

FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, D.C.

_____)	
In the Matter of)	
FIRST STATE BANK)	CONSENT ORDER
CROSSETT, ARKANSAS)	
(Insured State Nonmember Bank))	FDIC-11-642b
_____)	

FIRST STATE BANK, CROSSETT, ARKANSAS (“Bank”), having been advised of its right to a NOTICE OF CHARGES AND HEARING detailing the unsafe or unsound banking practices and violations of law or regulation relating to operating without adequate supervision by the Bank’s board of directors, operating without an effective Bank Secrecy Act program, operating without an effective Compliance Management System, operating without an effective Information Technology System, and operating without effective supervision of third-party risks, and of its right to a hearing on the charges under section 8(b) of the Federal Deposit Insurance Act (“Act”), 12 U.S.C. § 1818(b), and having waived those rights, entered into a STIPULATION AND CONSENT TO THE ISSUANCE OF A CONSENT ORDER (“STIPULATION”) with representatives of the Federal Deposit Insurance Corporation (“FDIC”), dated January 3, 2012, whereby, solely for the purpose of this proceeding and without admitting or denying the charges of unsafe or unsound banking practices and violations of laws or regulations, the Bank consented to the issuance of a CONSENT ORDER (“ORDER”) by the FDIC.

The FDIC considered the matter and determined that it had reason to believe the Bank

violated laws and regulations and engaged in unsafe or unsound banking practices and therefore accepted the STIPULATION.

Having also determined that the requirements for issuance of an order under 12 U.S.C. § 1818(b) have been satisfied, the FDIC HEREBY ORDERS that the Bank, its institution-affiliated parties, as that term is defined in section 3(u) of the Act, 12 U.S.C. § 1813(u), and its successors and assigns, take affirmative action as follows:

BOARD AND MANAGEMENT

BOARD SUPERVISION

1. Within 60 days from the effective date of this ORDER, the Bank's Board shall increase its supervision and direction in the affairs of the Bank, assuming full responsibility for the approval of sound policies and objectives and for the supervision of all the Bank's activities, consistent with the role and expertise commonly expected for directors of banks of comparable size. This 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 consumer compliance, third-party payment processors, high risk deposit accounts, information technology, and Bank Secrecy Act compliance, along with all respective committee minutes pertaining to these matters. The Bank's Board minutes shall document these reviews and approvals, including the names of any dissenting directors.

MANAGEMENT

2. Within 30 days from the effective date of this ORDER, the Bank shall have and retain management qualified to oversee all aspects of the Bank's Bank Secrecy Act ("BSA") Compliance Program, its Consumer Compliance Program, and its Information Technology programs. Management shall assure 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.

MANAGEMENT CHANGES

3. During the life of this ORDER, the Bank shall notify the Regional Director of the FDIC's Dallas Regional Office ("Regional Director") and the Commissioner of the Arkansas State Bank Department ("Commissioner") in writing when it proposes to add any director to the Bank's Board or employ any individual as a senior executive officer, as that term is defined in Part 303 of the FDIC's Rules and Regulations, 12 C.F.R. § 303.102. The notification shall include a description of the background and experience of the individual or individuals to be added or employed and must be received at least 30 days before such addition or employment is intended to become effective. The Bank may not add any director to its Board or employ any individual as a senior executive officer unless the Bank complies with section 32 of the Act, 12 U.S.C. § 1831i, and the Regional Director or the Commissioner does not object to the addition of such director or senior executive officer.

BANK SECRECY ACT PROGRAM

WRITTEN BSA COMPLIANCE PROGRAM

4. (a) Within 45 days of the effective date of this ORDER, the Bank 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 ("FDIC Rules"), 12 C.F.R. § 326.8, and which is designed to, among other things, assure and maintain full compliance by the Bank with the BSA and the rules and regulations issued pursuant thereto.

(b) The Bank shall provide the Regional Director and the Commissioner with a copy of the revised, written BSA compliance program for review. Thereafter, the revised program shall be implemented 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:

- i. Require the Bank to develop a system of internal controls to assure full compliance with the BSA and the rules and regulations issued pursuant thereto, including policies and procedures to detect and monitor all transactions including, but not limited to, those conducted by Remote Deposit Capture (“RDC”) services, to assure the identification and proper reporting of all known or suspicious activity, money laundering activity, or violations of the BSA.
- ii. Designate a senior Bank official to be responsible for overall BSA compliance. This designated senior official shall be in a position, and have the authority, to make and enforce policies with respect to BSA compliance and to assure that full and complete corrective action is taken regarding previously identified violations and deficiencies. This senior Bank official shall have the necessary knowledge, expertise, and resources (personnel and technological) to effectively oversee the Bank’s BSA program commensurate with the level of risk in the Bank’s operations.
- iii. Provide for written, detailed guidelines regarding the administration of the RDC program and high-risk account activity

- particularly with regard to third-party payment processors -
including the solicitation, opening, and ongoing monitoring of all
such accounts for suspicious activity and the filing of all required
reports resulting from the activity.

- iv. Provide for accurate and comprehensive risk assessments for BSA and Office of Foreign Assets Control (“OFAC”) compliance which fully take into account the nature of the Bank’s operations including, but not limited to, high-risk account activity, particularly with regard to third-party payment processor and RDC activities.
- v. Establish due diligence practices and written guidelines for all customers that are commensurate with the level of BSA and money laundering risk posed by each customer.

BSA STAFF

5. Within 45 days from the effective date of this ORDER, the Bank shall analyze and assess the Bank’s staffing needs in order to provide for an adequate number of qualified staff for the Bank’s BSA Department, including provision for succession of BSA responsibilities. The BSA Department staff shall be evaluated to determine whether these individuals possess the ability, experience, training and other necessary qualifications required to perform present and anticipated duties, including adherence to the Bank’s BSA Compliance Program, the requirements of the BSA regulations, and the provisions of this ORDER.

DIRECTORS BSA COMMITTEE

6. Within 30 days from the effective date of this ORDER, the Board shall establish a Directors' BSA Committee ("BSA Committee") to oversee the Bank's compliance with BSA regulations and the Bank's BSA Compliance Program. A majority of the members of the BSA Committee shall be independent, outside directors. The BSA Committee shall receive comprehensive monthly reports from the BSA Compliance Officer regarding the Bank's compliance with BSA regulations and the Bank's BSA Compliance Program described in paragraph 3 above. The BSA Committee shall present a report to the Board, at each regularly scheduled board meeting, regarding the Bank's compliance with BSA regulations and the Bank's BSA Compliance Program, which shall be recorded in the appropriate minutes of the board meeting and retained in the Bank's records.

TRAINING

7. (a) Within 45 days from the effective date of the ORDER, the Bank shall identify staff positions and personnel whose duties, assignments, and responsibilities call for knowledge of the compliance requirements for the BSA Rules. Such personnel shall include, but not necessarily be limited to, directors, executive officers, department heads, supervisors, loan officers, loan operations staff, private and personal banking officers, tellers, customers service representatives, bookkeepers, couriers, proof operators, information technology staff, wire-transfer staff, and all other customer contact personnel.

(b) Within 90 days from the effective date of the ORDER, the Bank shall develop a comprehensive training program that shall have a general component for all directors and staff and specific components, including Bank specific policies and procedures that are tailored to the needs of specific positions, departments, and personnel. The training program shall provide for both initial and periodic refresher training, and shall specify who is responsible

for dissemination of changes in the BSA Rules and in what media and timeframe notifications of changes are to be made. The training program shall require documentation of attendance at training with full explanations of absences with notation of when absentees will be trained.

(c) The comprehensive training program shall be approved by the Board and forwarded to the Regional Director and the Commissioner along with the next progress report due pursuant to paragraph 23 of this ORDER.

INDEPENDENT TESTING

8. (a) Within 120 days of the effective date of this ORDER, the Bank shall assure that an effective and comprehensive independent test of compliance with the BSA and 31 C.F.R. Chapter X is conducted for high-risk activities. Independent testing shall thereafter be conducted on a quarterly basis for all high-risk activities and on an annual basis for all other activities.

(b) The Bank shall provide to the Regional Director and the Commissioner a copy of the written reports documenting the scope of testing procedures performed, the findings and results made, and any recommendations for improvement based on those findings. At a minimum, the independent testing shall include, and the contract or engagement letter entered into with any third-party performing the testing shall provide for, the following:

- i. Testing of the Bank's internal procedures for monitoring BSA compliance, including the use and adequacy of any and all internal reports used to ensure compliance with the BSA ;
- ii. Testing to ensure all reportable transactions have been identified and Currency Transaction Reports ("CTRs") and Suspicious Activity Reports ("SAR") have been filed accurately and within

the prescribed timeframes;

- iii. Testing to ensure the Bank is reviewing all applicable reports;
- iv. Testing of the Bank's monitoring, analyzing, and filing procedures for high-risk accounts, particularly with regard to third-party payment processors, to ensure the proper filing of CTRs and SARs thereon;
- v. Testing of the validity and reasonableness of the customer exemptions granted by the Bank;
- vi. Testing of the Bank's customer identification program;
- vii. Testing of the Bank's recordkeeping system for compliance with the BSA;
- viii. Testing to ensure that the Bank is in compliance with rules and regulations related to:
 - Identifying and reporting suspicious activities;
 - Funds transfer operations;
 - On-going training of appropriate personnel;
 - OFAC restrictions and requirements;
 - High-risk activities related to customers and other areas of the Bank;
 - Compliance with information sharing requirements;
 - Testing of the accuracy and validity of the automated large transaction identification system;
 - Confirming the integrity and accuracy of management

information reports used in the anti-money laundering compliance program; and

- Retention of required records.

- ix. Allowing unrestricted examiner access to auditor workpapers if testing is conducted by an outside party.

LOOK BACK REVIEW

9. (a) Within 45 days from the effective date of this ORDER, the Bank shall develop a written plan detailing how it will conduct, through an independent and qualified auditor, a review of deposit account and transaction activity for all third-party payment processors from December 23, 2010, through the effective date of this ORDER, to determine whether suspicious activity involving any accounts of, or transactions through, the Bank were properly identified and reported in accordance with the applicable suspicious activity reporting requirements (“Look Back Review”).

(b) The plan for the Look Back Review, and the subsequent contract or engagement letter entered into with the auditor performing the Review, shall include, at a minimum:

- i. The Scope of the review, which shall specify the types of accounts and transactions to be reviewed, shall include the Bank’s high-risk account customers;
- ii. The methodology for conducting the Look Back Review, including any sampling procedures to be followed;
- iii. The resources and expertise to be dedicated to the Look Back Review;

- iv. The anticipated date of completion of the Look Back Review;
- v. A provision for unrestricted examiner access to auditor workpapers; and
- vi. A provision that the audit firm will present its findings from the Look Back Review directly to the Bank's Board.

(c) The plan for the Look Back Review, and any subsequent modifications thereof, shall be prepared and implemented in a manner acceptable to the Regional Director and the Commissioner. For this purpose, the draft plan shall be submitted to the Regional Director and the Commissioner for review and comment prior to implementation. After consideration of all such comments, and after adoption of any recommended changes, the Board shall approve the plan, which approval shall be recorded in the minutes of the Board's meeting at which approved.

(d) Within 10 days of receipt of written notice from the Regional Director and the Commissioner indicating acceptability of the plan, the Bank shall implement the plan and commence the Look Back Review.

(e) By the tenth day of each month while the Look Back Review is being conducted, the Bank shall provide to the Regional Director and the Commissioner a written report detailing the actions taken under the Look Back Review and the results obtained since the prior monthly report.

(f) Within 30 days of the completion of the Look Back Review, the Bank shall provide a list to the Regional Director and the Commissioner specifying all outstanding matters or transactions identified by the Look Back Review which have yet to be reported and detailing how and when these matters will be reported in accordance with applicable law and regulation.

DUE DILIGENCE PROGRAM

10. (a) Within 90 days from the effective date of this ORDER, the Bank shall develop, adopt, and implement a written Customer Due Diligence (“CDD”) Program. The CDD Program and its implementation shall be prepared and conducted in a manner acceptable to the Regional Director and the Commissioner as determined at subsequent examinations and/or visitations of the Bank.

(b) At a minimum, the CDD Program shall provide for a risk focused assessment of the customer base of the Bank to determine the appropriate level of ongoing monitoring required to assure that the Bank can reasonably detect suspicious activity and determine which customers require Enhanced Due Diligence (“EDD”) necessary for those categories of customers the Bank has reason to believe pose a heightened risk of suspicious activity including, but not limited to, high-risk accounts, particularly with regard to third-party payment processors.

(c) At a minimum, the CDD Program shall provide for:

- i. Risk rating of the Bank’s customers, specifically including high-risk accounts based on the potential risk for money laundering, terrorist financing, 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;
- ii. Obtaining, analyzing, and maintaining sufficient customer information necessary to allow effective suspicious activity

- monitoring, including documentation of normal and expected transactions of the customer;
- iii. Guidance for documenting the analysis conducted under the CDD process, including guidance for resolving issues when insufficient or inaccurate information is obtained;
 - iv. Monitoring procedures required for each customer category under the BSA/AML risk ratings;
 - v. Guidelines to reasonably assure the identification and timely, accurate reporting of known or suspected criminal activity, as required by the suspicious activity reporting provisions of Part 353 of the FDIC Rules, 12 C.F.R. § 353; and
 - vi. Periodic, risk-based monitoring of customer relationships to determine whether the original risk profile remains accurate.

ACCOUNT MONITORING

11. (a) Within 120 days from the effective date of this ORDER, the Bank shall establish an effective system for identifying, verifying, monitoring, and determining the appropriateness of accounts with frequent cash, check, or wire transfer deposits and withdrawals. Documentation supporting the review of accounts and determinations made shall be retained in the Bank's records.

(b) Within 120 days from the effective date of this ORDER, the Bank shall develop and implement internal control procedures requiring the regular periodic comparison of actual activity in each account identified under paragraph (a) above against expected or anticipated activity. Such internal control procedures shall include procedures for identifying

and documenting significant variances between anticipated and actual activity along with procedures for reporting variances to the Board and filing a SAR when necessary.

SUSPICIOUS ACTIVITY MONITORING AND REPORTING

12. Within 90 days from the effective date of this ORDER, the Bank shall develop, adopt, and implement a revised written program for monitoring and reporting suspicious activity, which fully meets all applicable requirements of section 353 of the FDIC's Rules and Regulations ("FDIC Rules"), 12 C.F.R. § 353, and which is designed to, among other things, assure and maintain full compliance by the Bank with the rules and regulations issued pursuant thereto for monitoring and reporting suspicious activity. The Bank shall review for accuracy and thoroughness, and amend as necessary, all SARs previously filed since January 23, 2010.

HIGH-RISK ACCOUNT PROCEDURES

13. During the life of this ORDER, the Bank shall not open any new accounts for existing or new high-risk, as defined in the CDD, customers without the prior written approval of the Regional Director and the Commissioner.

NEW BUSINESS LINES, PRODUCTS, AND SERVICES

14. During the life of this ORDER, the Bank shall not enter any new business lines or offer any new products or services without first having prepared a detailed, written proposal that at a minimum addresses the following: (a) a cost-benefit analysis; (b) an explanation of how the proposal is consistent with the Board-approved Strategic Plan; (c) a thorough BSA Risk Assessment conducted by a qualified, independent third-party consultant; and (d) assurance that adequate policies and procedures are established, appropriate staff is adequately trained, and adequate controls are in place to mitigate both the BSA and safety or soundness risks associated

with these activities. A written copy of the Proposal, including the BSA Risk Assessment, shall be submitted to the Board for review and approval. Once approved by the Board, it shall be provided to the Regional Director and the Commissioner for review and approval at least 30 days prior to entering therein. The approval of any Proposal shall not be interpreted to allow the Bank to perform any activity expressly prohibited by the ORDER.

CHARGE-BACK RESERVES/INDEPENDENT REVIEW

15. (a) During the life of this ORDER, the Bank shall take all necessary steps to maintain adequate reserves for any potential charge-backs or other liabilities arising from its third-party payment processing activities.

(b) Within 45 days from the effective date of this ORDER, the Bank shall engage an independent third-party to review the risk associated with third-party payment processors' accounts and ensure that the amounts reserved provide sufficient protection.

(c) During the life of this ORDER, the Bank shall submit a weekly report to the Board and the Regional Director and the Commissioner detailing the volume of charge-back activity arising from third-party payment processing activities and the adequacy of the reserve balance. The report shall be in a format acceptable to the Regional Director and the Commissioner.

CONSUMER PROTECTION

COMPLIANCE MANAGEMENT SYSTEM

16. (a) Within 90 days from the effective date of this ORDER, the Bank shall develop and implement a Compliance Management System commensurate with the level of complexity of the Bank's operations. The Compliance Management System shall:

(1) Require oversight by the Bank's Board and senior management that includes the following actions:

- a. Ensure adherence with all the provisions of this ORDER;
- b. Ensure the Bank operates with an adequate Compliance Management System as described in the Federal Deposit Insurance Corporation's Compliance Examination Manual, Tab II ("Compliance Examinations"), pages II-2.1-4 ("Compliance Management System");
- c. Ensure that the Compliance Officer receives ongoing training, sufficient time, and adequate resources to effectively oversee, coordinate, and implement the Bank's Compliance Management System; and
- d. Ensure adequate and effective oversight for the Bank's thirty-party relationships, specifically focusing on monitoring the activities of third-party payment processors and their customers.

(2) Require the development and implementation of a compliance program that the Bank's Board annually reviews and approves, with the Board's approval reflected in the minutes of the Bank's Board. The Compliance Program shall include written policies and procedures that shall:

- a. Provide Bank personnel with all the information needed to perform a business transaction; and
- b. Reflect changes, based on periodic updates, in the Bank's

business and regulatory environment.

(3) Require the implementation and maintenance of a training program related to consumer laws and regulations, including third-party risk, for all Bank personnel, including senior management and the Bank's Board, commensurate with their individual job functions and duties. The Compliance Officer shall be responsible for the administration of this program, and shall ensure that training is provided to officers and employees on a continuing basis.

(4) Require compliance monitoring procedures that have been incorporated into the normal activities of every department. At a minimum, monitoring procedures should include ongoing reviews of:

- a. Applicable departments and branches;
- b. Disclosures and calculations for various loan and deposit products;
- c. Document filing and retention procedures;
- d. Marketing literature and advertising; and
- e. Internal compliance communication system that provides to Bank personnel appropriate updates resulting from revisions to consumer laws and regulations.

(5) Require an annual independent, comprehensive, and written audit covering applicable consumer laws and regulations. The Bank's Board shall document its efforts, including the review of and corrective measures made pursuant to the audit's findings, in the minutes of the Bank's Board. The audit shall:

- a. Provide for sufficient transactional testing, as appropriate, for all

areas of significant compliance risk, including those areas identified in the FDIC's Compliance Visitation Report dated November 14, 2011 ("Report"); and

- b. Identify the causes that resulted in the violations of law and regulations or exceptions noted in the Audit Report with sufficient information to provide management direction in formulating corrective action.

(b) Within 60 days from the effective date of this ORDER, the Bank's Board shall conduct a risk assessment that addresses all the risks discussed in Financial Institution Letter ("FIL")-44-2008, dated June 6, 2008 ("FIL-44-2008"), on each significant third-party relationships (including third-party payment processors), and prior to entering into any new third-party relationships (including third-party payment processors). The risk assessment should include, at a minimum, the following points:

- (1) That the relationship is consistent with the institution's strategic planning and overall business strategy;
- (2) That benefits, costs, legal aspects, and potential risks of the Bank's third-party relationships are in the Bank's best interest;
- (3) That the board of directors and senior management can provide adequate oversight and management of third-party relationships on an ongoing basis; and
- (4) That the long-term financial effect of the Bank's third-party relationships is in the Bank's best interest.

(c) Within 60 days from the effective date of this ORDER, the Bank shall

develop policies and procedures to appropriately assess, measure, monitor, and control third-party risks as addressed in FIL-44-2008, as well as FIL-127-2008, dated November 7, 2008, Guidance on Payment Processor Relationships, and FIL-26-2004, dated March 11, 2004, Unfair or Deceptive Acts or Practices Under Section 5 of the Federal Trade Commission Act. The policies and procedures should include, at a minimum, the following points:

- (1) Policies requiring the evaluation of the risks associated with third-party relationships before entering into and during the relationship;
- (2) Procedures for periodic monitoring of all third-party relationships, with these monitoring procedures addressing the following:
 - (a) Ensure ongoing review of the payment processor and ACH originators;
 - (b) Maintain documentation demonstrating that the payment processor and the ACH originators activities are not harmful to consumers;
 - (c) Ensure the payment processor and ACH originators rectify harmful consumer activity or the Bank shall cease operations with the payment processor or the ACH originators;
 - (d) Ensure that disclosures provided to consumers accurately reflect the obligations by and among the Bank, payment processor, ACH originators, and consumers;
 - (e) Ensure that marketing materials of the payment processor and ACH originators comply with consumer protection

laws and regulations; and

- (f) Ensure that payment processors and ACH originators address consumer complaints and take all necessary corrective actions in a timely manner.

- (3) Audit procedures which encompass review of third-party relationships.

(d) Within 60 days from the effective date of this ORDER, the Bank's oversight of third-party relationships shall include maintaining documents and records on all aspects of third-party relationships, including contracts, business plans, risk analyses, due diligence, and oversight activities, and reports to the Bank's Board and monitoring efforts.

INFORMATION TECHNOLOGY

REVISION TO INFORMATION TECHNOLOGY RISK ASSESSMENT PROCESSES

17. Within 60 days from the effective date of this ORDER, the Bank shall revise its IT Risk Assessment processes to include risks related to Remote Merchant Capture and Third-Party Payment Processors. The Risk Assessment will include, at a minimum, rating the legal, compliance, operational, reputational, and technological risks involved with these activities. The Risk Assessment will also address the controls that have been implemented to mitigate identified risks. The Risk Assessment will also consider risks due to capturing transactions outside of the United States.

WRITTEN AGREEMENTS WITH THIRD-PARTY PAYMENT PROCESSOR

18. Within 60 days from the effective date of this ORDER, the Board shall revise its written agreement with third-party payment processors to address, at a minimum, the following

areas: charge-back arrangements; limits on daily activity (dollar amount and number of items); a set level of reserves required for returned items; an allowance for adjustments based on management's periodic analysis of reserve account adequacy; allowable return rates on deposited items; funds availability; cut-off times for receiving remote deposits; business continuity and backup processing procedures; and required information on merchant clients including, but not limited to: merchant client name; names of the merchant client's principals; principal business activity; physical location(s); and sales techniques.

THIRD-PARTY PAYMENT PROCESSOR PROGRAM

19. (a) Within 60 days from the effective date of this ORDER, the Board shall develop a Third-Party Payment Processor ("TPPP") Program using various regulatory issuances as guidance. The TPPP Program shall include, at a minimum, provisions for items discussed in the following regulatory guidance and manuals: (i) FIL-127-2008, dated November 7, 2008, Guidance on Payment Processor Relationships; (ii) FIL-44-2008, dated June 6, 2008, Guidance for Managing Third-Party Risk; (iii) FFIEC IT Examination Handbook – Retail Payment Systems, February 2010; and (iv) FFIEC IT Examination Handbook – Outsourcing Technology Services, June 2004.

(b) The TPPP Program shall also address due diligence procedures, background checks, ongoing monitoring of the TPPP relationships and the use of nested TPPP.

REMOTE MERCHANT CAPTURE PROGRAM

20. Within 60 days from the effective date of this ORDER, the Board shall develop a Remote Merchant Capture ("RMC") Program using the following regulatory issuances as guidance. The RMC Program shall include, at a minimum, provisions for items discussed in the

following regulatory guidance and manuals: (i) FIL-4-2009, dated January 14, 2009, Risk Management of Remote Deposit Capture; (ii) FIL-114-2004, dated October 27, 2004, Check Clearing for the 21st Century Act Final Amendments to the Federal Reserve Board's Regulation CC; (iii) FFIEC IT Examination Handbook – Retail Payment Systems, February 2010; and (iv) FFIEC IT Examination Handbook – Information Security, July 2006.

CONCLUDING PROVISIONS

CORRECTION OF VIOLATIONS

21. Within 60 days from the effective date of this ORDER, the Bank shall eliminate and/or correct all violations of law or regulation as discussed in the FDIC's BSA Examination Summary presented at the November 4, 2011 meeting with management and the Board of Directors, and as detailed in the FDIC Bank Secrecy Act Report of Examination dated October 18, 2011 ("ROE"), in addition to those violations contained in the Compliance Visitation dated November 14, 2011.

NOTIFICATION OF SHAREHOLDERS

22. Following the effective date of this ORDER, the Bank shall send to its shareholders a copy of this ORDER: (1) in conjunction with the Bank's next shareholder communication; or (2) in conjunction with its notice of proxy statement preceding the Bank's next shareholder meeting.

PROGRESS REPORTS

23. Within 30 days from the end of each calendar quarter following the effective date of this ORDER, the Bank shall furnish to the Regional Director and the Commissioner written progress reports signed by each member of the Bank's board of directors, detailing the actions

taken to secure compliance with the ORDER and the results thereof.

The effective date of this ORDER shall be the date of its issuance by the FDIC.

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.

Pursuant to delegated authority.

Dated: January 3, 2012.

/s/ _____
Kristie K. Elmquist
Regional Director
Dallas Regional Office
Federal Deposit Insurance Corporation