

FEDERAL DEPOSIT INSURANCE CORPORATION  
WASHINGTON, D.C.

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In the Matter of	)	
	)	
	)	
THREAD BANK,	)	CONSENT ORDER
ROGERSVILLE, TENNESSEE	)	
	)	
(INSURED STATE NONMEMBER BANK)	)	FDIC-24-0022b
_____	)	

The Federal Deposit Insurance Corporation (“FDIC”) is the appropriate Federal banking agency for THREAD BANK, ROGERSVILLE, 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 21, 2024, that is accepted by the FDIC. With the STIPULATION, the Bank has consented, without admitting or denying any charges of unsafe or unsound banking practices or violations of law, 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. The Board shall monitor and confirm the completion of actions taken by management to comply with the terms of this ORDER. All actions taken by the Board pursuant to this ORDER shall be duly noted in the minutes of its meetings. The Board shall ensure that the

Bank has sufficient policies, processes, personnel, resources, and systems to effectively implement and adhere to all provisions of this ORDER.

### **STRATEGIC PLAN**

2. Within one-hundred twenty (120) days after the effective date of this ORDER, the Board shall update the Bank's Strategic Plan to address examination findings and recommendations; financial goals, including pro forma statements for asset growth, capital adequacy, and earnings; a profit plan to be submitted to the Regional Director for review and comment consisting of goals and strategies for improving the earnings of the Bank and which is consistent with sound banking practices ("Profit Plan"); liquidity and funds management strategies for maintaining adequate liquidity including back-up lines of credit to meet unanticipated liquidity needs; strategies to maintain internal controls; and support for Anti-Money Laundering/Countering the Funding of Terrorism ("AML/CFT") program compliance, pursuant to Bank Secrecy Act ("BSA"), 31 U.S.C. § 5311 *et seq.*, 12 U.S.C. §§ 1829b, 1951-1960 and implementing regulations, 31 C.F.R Chapter X, and 12 U.S.C. § 1818(s) and its implementing regulations, 12 C.F.R. §§ 326.8 and 353.

3. Within sixty (60) days after the end of each calendar year following the effective date of this ORDER, the Board shall evaluate the Bank's performance in relation to the Strategic Plan required by this paragraph and update the Strategic Plan to reflect current exam findings and recommendations and business risks and conditions.

4. The Profit Plan component of the Strategic Plan shall be submitted to the Regional Director for review and comment within thirty (30) days of each calendar year for which this ORDER is in effect. Within thirty (30) days after the receipt of any comment from the Regional Director, the Board shall approve the Profit Plan with any appropriate amendments or

modifications, which approval shall be recorded in the Board minutes, and thereafter, the Bank, its directors, officers, and employees shall follow the Profit Plan.

5. The Profit Plan must, taking into account other written plans and policies, establish formal goals and strategies to improve and sustain the Bank's earnings, at a minimum:

- (a) Specify goals to improve revenues, appropriately manage expenses (including discretionary expenses), improve and sustain earnings, and maintain adequate provisions to the allowance for credit losses;
- (b) Identify the major areas in which the Board will seek to improve the bank's operating performance;
- (c) Establish realistic and comprehensive budgets;
- (d) Establish appropriate budget/forecasting standards;
- (e) Contain a budget review process to monitor the income and expenses of the Bank as well as compare the Bank's actual performance to budget projections; and
- (f) Describe the operating assumptions that form the basis for and adequately support projected income and expense components.

6. Within sixty (60) days after the end of each calendar quarter following completion of the Profit Plan and budget required by this ORDER, the Board shall evaluate the Bank's actual performance in relation to the written Profit Plan and budget, record the results of the evaluation, and note any actions taken in the Board minutes.

#### **ENTERPRISE RISK MANAGEMENT FRAMEWORK**

7. Within one-hundred twenty (120) days after the effective date of this ORDER, the Board shall update the Bank's Enterprise Risk Management Framework to address examination

findings and recommendations. The Board shall review and approve risk tolerance thresholds for individual financial technology (“FinTech”) partners based on an enterprise-wide financial analysis of each FinTech partner’s financial projections under expected and adverse scenarios. The analysis shall include individual thresholds for each FinTech partner. Such analysis shall be provided to the Board to ensure tolerance thresholds are not exceeded.

### **POLICIES AND PROCEDURES**

8. Within one-hundred twenty (120) days of the effective date of this ORDER, the Bank shall review all policies and procedures, and where appropriate, revise them to reflect current objectives, strategies, practices and risk tolerances. The Bank shall maintain an internal control system to track policy and procedure changes and evaluate management’s adherence to approved policies and procedures.

### **ANTI-MONEY LAUNDERING/COUNTERING THE FUNDING OF TERRORISM PROGRAM**

9. Within sixty (60) days from the effective date of this ORDER, the Board shall assess the resources needed to oversee AML/CFT functions at the Bank, and provide for the designation of a qualified individual or individuals, with appropriate experience and training, responsible for coordinating and monitoring day-to-day compliance with the AML/CFT program (“AML/CFT Officer”) pursuant to Section 326.8 of the FDIC’s Rules and Regulations (12 C.F.R. § 326.8). The Board shall also assess staffing needs and ensure 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.

10. Within one-hundred twenty (120) days from the effective date of this ORDER, the Bank shall develop, adopt, and implement a written plan (“AML/CFT Plan”) for the administration of the Bank’s AML/CFT Program designed to, among other things, ensure internal controls are sufficient to maintain compliance with AML/CFT laws and implementing rules and regulations. The Bank shall submit the AML/CFT Plan to the Regional Director for review and comment. After the Regional Director has reviewed and commented on the AML/CFT Plan, the Board shall adopt the AML/CFT Plan with appropriate amendments and modifications. Thereafter, the AML/CFT Plan shall be implemented immediately to the extent that the steps of the AML/CFT Plan are not already in effect.

11. 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, which shall address all pertinent risk factors that affect the overall AML/CFT risk profile of the Bank, including but not limited to, all products, services, geographic locations, types of customers, business lines, third-party partners including FinTechs, staffing levels, mitigating controls, and any identified BSA 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.

12. Within ninety (90) days of the effective date of this ORDER, the Bank shall make any necessary adjustments to its written Customer Due Diligence (“CDD”) program, which shall include appropriate risk-based policies, procedures and processes for conducting ongoing CDD

for new and existing customers and identifying those customers who pose a heightened ML/TF risk to apply appropriate risk-based monitoring and due diligence. The Bank's CDD program shall operate in conjunction with the Customer Identification Program ("CIP") and suspicious activity monitoring to enable the Bank to develop customer risk profiles, and include policies and procedures for conducting and documenting the Bank's ongoing due diligence and for updating customer information to ensure the Bank's customer risk profiles are accurate.

13. 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. Consistent with applicable regulations, the Bank shall establish and implement policies and procedures to ensure that Suspicious Activity Reports ("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). SAR narratives shall include a detailed, accurate, and comprehensive description of the activity. The Bank shall ensure that such processes are in place and are operating effectively.

**OVERSIGHT OF BANKING-AS-A-SERVICE ("BaaS") AND  
LOAN-AS-A-SERVICE ("LaaS") PROGRAMS**

14. Within one hundred twenty (120) days of the effective date of this ORDER, in regard to the Bank's BaaS Program business line, the third party risk management program shall address the level of risk and complexity of the Bank's FinTech partners, and shall confirm, at a minimum:

- (a) Appropriate policies and procedures are in place to ensure that risks are properly identified, measured, monitored, and controlled, as described below;
- (b) A documented risk assessment of FinTech partners, specifically updating the risk assessment methodology and supporting documentation, is implemented and utilized;
- (c) A documented customer due diligence process is implemented to establish a customer profile and expected customer activity;
- (d) Information systems associated with FinTech partners provide timely and accurate information;
- (e) A documented process is implemented to monitor transactions for potential suspicious activity, including ACH transactions;
- (f) Any required suspicious activity reporting is completed within the timeframes required by the governing regulations;
- (g) The AML/CFT staff is adequately trained to identify suspicious activity;
- (h) Information required for the CIP is readily available;
- (i) Beneficial ownership information is documented and maintained, where required under applicable regulation;
- (j) Any legally required searches of bank records or customers are conducted in a timely manner and documented;
- (k) A process to ensure third-party partners are meeting the requirements of the Bank's AML/CFT program and policies; and
- (l) Develop and maintain an exit plan that at a minimum includes the

following:

- i. Identify how to monitor all FinTech relationships, including third, fourth, and fifth party providers, for service interruptions;
- ii. Detail steps in response process;
- iii. Define staffing requirements and respective roles;
- iv. Define customer notification of a service disruption and Bank's response;
- v. Identify any outside assistance necessary to implement the plan; and
- vi. Identify how external stakeholders and regulatory agencies will be notified.

15. Within one-hundred twenty (120) days of the effective date of this ORDER, the Bank's BaaS and LaaS program policies and procedures should be thoroughly and completely documented, addressing, at a minimum, third party partner and customer approval requirements, due diligence processes, growth and stress modeling, ongoing AML/CFT compliance monitoring, and steps to unwind third-party business lines, including FinTech partners. Such policies and procedures shall be submitted to the Regional Director for review and comment. After the Regional Director has reviewed and commented, the Bank shall adopt and implement the BaaS and LaaS policies and procedures with appropriate amendments or modifications.

### **LIQUIDITY AND FUNDS MANAGEMENT**

16. Within ninety (90) days after the effective date of this ORDER, the Board shall review and address liquidity and funds management as follows:

- (a) update the liquidity management policy to include internal methodologies to calculate balance sheet liquidity, reporting requirements, exception



reporting, independent review, and concentration monitoring;

- (b) update the Contingency Funding Plan (“CFP”) to reflect stress scenarios of varying impact and probability, which include current and prospective BaaS deposit volume, and describe Board-approved strategies and products to mitigate risks; and
- (c) update pro-forma cash flow modeling to accurately reflect the Bank’s liquidity profile and stress testing to reflect the potential impact of CFP-defined stress scenarios and describe how approved strategies and products can mitigate cash flow shortages.

#### **CORRECTION OF VIOLATIONS OF LAW AND REGULATIONS**

17. Within ninety (90) days of the effective date of this ORDER, Management and the Board shall address and correct any violations noted in the Report of Examination.

#### **PROGRESS REPORTS**

18. Within forty-five (45) days after the end of each calendar quarter following the effective date of this ORDER, the Bank shall furnish to the Regional Director written progress reports detailing the actions taken to secure compliance with the ORDER and the results thereof. Such reports may be discontinued when the corrections required by this ORDER have been accomplished and the Regional Director has released, in writing, the Bank from making further reports.

#### **NOTIFICATION TO SHAREHOLDERS**

19. Within thirty (30) days from the effective date of this ORDER, the Bank shall send a copy of this ORDER, or otherwise furnish a description of this ORDER, to its parent holding

company. The description shall fully describe this ORDER in all material respects.

The provisions of this ORDER shall not bar, estop, or otherwise prevent the FDIC or any other federal 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 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.

Issued pursuant to delegated authority.

Dated this 21 s t day of May, 2024.

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