

FEDERAL DEPOSIT INSURANCE CORPORATION
WASHINGTON, D.C.

_____)	
In the Matter of)	CONSENT ORDER
)	
TNBANK,)	
OAK RIDGE, TENNESSEE)	FDIC-24-0019b
)	
(Insured State Nonmember Bank))	
_____)	

The Federal Deposit Insurance Corporation (“FDIC”) is the appropriate Federal banking agency for TNBANK, OAK RIDGE, TENNESSEE (Bank), under Section 3(q)(2) of the Federal Deposit Insurance Act (“Act”), 12 U.S.C. § 1813(q)(2).

The Bank, by and through its duly elected and acting Board of Directors (“Board”), has executed a STIPULATION AND CONSENT TO THE ISSUANCE OF A CONSENT ORDER (“STIPULATION”), dated May 16, 2024, that is accepted by the FDIC. With the STIPULATION, the Bank has consented, without admitting or denying violations of law or regulation related to the Bank Secrecy Act, 31 U.S.C. § 5311 *et. seq.*, 12 U.S.C. § 1829b, and 12 U.S.C. §§ 1951-60; 31 C.F.R. Chapter X; and 12 U.S.C. § 1818(s) and its implementing regulations including 12 C.F.R. Part 326, Subpart B, (hereinafter collectively, the “Bank Secrecy Act” or “BSA”), to the issuance of this CONSENT ORDER (“ORDER”) by the FDIC.

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

BOARD OVERSIGHT

1. (a) Within thirty (30) days of the effective date of this ORDER, the Board shall increase its oversight of the Bank's compliance with the BSA and assume full responsibility for the Bank's approval of and adherence to policies, procedures and processes reasonably designed to ensure and monitor 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 five 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.

ACTION PLAN

2. 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 September 11, 2023 Report of Examination ("ROE"), and to comply with this ORDER. The Board shall submit such Plan to the Regional Director of the FDIC's

Dallas Regional Office (“Regional Director”) for review and comment. After the Regional Director comments on the Plan, the Board shall adopt and implement the Plan as amended or modified.

RISK ASSESSMENT

3. Within ninety (90) days of the effective date of this ORDER, and at least annually thereafter, the Bank shall perform a Money Laundering (“ML”) / Terrorist Financing (“TF”) Risk Assessment. The ML/TF Risk Assessment must document all risk factors that affect the overall ML/TF risk profile of the Bank, including but not limited to, all products, services, geographic locations, types of customers, business lines, staffing levels, mitigating controls, and any identified ML/TF issues/concerns in the ROE. Further, the Bank shall ensure that such information contained within the ML/TF Risk Assessment is current, complete, and accurate. The completed ML/TF Risk Assessment shall be reviewed and approved by the Board, with risk mitigation strategies adopted and implemented as appropriate. The Risk Assessment will serve as the basis of the Bank’s AML/CFT Program and inform each of the components of such program.

AML/CFT PROGRAM

4. Within ninety (90) days of the effective date of this ORDER, the Bank shall revise, adopt, and implement a written AML/CFT program that is 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 ML, TF, and other illicit financial activities risk (“ML/TF risk”) that includes risks in the Bank’s business activities; (ii) address 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 AML/CFT Program shall establish the following components or pillars which must be tailored to the Risk Assessment described below:

- (a) A system of internal controls to assure ongoing compliance with the BSA, including risk based 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, including bank specific policies and processes.

5. Within one-hundred twenty (120) days, the Bank shall provide training on the AML/CFT program to the Bank staff.

INTERNAL CONTROLS

Customer Due Diligence

6. 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 the

Customer Identification Program and suspicious activity monitoring to enable the Bank to develop customer risk profiles. At a minimum, the CDD program 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, services, and 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; and
- d) Include policies and procedures for conducting and documenting the Bank's ongoing due diligence, to include all of the customer's transaction activities over the review period; and
- e) Include policies and procedures for updating customer information, on a risk basis, to ensure the Bank's customer risk profiles are accurate.

Suspicious Activity Monitoring and Reporting

7. Within ninety (90) 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. The following actions shall be implemented to ensure an effective process.

- (a) The Bank shall ensure all bank staff receive training related to detecting and

monitoring for suspicious activity, including training on any automated software that is utilized to monitor for suspicious activity.

- (b) The Bank shall ensure that policies and processes provide for timely and comprehensive review, analysis, and reporting of identified suspicious activity, including automated system alerts. The review and analysis shall include consideration of the customer's entire relationship with the Bank.
- (c) 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.
- (d) 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 should be documented in the Committee's meeting minutes. Such documentation shall also be available to FDIC examiners upon request.
- (e) 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.

Reports

8. Within thirty (30) days of the effective date of this ORDER, 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).

INDEPENDENT TESTING

9. (a) Within forty-five (45) days from the effective date of this ORDER, the Bank shall identify a qualified party with the requisite ability to perform independent testing of the AML/CFT program. The qualified party may be an outside party or Bank personnel independent of the AML/CFT Program and BSA department with the knowledge to conduct this function. The Bank shall notify the Regional Director regarding the chosen party to conduct independent testing.

(b) Within ninety (90) days of the effective date of the ORDER, the bank shall revise, adopt, and implement an independent testing program of the Bank's AML/CFT Program for compliance by the Bank with the BSA and its implementing rules and regulations to be conducted by the party chosen pursuant to the above paragraph. The Bank shall ensure that the scope of future AML/CFT independent tests are comprehensive and include a review of compliance with all BSA rules and regulations, adherence to Bank policies and procedures, the ML/TF Risk Assessment, efforts to address regulatory recommendations and actions, and other corrective efforts. In addition, the Bank shall ensure that future AML/CFT independent tests, whether conducted by internal or external parties, are 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 one hundred eighty (180) 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 and provided to the FDIC in the subsequent Progress Report as required below. In addition, the Board shall consider if updates to the Bank's ML/TF Risk Assessment, the AML/CFT Program, BSA training program, or internal controls are required due to the findings from independent testing.

AUDIT AND EXAMINATION FINDINGS TRACKING

10. During the term of this ORDER, the Bank shall update the internal tracking document for audit and regulatory examination findings within thirty (30) days of the receipt of findings from any regulatory examination, regulatory visitation, or any independent testing associated with the AML/CFT Program.

AML/CFT STAFFING AND RESOURCES

11. Within sixty (60) days of the effective date of this ORDER, 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, organizational structure and complexity of the Bank. The AML/CFT Officer shall have appropriate training and experience, as well as 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 will be assessed during subsequent safety and soundness examinations and/or visitations of the Bank.

12. Within ninety (90) days of the effective date of this ORDER, the Board shall assess staffing needs and provide an adequate number of qualified staff to execute the Bank’s AML/CFT Program, including the Bank’s BSA department. The staffing assessment shall also provide for appropriate succession should the AML/CFT Officer be unavailable. 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.

VIOLATIONS OF LAW

13. Within one hundred twenty (120) days from the effective date of this ORDER, the Bank shall correct all BSA violations of law, as more fully set forth in the Joint Report of Examination dated September 11, 2023 ("ROE"). In addition, the Bank shall take all necessary steps to ensure future compliance with all applicable BSA laws and regulations.

PROGRESS REPORTS

14. Within forty-five (45) days after the end of the first calendar quarter following the effective date of this ORDER, and within forty-five (45) 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

15. (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).

(b) 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.

(c) 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.

Issued Pursuant to Delegated Authority.

Dated this 22nd day of May, 2024.

/s/

J. Mark Love
Deputy Regional Director
Dallas Regional Office
Division of Risk Management Supervision
Federal Deposit Insurance Corporation