

FEDERAL DEPOSIT INSURANCE CORPORATION
WASHINGTON, D.C.

and

TEXAS DEPARTMENT OF BANKING
AUSTIN, TEXAS

_____)	
In the Matter of)	
HERRING BANK)	CONSENT ORDER
AMARILLO, TEXAS)	
(INSURED STATE NONMEMBER BANK))	FDIC-23-0036b
_____)	COMMISSIONER ORDER No. <u>2023-027</u>

The Federal Deposit Insurance Corporation (FDIC) is the appropriate Federal banking agency for HERRING BANK, AMARILLO, TEXAS (“Bank”), under 12 U.S.C. § 1813(q). The Texas Department of Banking (“Department”) is the appropriate state banking agency for the Bank, under Texas Finance Code, Title 3, Subtitle A, §§ 31.001 et. seq.

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 23, 2023, that is accepted by the FDIC and the Department. With the STIPULATION, the Bank has consented, without admitting or denying any charges of unsafe or unsound banking practices or violations of law or regulations relating to, among other things, weaknesses in information technology and corporate bond software, to the issuance of this CONSENT ORDER (ORDER) by the Deputy Regional Director of the Dallas Regional Office of the FDIC (Deputy Regional Director) and the Texas Banking Commissioner (Commissioner).

Having determined that the requirements for issuance of an order under 12 U.S.C. § 1818(b) and Texas Finance Code § 35.002 have been satisfied or waived, the FDIC and the Commissioner hereby order that:

IDENTITY ACCESS MANAGEMENT

1. Within thirty (30) days of the effective date of this ORDER, the Board must certify completion of a comprehensive user access review, which consists of completing subparts (a)-(f) below, for all bank systems that allow access to customer data and/or allow employees and/or contractors to make programming changes. Bank systems to be reviewed must include the following platforms: core; network; Internet banking; debit card; application program interfaces; production databases; retail payments (wire and ACH); trust; third-party payment services; and mobile application information system or financial system utilized. Furthermore, the following user access administration processes must be implemented:

(a) Develop and implement Board approved policies and procedures governing user access administration procedures, including:

- i. Granting, changing, and removing bank system access to employees and contractors to ensure rights assigned are based on business need as recommended by the Board IT Committee.
- ii. Daily, independent reviews of bank system user maintenance and privileged system user (system administrator) activity to ensure changes to such user accounts are authorized. "Independent" means review by an authorized employee or contractor who did not perform the original task being reviewed.

- (b) Identify all users (bank employees, contractors, holding company staff, affiliated staff, etc.) of the above-mentioned systems.
- (c) Ensure bank systems user's access is reviewed and ratified at least quarterly with ratifications documented in the Board's meeting minutes.
- (d) Ensure user login credentials are not shared for any bank system.
- (e) Remove any users who are not currently a bank employee or contractor. Remove any users without an approved business need for access. Additionally, remove any individual that has not signed the Bank's Acceptable Use Policy.
- (f) Conduct an independent user access review at least quarterly, report findings to the Board, and ensure timely remediation of exceptions. "Independent" means review by an authorized employee or contractor who did not perform the original task being reviewed.

MONITORING AND LOGGING

2. Within sixty (60) days from the effective date of this ORDER, the Board must adopt a plan to ensure there is an automated process to effectively log and monitor activity for all the bank systems as described in provision 1. At a minimum, the logging and monitoring plan must include the following:

- (a) Formal Board approved policies and procedures outlining the responsibility, accountability, and frequency of network logging and monitoring.
- (b) Configuration of log parameters to ensure ongoing review of bank system changes are logged on a daily basis.
- (c) Daily log generation, analysis, storage, and back-up/redundancy.

- (d) Daily monitoring and formal reporting of Material system disruptions and data back-up issues. “Material” means a system disruption that would be a “Notification Incident” as defined in 12 C.F.R. § 304.22(b)(7).
- (e) Dual or independent monitoring of bank system logs and formal reporting of plan exceptions to the appropriate committee and/or the Board.

INDEPENDENT VERIFICATION

3. Within one hundred twenty (120) days of the effective date of this ORDER, the Board must ensure an independent review is performed by an authorized employee or contractor of all outside party connections to Amazon Web Services, Microsoft Azure, and other services utilized to access bank systems and/or customer data. “Independent” means review by an authorized employee or contractor who did not perform the original task being reviewed. To ensure connections are authorized, management must:

- (a) Identify the services utilized and the business needs of each service.
- (b) Ensure only Board approved users have access based on business need and not for personal use.
- (c) Ensure outside party connections are logged and monitored daily.

INVENTORY MANAGEMENT

4. Within thirty (30) days of the effective date of this ORDER, the Board must ensure management performs a comprehensive inventory of all technology assets and property that is listed on the Bank’s depreciation schedule and contains data categorized as Medium or greater in the Bank’s Data Classification and Ownership Policy. The asset inventory should document the asset description, purpose, and location. In addition, the end of life and/or support for each

asset and software should be noted on this listing if available from the manufacturer or current support organization.

CORPORATE BOND SOFTWARE

5. Within ninety (90) days of the effective date of this ORDER, the Board shall develop a revised project plan to address weaknesses with corporate bond accounting software as detailed in the Report of Examination dated January 30, 2023. At a minimum, the project plan should include a written assessment of the strengths and weaknesses of the current corporate bond accounting software, based on consultation with trust department management and corporate bond administrators.

6. Within ninety (90) days of the effective date of this ORDER, the Board shall develop a timeline designed to ensure upgrades are made to existing software within 12 months, which results in the generation of automated reports to adequately monitor data and facilitate software user access controls.

CORPORATE TRUST ADMINISTRATION

7. Within ninety (90) days of the effective date of this ORDER, the Board shall ensure Trust Department personnel responsible for oversight of corporate trust activities are scheduled to receive independent, non-bank administered training focused on corporate trust administration, which shall commence within nine (9) months of the effective date of this ORDER.

PROGRESS REPORTS

8. Within thirty (30) days after the end of the first calendar quarter following the effective date of this ORDER, and within thirty (30) days after the end of each successive calendar quarter, the Board shall furnish written progress reports (Progress Reports) to the

Regional Director and the Commissioner detailing the form and manner of any actions taken to achieve compliance with this ORDER and the results thereof. Such Progress Reports may be discontinued when the corrections required by the ORDER have been made and the Deputy Regional Director and Commissioner have released the Board in writing from submitting additional Progress Reports.

SHAREHOLDER NOTIFICATION

9. After the effective date of this ORDER, the Board shall send a copy of this ORDER, or otherwise furnish a description of this ORDER, to the Bank's shareholders (1) in conjunction with that entity's next shareholder communication, and (2) in conjunction with its notice or proxy statement preceding the entity's next shareholder meeting. The description shall fully describe this ORDER in all material respects. The description and any accompanying communication, statement, or notice shall be sent to the FDIC Accounting and Security Disclosure Section, Washington, D.C. 20429, for review at least twenty (20) days prior to dissemination to shareholders. Any changes requested by the FDIC shall be made prior to dissemination of the description, communication, notice, or statement.

OTHER ACTIONS

The provisions of this ORDER shall not bar, stop, or otherwise prevent the FDIC, the Department, 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 upon its issuance by the FDIC and Commissioner.

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 any provisions of this ORDER shall have been modified, terminated, suspended, or set aside by the FDIC and the Commissioner.

This ORDER is signed by the FDIC Dallas Deputy Regional Director, pursuant to delegated authority.

Issued and made effective this 24th day of October, 2023

/s/

Deona L. Payne
Acting Deputy Regional Director
Federal Deposit Insurance Corporation

/s/

Charles G. Cooper
Banking Commissioner
Texas Department of Banking