FEDERAL DEPOSIT INSURANCE CORPORATION
WASHINGTON, D.C.

In the Matter of	)	
SOUTHEAST BANK FARRAGUT, TENNESSEE	)	CONSENT ORDER
	)	FDIC-24-0075b
(Insured State Nonmember Bank)	)	

The Federal Deposit Insurance Corporation ("FDIC") is the appropriate Federal banking agency for SOUTHEAST BANK, FARRAGUT, 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 November 25, 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, including oversight of third parties, 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 three members, the majority of which shall be outside directors. The Consent Order Compliance Committee shall review monthly reports detailing the Bank's actions with respect to compliance with this ORDER. Reports at a minimum should note the program status, policy exceptions, compliance initiatives, deficiencies and corrective action taken. 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 seventy-five (75) 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 March 4, 2024 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") f or review and comment. After the Regional Director comments on the Plan, the Board shall adopt and implement the Plan as amended or modified.

BSA OFFICER

3. Within sixty (60) days of the effective date of this ORDER, the Bank shall designate a qualified individual or individuals to serve as the BSA Officer. The BSA Officer should have qualifications commensurate with the ML/TF risk, organizational structure, and complexity of the Bank. The BSA Officer shall have appropriate training and experience, 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 pursuant to Section 326.8 of the FDIC's Rules and Regulations, 12 C.F.R. § 326.8.

4. 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 compliance with the BSA. The staffing assessment shall also provide for appropriate succession should the BSA Officer be unavailable. The AML/CFT 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.

5. The Board must ensure that a succession plan is developed that will provide for program continuity. The succession plan should detail skill levels needed for the various roles in the section.

TRAINING

6. The AML/CFT Program shall provide an effective training program for management and staff on all relevant aspects of laws, regulations, and Bank policies and procedures relating to

the Bank's AML/CFT Program ("Training Program"). This training shall be designed to ensure that all appropriate personnel are aware of, and can comply with, the requirements of the BSA and its implementing rules and regulations, including the reporting requirements for currency and monetary instruments and Suspicious Activity Reports ("SARs"). Such training should be tailored to each employee's specific responsibilities. The Training Program shall also cover:

(a) The Bank's AML/CFT and BSA policies and procedures, as well as any related new AML/CFT or BSA requirements and developments as they arise. In addition, an overview of the AML/BSA requirements typically should be given to new staff during employee orientation.

(b) A requirement that the Bank will fully document the training of each employee, the designated BSA Officer, and the Board.

(c) The status of the Training Program will be reported to the Board at least periodically, but no less than annually, including the number of employees that are not current on their training.

(d) A requirement that training shall be conducted no less frequently than annually.

7. Within one-hundred twenty (120) days of the effective date of this ORDER, and annually thereafter, the Bank shall provide updated training on the AML/CFT program and BSA reporting requirements to the Board and Bank staff.

INTERNAL CONTROLS

Risk Assessment

8. Within ninety (90) days of the effective date of this ORDER, and annually thereafter, the Bank shall review and update as needed the ML/TF Risk Assessment for compliance with this ORDER. The ML/TF Risk Assessment must document methodology used and identify 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, third party relationships, business lines, staffing levels and succession planning, mitigating controls, and any identified ML/FT 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 updated ML/TF Risk Assessment shall be reviewed and approved by the Board, with risk mitigation strategies adopted and implemented as appropriate.

9. Within one hundred twenty (120) days from the effective date of this ORDER, the Board must ensure that the Bank has a system of internal controls in place to assure ongoing compliance with the BSA ("AML/CFT Internal Controls"). The AML/CFT Internal Controls must take into appropriate consideration the Bank's risk, size, complexity, and organizational structure, distribution channels for services, such as use of third-parties; the ML/TF risk; and the deficiencies and weaknesses identified in the ROE. At a minimum, such system of AML/CFT Internal Controls must include satisfactory written policies, procedures, and processes that reflect the Bank's actual practices and address the following areas:

Customer Due Diligence

10. Within one hundred twenty (120) days of the effective date of this ORDER, the Bank shall develop, adopt, and implement a written Customer Due Diligence ("CDD") program that

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 implements a process whereby it will understand 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) Require validation or certification of third-party systems relied upon to verify identity and information of customers opening online accounts in order to ensure systems are functioning as expected;

d) Ensure the Bank can accurately identify those customers that pose a heightened ML/TF risk and to apply appropriate risk-based monitoring and due diligence, including the adoption of adequate methods for conducting enhanced due diligence on high-risk accounts and customers at account opening and on an ongoing basis, and for monitoring high-risk client relationships on a transaction basis, as well as by account and customer;

e) 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

f) 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

11. Within one hundred twenty (120) 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 operate effectively. 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 must ensure appropriate tools/systems are in place to allow the Bank review and file SARs timely. The process should also incorporate a validation process to ensure the procedures are effective.

(c) The Bank shall ensure that policies and processes provide for timely and comprehensive review, trend 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.

(d) The Bank shall ensure that all required information is included in each SAR.

(e) The Bank shall ensure that decisions not to file a 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.

(f) 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.

(g) Within sixty (60) days of the effective date of this ORDER, the Bank shall establish and implement policies and procedures to report SARs to the Board in a timely manner.

DATA GOVERNANCE AND RECORDKEEPING

12. Within one hundred twenty (120) days of the effective date of this Order, the Bank shall perform an analysis of its current consumer and transaction data quality, data collection and aggregation, and management and regulatory reporting policies, procedures, and processes to identify all gaps between the Bank's current data governance state and the issues noted in the ROE. The Bank shall create a schedule to address any such gaps, which shall be included within the Plan. The analysis, at a minimum, must include:

a) a review of the data, including its mapping to databases, monitoring software, reporting functions, and analytic processes to determine whether the data

appropriately enables the Bank to operate and conduct the AML/CFT Program in a safe and sound manner, to comply with application laws and regulations, and to effectively monitor BSA compliance; and

b) Validation of any internal work procedures, processes, and standards provided to third parties, including those which facilitate consumer data intake, evaluation, and automated actions for online account applications.

INDEPENDENT TESTING

13. (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. A copy of any engagement letter must be submitted to the FDIC for review, comment, and non-objection prior to the commencement of any audit pursuant to this provision.

(b) Within ninety (90) days of the effective date of the ORDER, the Bank must submit to the FDIC, for non-objection, a written plan for independent testing. The Bank shall ensure that the scope of future AML/CFT independent testing is comprehensive and includes a review of compliance with all BSA rules and regulations and Bank policies and procedures as they relate to the Bank's business activities, including third party relationships; 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 testing, 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 independent testing within one hundred eighty (180) days from the effective date of this ORDER, and at least annually thereafter, and the results of such testing shall be reported to, and the remediation of findings monitored by, the Board and provided to the FDIC in the subsequent Progress Report as required below. In addition, the Board must ensure that appropriate updates to the Bank's ML/TF Risk Assessment and the AML/CFT Program are implemented pursuant to any such findings during independent testing.

VIOLATIONS OF LAW

14. Within one hundred twenty (120) days from the effective date of this ORDER, the Bank shall take all necessary actions to correct all BSA violations of law, as more fully set forth in the Report of Examination dated March 4, 2024 ("ROE"). In addition, the Bank shall take all necessary steps to ensure future compliance with all applicable BSA laws and regulations.

PROGRESS REPORTS

15. 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

16. 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.

OTHER ACTIONS

17. 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 25th day of November, 2024.

/s/

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