

FEDERAL DEPOSIT INSURANCE CORPORATION
WASHINGTON, D.C.

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| _____) | |
| In the Matter of) | |
| FIRST FARMERS & COMMERCIAL BANK) | CONSENT ORDER |
| PIKEVILLE, TENNESSEE) | FDIC-23-0087b |
| (Insured State Nonmember Bank)) | |
| _____) | |

The Federal Deposit Insurance Corporation (FDIC) is the appropriate Federal banking agency for FIRST FARMERS & COMMERCIAL BANK, PIKEVILLE, TENNESSEE (Bank) under Section 3(q) of the Federal Deposit Insurance Act (FDI Act), 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 January 16, 2024, that is accepted by the FDIC. With the Stipulation, the Bank has consented, without admitting or denying any charges of violating the Bank Secrecy Act, 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. § 353 and 12 C.F.R. § 326.8 (collectively referred to as the Bank Secrecy Act or BSA), to the issuance of this Consent Order (ORDER) by the FDIC pursuant to Section 8(b)(1) of the FDI Act.

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

COMPLIANCE WITH BSA

1. Within ninety (90) days the effective date of this ORDER, the Bank shall comply in all material respects with the BSA and its rules and regulations.

VIOLATIONS OF LAW

2. Within ninety (90) days of the effective date of this ORDER, the Bank shall correct all BSA violations of law, as more fully set forth in the FDIC Report of Examination dated February 21, 2023 (ROE). In addition, the Bank shall take all necessary steps to ensure future compliance with all applicable BSA laws and regulations.

ACTION PLAN

3. Within forty-five (45) days of the effective date of this ORDER, the Bank shall develop and implement a written action plan (Plan) that details the actions, including the relevant timelines, that the Board and management will take to correct the Bank's Anti-Money Laundering/Countering the Financing for Terrorism (AML/CFT) Program deficiencies and apparent violations cited in the ROE, and to comply with this ORDER. Such Plan and its implementation must be acceptable to the Regional Director of the FDIC's Dallas Regional Office (Regional Director) as determined at subsequent examinations and/or visitations.

BOARD OVERSIGHT

4. (a) Within ninety (90) days of the effective date of this ORDER, the Board shall increase its oversight of the Bank's compliance with the BSA.

(b) Within thirty (30) days of the effective date of this ORDER, the Bank's Board shall establish a subcommittee of the Bank's Board charged with the responsibility of ensuring that the Bank complies with the provisions of this ORDER (Consent Order Compliance Committee). The Consent Order Compliance Committee shall be comprised of at least three members, the majority of which shall be outside directors. The Consent Order Compliance Committee shall prepare and review monthly reports detailing the Bank's actions with respect to

compliance with this ORDER. The Consent Order Compliance Committee shall present a report detailing the Bank's adherence to this ORDER to the Board at each regularly scheduled Board meeting. A copy of the report and any discussion related to the report or the ORDER shall be included in the minutes of the Bank's Board meeting. Nothing contained herein shall diminish the responsibility of the entire Bank's Board to ensure compliance with the provisions of this ORDER.

AML/CFT PROGRAM

5. Within ninety (90) days of the effective date of this ORDER, the Bank shall develop, adopt, and implement a written AML/CFT program that is reasonably designed to ensure and maintain the Bank's compliance with the BSA. At a minimum, the AML/CFT Program shall (i) be commensurate with the Bank's money laundering (ML), terrorist financing (TF) and other illicit financial activities risk (ML/TF risk) that includes risks in the Bank's business activities; (ii) addresses the deficiencies and weaknesses identified in the ROE; (iii) comply with the requirements of this ORDER; (iv) include procedures for monitoring the performance of and the Bank's adherence to the AML/CFT Program; and (v) include procedures for periodically reviewing and revising the AML/CFT Program. The AML/CFT program must ensure that clear and comprehensive compliance reports are provided to the Board on a monthly basis. Such AML/CFT program and its implementation shall be in a manner acceptable to the Regional Director as determined at subsequent examinations and/or visitations of the Bank. At a minimum, the program shall establish the following components or pillars:

- (a) A system of internal controls to assure ongoing compliance with the BSA, including policies and procedures to detect and report all suspicious activity and fully comply with the requirements of Part 353 of the FDIC Rules and Regulations;
- (b) Independent testing for the AML/CFT program;
- (c) A designated individual or individuals responsible for coordinating and

monitoring the AML/CFT program; and

- (d) Training for appropriate personnel.

INTERNAL CONTROLS

6. Risk Assessments

Within ninety (90) days of the effective date of this ORDER, and at least annually thereafter, the Bank shall perform a Money Laundering/Terrorist Financing (ML/TF) Risk Assessment (RA). The RA shall address all pertinent risk factors that affect the overall ML/TF risk profile of the Bank, including but not limited to, all products, services, types of customers, business lines, staffing levels, mitigating controls, and any identified BSA issues/concerns in the ROE. Further, the Bank shall ensure that such information contained within the RA is current, complete, and accurate. The completed RA shall be reviewed and approved by the Board, with risk mitigation strategies adopted and implemented as appropriate.

7. Customer Due Diligence

Within ninety (90) days of the effective date of this ORDER, the Bank shall develop, adopt, and implement a written Customer Due Diligence (CDD) program, which includes appropriate risk-based policies, procedures and processes for conducting ongoing CDD for new and existing customers. The Bank's CDD program shall operate in conjunction with its Customer Identification Program and suspicious activity monitoring to enable the Bank to develop customer risk profiles. At a minimum, such controls shall:

- (a) Address the weaknesses and deficiencies identified in the ROE pertaining to CDD;
- (b) Ensure the Bank understands the nature and purpose of customer accounts, including, the anticipated type and volume of account activity, and the customer's products and services and their geographic reach, to develop a customer risk profile for identifying and reporting suspicious transactions;

- (c) Ensure the Bank can accurately identify those customers that pose a heightened ML/TF risk to apply appropriate risk-based monitoring and due diligence;
- (d) Include policies and procedures for conducting and documenting the Bank's ongoing due diligence and for updating customer information, on a risk basis, to ensure the Bank's customer risk profiles are accurate;
- (e) Address situations where there is insufficient or inaccurate information that prevents the Bank from understanding the nature and purpose of the account to perform customer due diligence;
- (f) Include written procedures and processes for identifying and verifying beneficial ownership information of legal entity customers. The Bank shall collect, and verify, as appropriate, beneficial ownership information on any customer accounts for which such information has not been collected and/or verified and develop policies and procedures to address accounts when the Bank is not able to form a reasonable belief that it knows the true identity of a customer or if the Bank does not receive the required information.

8. **Suspicious Activity Reporting**

Within sixty (60) days of the effective date of this ORDER, the Bank shall develop and implement effective processes, across all business lines for identifying and monitoring unusual or unexpected activity in order to detect, investigate, and, if applicable, report suspicious activity. The Bank shall ensure that such processes are in place and are operating effectively at all times.

(a) The Bank shall ensure that decisions not to file a Suspicious Activity Report (SAR) are fully documented, including the rationale for concluding that a SAR filing is not necessary. The Bank shall retain such documentation in accordance with applicable laws and regulations.

(b) The Bank shall establish and implement policies and procedures to ensure that SARs are filed within thirty (30) days of identifying a suspect or unusual and suspicious activity (or a total of sixty (60) days if a suspect is unknown or once every one hundred twenty (120) days for ongoing unusual or suspicious activity). Such a program shall also ensure that timely identification of suspicious activity occurs; that timely investigation into unusual activity is undertaken; that related accounts are considered and discussed in the SARs filing, as appropriate; and that a detailed, accurate, comprehensive, and readable narrative description of the activity is included in the SARs filing.

(c) The SAR program shall also be tested for accuracy and completeness through independent testing immediately after its implementation and thereafter at least annually. Documentation of the testing shall be provided to the Consent Order Compliance Committee and be documented in the Committee's meeting minutes. Such documentation shall also be available to FDIC examiners upon request.

(d) Within sixty (60) days of the effective date of this ORDER, the Bank shall establish and implement policies and procedures to advise the Board of all SARs. The policies and procedures shall also include guidelines to determine which SARs are significant.

9. **Reports**

Within thirty (30) days, the Bank shall update its policies and procedures to ensure timely, complete and accurate reporting for all other BSA reporting requirements, including Currency Transaction Reports (CTRs).

10. **314(a) Information Sharing Requests**

Within thirty (30) days from the effective date of this ORDER, the Bank shall develop, implement, and adopt policies and procedures to ensure compliance with information requests under Section 1010.520(b)(3)(i) of the BSA (314(a) requests). Such policies and procedures shall ensure the Bank conducts an appropriate search of records responsive to 314(a) requests and

that the Bank provides timely responses to the Financial Crimes Enforcement Network to meet the 14-day response requirement.

INDEPENDENT TESTING

11. Within ninety (90) days from the effective date of this ORDER, the Bank shall establish and maintain an independent testing program for compliance by the Bank with the BSA and its implementing rules and regulations to be conducted either by: (i) a qualified outside party with the requisite ability to perform such tests and analysis; or (ii) Bank personnel independent of the BSA function with the knowledge to conduct this function. The Bank shall ensure that the scope of future BSA/AML independent tests are comprehensive and includes a review of compliance with all BSA rules and regulations, policies and procedures, the RA, and BSA functions. In addition, the Bank shall ensure that future BSA independent tests, whether conducted by internal or external parties, is appropriately staffed with respect to both resources and expertise to adequately perform a comprehensive review, reach a sound conclusion, and provide appropriate support for their assessment. Further, the Bank shall obtain such an independent test within two hundred seventy (270) days from the effective date of this ORDER, and at least annually thereafter, and the results of such tests shall be reported to the Board.

AML/CFT STAFFING AND RESOURCES

12. The Bank shall ensure that it has a designated individual or individuals (AML/CFT Officer) in place with qualifications commensurate with the ML/TF risk, size, and complexity of the Bank. The AML/CFT Officer shall have sufficient delegated authority and suitable resources, including staffing and systems, to effectively coordinate and monitor day-to-day compliance, and administer all aspects of the AML/CFT Program, including the Bank's compliance with BSA regulatory requirements. The adequacy of the AML/CFT Officer shall be assessed during subsequent safety and soundness examinations and/or visitations of the Bank.

In addition, the Board shall assess staffing needs and provide an adequate number of qualified staff for the Bank's BSA Department. The BSA Department staff shall be evaluated to determine ability, experience, training needs, and other necessary qualifications to perform present and anticipated duties, including adherence to the AML/CFT program requirements and the provisions of this ORDER. During the life of this ORDER, the AML/CFT Officer also shall:

- (a) Report to the Bank's Consent Order Compliance Committee on a regular basis, not less than monthly, with respect to any AML/CFT matter;
- (b) Provide monthly comprehensive written reports to the Bank's Consent ORDER Compliance Committee regarding the Bank's adherence to this ORDER.

BSA TRAINING

13. Within sixty (60) days from the effective date of this ORDER, the Bank shall develop an effective AML/CFT Training Program for the AML/CFT Officer and all staff, including newly hired employees, members of the Board, and management, on all relevant aspects of laws, regulations, and Bank policies and procedures relating to the Bank's AML/CFT program. The AML/CFT Training Program also shall reflect 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 reflected in the RA. This training shall be conducted at least annually and shall be updated, as appropriate, to include changes to the Bank's RA, which shall also be reviewed annually.

The Bank shall ensure that all appropriate personnel are aware of and can comply with internal procedures and the requirements of the BSA and its implementing rules and regulations applicable to the individual's specific responsibilities. The Bank shall also ensure that all appropriate personnel are aware of and can comply with: (i) the CDD requirements; and (ii) the reporting requirements associated with SARs, and CTRs. The AML/CFT Training Program shall

be designed to ensure that training is tailored to address the specific compliance responsibilities of the group or individual for which the training is being provided and ensure that those being trained are aware of and can comply with the requirements of the BSA on an ongoing basis and, at a minimum, include:

- (a) An overview of the BSA for new Bank personnel and specific training designed for their specific duties and responsibilities upon hiring;
- (b) Specific training on CDD policies and procedures with regard to due diligence and monitoring of high-risk customers; and
- (c) A requirement that the Bank fully document the AML/CFT Training Program, including training materials, dates of the training sessions, attendance, and knowledge check results.

STRATEGIC PLAN

14. Within ninety (90) days of the effective date of this ORDER, the Bank shall develop and submit to the Regional Director a comprehensive written strategic plan (Strategic Plan). At a minimum, the Strategic Plan shall address the following: (i) short-term goals to comply with this ORDER and to correct all regulatory criticisms; (ii) an operating plan for the next 12 to 18 months to accomplish the short-term goals; and (iii) long-term goals for growth, capital maintenance, and profitability. The Strategic Plan shall be submitted to the Regional Director for review and approval prior to implementation. The Strategic Plan shall be updated annually.

SUCCESSION PLAN

15. Within ninety (90) days from the effective date of this ORDER, the Bank shall develop and adopt an acceptable management succession plan (Succession Plan) that will provide for the orderly transfer of duties and responsibilities of senior management of the Bank. The adequacy of the Succession Plan shall be reviewed by the Regional Director based on subsequent examinations and/or visitations of the Bank. At a minimum, the Succession Plan shall:

- (a) Identify key positions to include the President, Chief Executive Officer, Chief Lending Officer, Chief Financial Officer, AML/CFT Officer, and Information Technology Manager;
- (b) Identify the current employee fulfilling the key position and the individual next in the line of succession;
- (c) Outline the continuous training of individuals with the qualifications and abilities to manage the Bank if members of current senior management are unable to fulfil the duties of their positions;
- (d) Identify the qualification criteria for prospective board members; and
- (e) Outline the continuous recruitment and identification of individuals with the qualifications and abilities to join the board if current members are unable to fulfil the duties of their positions.

PROGRESS REPORTS

16. 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 Bank shall furnish written progress reports to the Regional Director 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 the ORDER have been accomplished and the Regional Director has released the Bank in writing from making additional reports.

BINDING EFFECT

17. (a) The provisions of this ORDER shall not bar, estop, 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, as that term is defined in Section 3(u) of the FDI Act, 12 U.S.C. § 1813(u).

