysis should include assumptions for the Bank's growth plans, risk profile, and higher-risk customer types served. Additionally, the analysis must consider resources needed to address the internal control deficiencies detailed within the ROE.

(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 and the Commissioner when all of the above actions 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. The Board shall receive reports on at least a monthly basis from the qualified officer appointed in Paragraph 2 regarding compliance with AML/CFT laws, rules, and regulations and shall review such reports at its meetings.

PROGRESS REPORTS

7. 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. Such reports shall detail the form and manner of any actions taken to secure compliance with this Order and the results thereof and provide additional information as necessary. 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.

DISCLOSURE

8. Following the effective date of this Order, the Bank shall provide a copy of the Order or otherwise furnish a description of the Order to its shareholder(s) in conjunction with:

- (a) the Bank's next shareholder communication; and
- (b) the 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, Division of Risk Management Supervision, Accounting and Securities Disclosure Section, 550 17th Street, N.W., Washington, D.C. 20429, at least 20 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 CDFPI, 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 CDFPI.

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 CDFPI.

Issued pursuant to delegated authority.

Dated this 25th day of October, 2023.

/s/ Paul Worthing

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

/s/ Aaron Prosperi

Aaron Prosperi
Deputy Commissioner, Banking Division
California Department of Financial
Protection and Innovation

FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, D.C.

CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION

SACRAMENTO, CALIFORNIA

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 In the Matter of:)
)
 ROYAL BUSINESS BANK)
 LOS ANGELES, CALIFORNIA)
)
 (INSURED STATE NONMEMBER BANK))
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STIPULATION TO THE ISSUANCE
OF A CONSENT ORDER

FDIC-23-0042b

Subject to the acceptance of this Stipulation to the Issuance of a Consent Order (“Stipulation”) by the Federal Deposit Insurance Corporation (“FDIC”) and the California Department of Financial Protection and Innovation (“CDFPI”), it is hereby stipulated and agreed by and between a representative of the Legal Division of FDIC, a representative of the CDFPI, and Royal Business Bank, Los Angeles, California (“Bank”), as follows:

1. The Bank has been advised of its right to receive a Notice of Charges and of Hearing (“Notice”) detailing the unsafe or unsound banking practices and violations of law and/or regulations alleged to have been committed by the Bank and of its right to a public hearing on the alleged charges under section 8(b)(1) of the Federal Deposit Insurance Act (“Act”), 12 U.S.C. § 1818(b)(1), and Section 580 of the California Financial Code (“CFC”), and has waived those rights.

2. The Bank, solely for the purpose of this proceeding and without admitting or denying any of the alleged charges of unsafe or unsound banking practices and any violations of law and/or regulations, hereby consents and agrees to the issuance of a Consent Order (“Order”) by the FDIC and the CDFPI. 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 CDFPI, and fully enforceable by the FDIC and the CDFPI pursuant to the provisions of the Act and the CFC.

3. In the event the FDIC and the CDFPI 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 CDFPI, 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 a 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.
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Dated: October 18, 2023

FEDERAL DEPOSIT INSURANCE
CORPORATION, LEGAL DIVISION
BY:

CALIFORNIA DEPARTMENT OF
FINANCIAL PROTECTION AND
INNOVATION
BY:

/s/ Kris Brewer

/s/ Mark Ahn

Kris H. Brewer
Senior Regional Attorney

Mark Ahn
Senior Counsel

ROYAL BUSINESS BANK
LOS ANGELES, CALIFORNIA
BY:

Comprising the Board of Directors of Royal Business Bank, Los Angeles, California

/s/ William Bennett
William Bennett

/s/ Robert M. Franko
Robert M. Franko

/s/ Christina Kao
Christina Kao

/s/ James Kao
James Kao

/s/ Joyce Wong Lee
Joyce Wong Lee

/s/ Chuang-I Lin
Christopher (Chuang-I) Lin

/s/ David Morris
David Morris

/s/ Geraldine Pannu
Geraldine Pannu

/s/ Scott Polakoff
Scott Polakoff

/s/ Frank Wong
Frank Wong