

[{{9-30-94 p.C-3160}}](#)

[¶10,766] In the Matter of The First State Bank of Grand Chain, Grand Chain, Illinois,Docket No. FDIC-93-71b (3-30-93).

Bank to cease and desist from such practices as extending credit to insiders with preferential terms, more than normal risk or other unfavorable features; and paying overdrafts in violation of Regulation O. *(This order was terminated by order of the FDIC dated 7-29-94; see ¶ 15,895.)*

[.1] Regulation O—Compliance Officer Required

[.2] Regulation O—Compliance Training Required

[.3] Board of Directors—Committee to Review Compliance with Law and Regulations

[.4] Overdrafts—Policy Required

[.5] Shareholders—Disclosure—Cease and Desist Order

In the Matter of

THE FIRST STATE BANK OF

GRAND CHAIN

GRAND CHAIN, ILLINOIS

(Insured State Nonmember Bank)

ORDER TO CEASE AND DESIST

FDIC-93-71b

The First State Bank of Grand Chain, Grand Chain, Illinois ("Bank"), having been advised of its right to a NOTICE OF CHARGES AND OF HEARING detailing the violations of law and/or regulation alleged to have been committed by the Bank, and of its right to a hearing on the charges under section 8(b) of the Federal Deposit Insurance Act ("Act"). 12 U.S.C. § 1818(b), and having waived those rights, entered into a STIPULATION AND CONSENT TO THE ISSUANCE OF AN ORDER TO CEASE AND DESIST ("CONSENT AGREEMENT") with counsel for the Federal Deposit Insurance Corporation ("FDIC"), dated March 30, 1993, whereby, solely for the purpose of this proceeding and without admitting or denying the charges of violations of law and/or regulation, the Bank consented to the issuance of an ORDER TO CEASE AND DESIST ("ORDER") by the FDIC.

The FDIC considered the matter and determined that it has reason to believe that the Bank had violated laws and/or regulations. The FDIC, therefore, accepted the CONSENT AGREEMENT and issued the following:

IT IS HEREBY ORDERED, that the Bank, its institution-affiliated parties, as that term is defined in section 3(u) of the Act, 12 U.S.C. § 1813(u), and its successors and assigns, cease and desist from the following alleged violations of law and regulation:

A. The extension of credit to officers, directors, or principal shareholders of the Bank or their related interests, with preferential terms, more than normal risk of repayment and/or other unfavorable features, in violation of section 215.4(a) of Regulation O of the Board of Governors of the Federal Reserve System ("Regulation O"), 12 C.F.R. § 215.4(a).

B. The payment of overdrafts of officers or directors on an account at the Bank in violation of section 215.4(e) of Regulation O, 12 C.F.R. § 215.4(e).

IT IS FURTHER ORDERED, that the Bank, its institution-affiliated parties, and its successors and assigns, take affirmative action as follows:

[.1] 1. Within 60 days from the effective date of this ORDER, the Bank shall implement procedures to ensure future compliance with all applicable laws and regulations, including the designation of a compliance officer. The compliance officer shall be responsible for the review of all transactions between the Bank and its executive officers, directors, and principal shareholders and their related interests and between the Bank and its affiliates, if any, to ensure compliance with all applicable regulations. In addition, the compliance officer shall have the responsibility to review all new regulations or revisions to regulations applicable to such transactions and to inform the Bank's board of directors of the same.

[.2] 2. Within 60 days of the effective date of this ORDER, the Bank shall retain a qualified consultant acceptable to the Regional Director of the Chicago Regional Office of the FDIC ("Regional Director") to provide each officer and director of the Bank with training in the requirements of sections 22(g) and 22(h) of the Federal Reserve Act, 12 U.S.C. §§ 375a and 375b, section 337.3 [{{6-30-93 p.C-3161}}](#) of the FDIC

Rules and Regulations, 12 C.F.R. § 337.3, and Regulation O, 12 C.F.R. Part 215. This training shall be completed within 120 days of the effective date of this ORDER. In addition, a schedule shall be established for the periodic review, on at least an annual basis, of each of the above regulations by the Bank's board of directors and officers. In the event an affiliate relationship is developed with the Bank, the consultant shall provide training to each officer and director of the Bank in the requirements of section 23A and 23B of the Federal Reserve Act, 12 U.S.C. §§ 371c and 371c-1.

[.3] 3. a) Within 10 days from the effective date of this ORDER, the Bank shall establish a Compliance Committee composed of at least three directors, two of whom may not be officers of the Bank. Within 60 days from the effective date of this ORDER, the Compliance Committee shall establish procedures to ensure compliance with all applicable laws and regulations and shall provide regular training to directors, officers and employees in the requirements of all rules and regulations. Such training shall consist of a combination of in-house instruction from qualified directors, officers or employees and instruction from consultants.

b) The Compliance Committee shall also monitor compliance with this ORDER, and, within 90 days from the effective date of this ORDER, and every 90 days thereafter, while this ORDER is in effect, shall submit to the board of directors for consideration at its regular monthly meeting a written report detailing the Bank's compliance with this ORDER. The compliance report shall be incorporated in the minutes of the board of directors' meeting. Establishment of this Compliance Committee does not in any way diminish the responsibility of the entire board of directors for ensuring that compliance with the provisions of this ORDER is achieved.

4. As of the effective date of this ORDER, the Bank shall not authorize any correspondent bank to debit the Bank's due from account for interest or principal on any loan sold to the correspondent by the Bank unless the Bank has already received payment from the debtor.

[.4] 5. Within 10 days of the effective date of this ORDER, the Bank shall implement procedures to require all checks with nonsufficient funds ("NSF") to be included on an overdraft or a nonsufficient funds list and, if not posted previously, to be posted to appropriate deposit accounts if, after review by two officers, the Bank does not dishonor the check as required by law.

6. On the last day of the first month following the date of issuance of this ORDER, and on the last day of every third month thereafter, the Bank shall furnish to the Regional Director written progress reports, signed by each member of the Bank's board of directors, detailing the form and manner of any actions taken to secure compliance with this ORDER. Such reports may be discontinued when the corrections required by this ORDER have been accomplished and the Regional Director has, in writing, released the Bank from making further reports.

[.5] 7. Following the effective date of this ORDER, the Bank shall send to its shareholders or otherwise furnish a description of this ORDER: (1) in conjunction with the Bank's next shareholder communication; and (2) in conjunction with its notice or proxy statement preceding the Bank's next shareholder meeting. The description shall fully describe the ORDER in all material respects. The description and any accompanying communication, notice, or statement shall be sent to the FDIC in Washington, D.C. for review at least 20 days prior to dissemination to shareholders. Any changes requested to be made by the FDIC shall be made prior to dissemination of the description, communication, notice, or statement.

The effective date of this ORDER shall be a 10 days after its 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 provisions of this ORDER shall have been modified, terminated, suspended, or set aside by the FDIC.

Dated: March 30, 1993.

Pursuant to delegated authority.