

FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, D.C.

AND

WEST VIRGINIA DIVISION OF FINANCIAL INSTITUTIONS

CHARLESTON, WEST VIRGINIA

_____	)	
In the Matter of	)	
	)	CONSENT ORDER
BANK OF MINGO	)	
WILLIAMSON, WEST VIRGINIA	)	FDIC-13-0349b
	)	
(Insured State Nonmember Bank)	)	
_____	)	

The Federal Deposit Insurance Corporation (“FDIC”) is the appropriate Federal banking agency for Bank of Mingo, Williamson, West Virginia (“Bank”), under 12 U.S.C. § 1813(q).

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 24, 2013, that is accepted by the FDIC and the Commissioner of Banking (“Commissioner”) of the State of West Virginia (“State”) (collectively the “Supervisory Authorities”). The State may issue an order pursuant to Chapter 31A-2-4 of the West Virginia Code. With the STIPULATION, the Bank has consented, without admitting or denying any charges of unsafe or unsound banking practices or violations of law or regulation relating to violations of the Bank Secrecy Act (“BSA”) and management effectiveness to the issuance of this CONSENT ORDER (“ORDER”) by the FDIC and the State.

Having determined that the requirements for issuance of an order under 12 U.S.C. § 1818(b) and Chapter 31A-2-4 of the West Virginia Code have been satisfied, the FDIC and the State hereby order that:

**BOARD OF DIRECTORS**

1. (a) As of the effective date of this ORDER, the Board shall increase its participation in the affairs of the Bank, assuming full responsibility for the approval of sound policies and objectives and for the supervision of all of the Bank's activities, consistent with the role and expertise commonly expected for directors of banks of comparable size. This participation shall include meetings to be held no less frequently than monthly at which, at a minimum, the following areas shall be reviewed and approved: reports of income and expenses; new, overdue, renewal, insider, charged off, and recovered loans; investment activity; adoption or modification of operating policies; individual committee reports; audit reports; BSA and Anti-Money Laundering ("AML") activities, internal control reviews including management's responses; and compliance with this ORDER. Board meeting minutes shall document these reviews and approvals, including the names of any dissenting directors.

(b) Within 30 days from the effective date of this ORDER, the Board shall establish a Board committee ("Directors' Committee"), consisting of at least 4 members, to oversee the Bank's compliance with this ORDER. At least 3 of the members of such committee shall be directors not employed in any capacity by the Bank other than as a director. The Directors' Committee shall formulate and review monthly reports detailing the Bank's actions with respect to compliance with this ORDER. The Directors' Committee shall present a report to the Board at each regularly scheduled Board meeting, and such report shall detail the Bank's adherence to this ORDER. Such report shall be recorded in the appropriate Board meeting

minutes and shall be retained in the Bank's records. Establishment of this committee does not in any way diminish the responsibility of the entire Board to ensure compliance with the provisions of this ORDER.

### MANAGEMENT

2. (a) Within 120 days from the effective date of this ORDER, the Bank shall have and retain qualified management with the qualifications and experience commensurate with assigned duties and responsibilities at the Bank. Each member of management shall be provided appropriate written authority from the Board to implement the provisions of this ORDER. At a minimum, management shall include the following:

- (i) A chief executive officer with proven ability in managing a bank of comparable size and in effectively implementing lending, investment and operating policies in accordance with safe and sound banking practices;
- (ii) A senior lending officer with a significant amount of appropriate lending, collection, and loan supervision experience, and experience in upgrading a low quality loan portfolio;
- (iii) A BSA officer with an in depth knowledge of BSA and anti-money laundering regulations, who can provide training to staff and supervise a compliance program.

(b) The qualifications of management shall be assessed on its ability to:

- (i) Comply with the requirements of this ORDER;
- (ii) Operate the Bank in a safe and sound manner;
- (iii) Comply with applicable laws and regulations; and

(iv) Restore all aspects of the Bank to a safe and sound condition.

(c) Within thirty days from the effective date of this ORDER, the Bank shall retain an independent bank consultant, not currently employed by the Bank, who will develop a written analysis and assessment of the Bank's management needs ("Management Report") for the purpose of providing qualified management for the Bank.

(d) The Management Report shall be developed within 60 days from the effective date of this ORDER and shall include, at a minimum:

- (i) Identification of both the type and number of officer positions needed to properly manage and supervise the affairs of the Bank;
- (ii) Identification and establishment of such Bank committees as are needed to provide guidance and oversight to active management;
- (iii) Written evaluation of all senior executive officers to determine whether such individuals possess the ability, experience and other qualifications required to perform present and anticipated duties, including, but not limited to, adherence to the Bank's established policies and practices, restoration of the Bank to a safe and sound condition, and maintenance of the Bank in a safe and sound condition thereafter;
- (iv) Evaluation of all Bank officers' compensation, including salaries, director fees, and other benefits;
- (v) A plan to recruit and hire any additional or replacement personnel with the requisite ability, experience and other qualifications to fill

those officer positions consistent with the needs identified in the Management Plan; and

(vi) An organizational chart.

(e) Within 30 days from the effective date of this ORDER, the Bank shall provide the Supervisory Authorities with a copy of the proposed engagement letter or third party contract for review before it is executed.

(f) The contract or engagement letter, at a minimum, shall include:

(i) A description of the work to be performed under the contract or engagement letter, the fees for each significant element of the engagement, and the aggregate fee;

(ii) The responsibilities of the firm or individual;

(iii) Identification of the specific procedures to be used when carrying out the work to be performed;

(iv) The qualifications of the employee(s) who will perform the work;

(v) The time frame for completion of the work;

(vi) Any restrictions on the use of the reported findings;

(vii) A provision for unrestricted examiner access to work papers; and

(viii) A certification that the neither firm, nor any individual involved in the work to be performed, is affiliated in any manner with the Bank.

(g) Within 30 days from receipt of the Management Report, the Bank shall formulate a written plan ("Management Plan") that incorporates the findings of the Management Report, a

plan of action in response to each recommendation contained in the Management Report, and a time frame for completing each action. At a minimum, the Management Plan shall:

- (i) Contain a recitation of the recommendations included in the Management Report;
- (ii) Incorporate a plan to provide necessary training and development for all officers;
- (iii) Establish procedures to periodically review and update the Management Plan, as well as periodically review and assess the performance of each officer and staff member; and
- (iv) Contain a current management succession plan.

(h) Such Management Plan and its implementation shall be satisfactory to the Supervisory Authorities at the initial review and at subsequent examinations and/or visitations.

(i) During the life of this ORDER, the Bank shall notify the Supervisory Authorities, in writing, of the resignation or termination of any of the Bank's directors or senior executive officers. Prior to the addition of any individual to the Board or the employment of any individual as a senior executive officer, the Bank shall comply with the requirements of section 32 of the Act, 12 U.S.C. § 1831i, 12 C.F.R. §§ 303.100-303.104 for prior notification and approval. If the Regional Director of the FDIC ("Regional Director") issues a notice of disapproval pursuant to 12 U.S.C. § 1831i, with respect to the proposed individual, then such individual may not be added to the Board or employed by the Bank.

#### **BSA COMPLIANCE PLAN**

3. Within 60 days from the effective date of this ORDER, the Bank shall develop, adopt, and implement a written plan ("Compliance Plan") reasonably designed to ensure and

maintain compliance with the law and regulations related to the BSA, subchapter II of Chapter 53 of Title 31 of the United States Code, and its implementing rules issued by the U.S. Department of Treasury, 31 C.F.R. Chapter X; the FDIC's BSA compliance regulations, 12 C.F.R. § 326.8; the FDIC's suspicious activity report ("SAR") regulations, 12 C.F.R. Part 353 ("Part 353"), (collectively, the "BSA Rules") and Customer Identification Program ("CIP"). The Bank shall submit the Compliance Plan to the Supervisory Authorities for review and comment. Upon receipt of the Supervisory Authorities' comments, if any, the Board shall review, approve, and implement the Compliance Plan. After the Board has approved the Compliance Plan, the review and approval shall be recorded in the minutes of the Board. Thereafter, the Bank shall ensure future compliance with the BSA Rules. At a minimum, the Compliance Plan shall require the review, enhancement, or restatement, as appropriate of:

- (a) a system of internal controls, including policies and procedures to detect and monitor all transactions to ensure compliance with the BSA Rules. Such controls shall specifically address the opening and monitoring of accounts with frequent wire and check activity;
- (b) procedures for the Bank's CIP and account opening procedures;
- (c) policies and procedures with respect to high-risk accounts and customers, including the adequacy of methods for identifying and conducting due diligence on high-risk accounts and customers at account opening and thereafter, and for monitoring high-risk customer relationships on a transaction basis as well as by account and customer;
- (d) policies, procedures, and systems for identifying, evaluating, monitoring, investigating, and reporting suspicious activity, particularly including transactions involving high-risk customers or accounts, and/or high-risk jurisdictions, and the appropriateness of the

Bank's criteria for designating an account as high-risk and assessing the Bank's procedures and systems for identifying and monitoring customer transactions in accordance with the BSA Rules;

(e) policies for the review of financial information and verifications of sources of funds and wealth of high risk customers and transactions;

(f) policies and procedures regarding the identification, verification, monitoring and reporting of cash and check transactions;

(f) policies and procedures with respect to wire transfer recordkeeping requirements;

(g) the designation of a qualified senior Bank official ("BSA Officer") responsible for coordinating and monitoring day-to-day compliance with the BSA Rules and ensure adequate, qualified staffing in the BSA area;

(h) independent annual testing for compliance with the BSA in accordance with the procedures described in section 326.8 of the FDIC's Rules and Regulations, 12 C.F.R. § 326.8;

(i) implementation of the recommendations in the Report of Visitation, dated April 9, 2013, ("ROV") for an appropriate training program for the Bank to assure that appropriate personnel are regularly trained to comply with the BSA Rules;

(j) policies detailing methods of enforcing the Bank's BSA/AML and Office of Foreign Asset Control ("OFAC") policies, procedures and practices with specified consequences for noncompliance;

(k) implementation of a comprehensive training program for all appropriate operational and supervisory personnel.

The Bank shall at all times provide for the continued administration of the Compliance Plan designed to assure and monitor compliance with the BSA Rules.

### **CUSTOMER IDENTIFICATION PROGRAM**

4. Within 60 days from the effective date of the ORDER, the Bank shall review, enhance, and implement a written customer CIP as required by 31 C.F.R. § 103.121, appropriate for the Bank's size and type of business, consistent with the requirements of the BSA Rules and which addresses the criticisms enumerated in the ROV. The Bank shall submit the CIP to the Supervisory Authorities for review and comment. Upon receipt of the Supervisory Authorities' comments, if any, the Board shall review and approve the CIP. The review and approval shall be recorded in the minutes of the Board. Thereafter, the Bank shall implement the CIP.

### **RISK ASSESSMENT**

5. Within 60 days from the effective date of the ORDER, the Board shall update the Bank's overall BSA risk assessment of the Bank's compliance with the BSA Rules that considers all major risks, including but not limited to products, services, types of customers, and geographic locations, with analysis of the major risk categories. The Board shall specify in Bank policy how frequently the risk assessment will be updated or reassessed. The risk assessment should address the deficiencies and recommendations related to the risk assessment in the Report.

### **BSA POLICIES**

6. Within 90 days from the effective date of the ORDER, the Board shall revise the Bank's policies, procedures, and practices regarding the BSA Rules to provide for the following:

- (a) Methods of determining, reviewing, and validating risk ratings of customers with standards for periodic reassessments;
- (b) Comprehensive monitoring of high-risk accounts with full utilization of account monitoring software;

(c) Adequate systems for account aggregation to ensure sufficient data to determine if Suspicious Activity Reports (“SARs”) and Currency Transaction Reports (“CTRs”) should be filed;

(d) Adequate methods for maintaining and controlling documentation and monitoring accounts opened by the private banking department, including accounts of foreign embassies, politically exposed persons, corporations and other entities owned by bearer shares, foreign nationals, private investment companies, and other entities residing offshore;

(e) Procedures for receipt of transactions through pouches that include logging procedures, opening under dual control and at a central location, identifying responsible individuals, and auditing;

(f) Standards for documentation of new accounts, both to meet the minimum standards in regulation and to capture sufficient data for customer due diligence with specification of the time and responsibility for obtaining missing documentation; and

(g) Methods of enforcing the Bank’s policies, procedures, and practices regarding the BSA Rules.

#### **INTERNAL CONTROLS**

7. Within 60 days from the effective date of the ORDER, and as acceptable to the Supervisory Authorities, the Bank shall establish a system of internal routines and controls to ensure compliance with the BSA Rules including, but not limited to, the monitoring of high-risk and suspicious activities for all types of accounts, products, services, and geographic areas.

#### **DUE DILIGENCE PROGRAM**

8. Within 60 days from the effective date of the ORDER, and as acceptable to the Supervisory Authorities, the Bank shall review, enhance, and implement a written customer due

diligence program (“Due Diligence Program”). At a minimum, the customer Due Diligence Program shall provide for a risk focused assessment of the customer base of the Bank to determine the appropriate level of Enhanced Due Diligence (“EDD”) necessary for those categories of customers that the Bank has reason to believe pose a heightened risk of illicit activities at the Bank.

- (a) The Due Diligence Program shall provide for, at a minimum:
  - (i) time limits for Bank personnel to respond to account activity exceptions;
  - (ii) time limits for determining if exceptions require a SAR; and
  - (iii) identification of customers requiring site visitations and frequency of visitations.
  
- (b) EDD shall include the following procedures:
  - (i) determine the appropriate documentation necessary to confirm the identity and business activity of the customer;
  - (ii) understand the normal and expected transactions of the customer; and
  - (iii) reasonably ensure the identification and timely, accurate, and complete reporting of known or suspected criminal activity against or involving the Bank to law enforcement and the Supervisory Authorities, as required by the suspicious activity reporting provisions of Part 353 of the FDIC’s Rules and Regulations, 12 C.F.R. Part 353.

## TRAINING

9. (a) Within 60 days from the effective date of the ORDER, the Bank shall establish a training program to provide comprehensive training that shall have a general component for all directors and staff and specific components 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 time 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.

(b) The Bank shall periodically, but no less than annually, assess in writing the effectiveness of the comprehensive training program.

(c) The comprehensive training program shall be approved by the Board and forwarded to the Supervisory Authorities with the progress report required by this ORDER that is next due following the Board's approval.

## BSA STAFF

10. Within 30 days from the effective date of the ORDER, the Bank shall analyze and assess the Bank's staffing needs to provide an adequate number of qualified staff for the Bank's BSA Department. Within 90 days, the Bank shall provide for an assessment of the BSA Department 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 Rules, and the provisions of this ORDER. As part of this assessment, the Board shall designate a BSA Officer. The BSA Officer shall have the responsibility and necessary authority to ensure the Bank's

compliance with the BSA Rules and related matters, including, without limitation, the 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. The BSA Officer shall report directly to the Board or to the Directors' Committee established by the Board pursuant to paragraph 1 of this ORDER. The Board shall ensure the BSA Officer has the necessary authority to implement all aspects of the Compliance Plan.

### **INDEPENDENT TESTING**

11. Within 60 days from the effective date of this ORDER, the Bank shall provide for independent testing of compliance with the Bank Secrecy Act and 31 C.F.R. Part 103. The independent testing shall be conducted on a regular basis in compliance with the procedures described in the FDIC's "Guidelines for Monitoring Bank Secrecy Act Compliance." 12 C.F.R. § 326.8. The testing, at a minimum, shall include the following:

- (a) A test of the Bank's internal procedures for monitoring BSA compliance;
- (b) A test to assure all reportable transactions have been identified and CTRs have been filed within the prescribed time frames;
- (c) A test to assure the Bank is reviewing all applicable reports;
- (d) A test to assure Bank personnel are reviewing monitoring reports for structuring activities and, if applicable, that appropriate SARs are filed in a timely manner with the appropriate law enforcement agencies;
- (e) A sampling of large currency transactions followed by a review of the CTR filings;

- (f) A test of the validity and reasonableness of the customer exemptions granted by the Bank;
- (g) A test of the Bank's customer identification procedures;
- (h) A test of the Bank's recordkeeping system for compliance with the BSA; and
- (i) Documentation of the scope of the testing procedures performed and the findings of the testing. Written reports shall be prepared which document the testing results and provide recommendations for improvement and shall be presented to the Bank's Board; and
- (j) Assuring that the Bank is in compliance with rules and regulations related to:
  - (i) Identifying and reporting suspicious activities;
  - (ii) Funds transfer operations;
  - (iii) On-going training of appropriate personnel;
  - (iv) OFAC compliance;
  - (v) High-risk activities related to customers and other areas of the Bank;
  - (vi) Compliance with information sharing requirements;
  - (vii) Testing of the accuracy and validity of the automated large transaction identification system; and
  - (viii) Confirming the integrity and accuracy of management information reports used in the anti-money laundering compliance program.

### **SAR AND CTR PROCEDURES**

12. Within 60 days from the effective date of this ORDER, the Bank shall establish and implement monitoring and reporting procedures for SARs and CTRs to ensure that all appropriate Bank employees are aware of the procedures, including accurate recordkeeping, form completion and the detection and reporting of known and/or suspected criminal activity, and their responsibilities in implementing the procedures.

### **AUDITS**

13. (a) Within 60 days from the effective date of this ORDER, the Bank shall adopt and implement a comprehensive written audit program, which shall include periodic and thorough reviews of the Bank's compliance with the BSA Rules with significant exceptions reported directly to the Board. The minutes of the meetings of the Board shall reflect consideration of these reports and describe any action taken as a result thereof.

(b) The audit program and its implementation shall be approved by the Board and shall be in a form and manner acceptable to the Supervisory Authorities as determined at subsequent examinations and/or visitations. The Bank shall thereafter implement and enforce an effective system of internal and external audits, which includes a tracking and follow-up action matrix reviewed by the Board for audit exceptions.

### **LOOK-BACK REVIEW**

14. (a) Within 30 days from the effective date of this ORDER, the Board 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 high-risk customers from January 1, 2007, through the effective date of this ORDER, to determine whether suspicious

activities involving any accounts of, or transactions through, the Bank were properly identified and reported in accordance with the applicable suspicious activity reporting requirements.

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

- (i) The scope of the Look-Back Review, which shall specify the types of accounts and transactions to be reviewed and 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 auditor will present its findings from the Look-Back Review directly to the Bank's Board;

(c) The written plan and engagement letter for the Look-Back Review shall be submitted to the Supervisory Authorities 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.

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

(e) The Look-Back Review shall be completed and submitted to the Supervisory Authorities within 180 days from the effective date of this ORDER. The Bank shall retain copies of any additional SARs and CTRs filed and any other actions taken on the account for review by the Supervisory Authorities at the initial review and at subsequent examinations and/or visitations.

(f) Within 60 days from completion of the detailed review, the BSA Officer shall prepare and file any additional SARs and CTRs necessary based upon the review, and ensure the closing of accounts pursuant the Bank's formal written account closing policy.

(g) The Board minutes shall reflect the findings of the Look-Back Review and discussions with auditors.

#### **VIOLATIONS OF LAW AND REGULATION**

15. Within 30 days from the effective date of this ORDER, the Bank will eliminate and/or correct all violations of laws, regulations, and/or contraventions of statements of policy in the ROV and shall adopt and implement appropriate procedures to ensure future compliance with all such applicable federal and state laws, regulations, and/or statements of policy.

#### **PROGRESS REPORTS**

16. Within 30 days from 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 Supervisory Authorities 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 Supervisory Authorities have released the Bank in writing from making further reports. All progress reports and other written responses to this ORDER shall be reviewed by the Board and made a part of the minutes of the appropriate Board meeting.

### **DISCLOSURE TO SHAREHOLDERS**

17. Following the effective date of this ORDER, the Bank shall send to its shareholders or otherwise furnish a description of this ORDER (i) in conjunction with the Bank's next shareholder communication; and (ii) 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 Disclosure Section, Washington, D.C. 20429 and to the West Virginia Division of Financial Institutions, 900 Pennsylvania Avenue, Suite 06, Charleston, West Virginia 25302-3452, to review at least twenty (20) days prior to dissemination to shareholders. Any changes requested to be made by the FDIC or the West Virginia Division of Banking shall be made prior to dissemination of the description, communication, notice, or statement.

The provisions of this ORDER shall not bar, stop, or otherwise prevent the FDIC 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.

This ORDER shall be effective on the date of issuance.

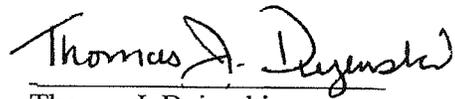
The provisions of this ORDER shall be binding upon the Bank, its institution-affiliated parties, and any successors and assigns thereof.

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 Supervisory Authorities.

Issued Pursuant to Delegated Authority

Pursuant to delegated authority.

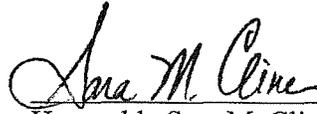
Dated this 1 day of November, 2013.



Thomas J. Dujenski *JPA*  
Regional Director  
Division of Risk Management  
Supervision  
Atlanta Region  
Federal Deposit Insurance  
Corporation

The Commissioner having duly approved the foregoing ORDER, and the Bank, through its Board, having agreed that the issuance of said ORDER by the FDIC shall be binding as between the Bank and the West Virginia Division of Financial Institutions to the same degree and legal effect that such ORDER would be binding upon the Bank if the West Virginia Division of Financial Institutions had issued a separate order that included and incorporated all of the provisions of the foregoing ORDER pursuant to W. Va. Code § 31A-2-4a (2005).

Dated this 16<sup>th</sup> day of October, 2013.

  
\_\_\_\_\_  
Honorable Sara M. Cline  
Commissioner  
West Virginia Division of Financial  
Institutions