

FEDERAL DEPOSIT INSURANCE CORPORATION
WASHINGTON, D.C.

	)	
In the Matter of	)	
	)	ORDER TO CEASE AND DESIST
BANK OF CAMDEN	)	
CAMDEN, TENNESSEE	)	
	)	FDIC-07-004b
(Insured State Nonmember Bank)	)	
	)	

Bank of Camden, Camden, Tennessee ("Bank"), having been advised of its right to a NOTICE OF CHARGES AND OF HEARING detailing the unsafe or unsound banking practices and violations of laws or regulations alleged to have been committed by the Bank and of its right to a hearing on the alleged charges under section 8(b) (1) of the Federal Deposit Insurance Act ("Act"), 12 U.S.C. § 1818(b)(1), 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 April 12, 2007, whereby, solely for the purpose of this proceeding and without admitting or denying the alleged charges of unsafe or unsound banking practices and violations of laws or regulations, 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 they had reason to believe that the Bank had engaged in unsafe or unsound

banking practices and had committed violations of laws or regulations. The FDIC, therefore, accepted the CONSENT AGREEMENT and issued the following:

ORDER TO CEASE AND DESIST

IT IS HEREBY ORDERED that the Bank, its directors, officers, employees, agents, and other 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 unsafe or unsound banking practices and violations of laws or regulations:

(a) Operating the Bank in violation of the Currency and Foreign Transactions Reporting Act, the Bank Secrecy Act ("BSA"), 31 U.S.C. § 5311 et seq.; the rules and regulations implementing the BSA issued by the U.S. Department of the Treasury, 31 C.F.R. Part 103; the FDIC's BSA Programs and Procedures Regulations, 12 C.F.R. Part 326; and the FDIC's Suspicious Activity Reports regulations, 12 C.F.R. Part 353, (collectively "BSA Rules");

(b) Operating the Bank with a board of directors that has failed to provide adequate supervision over and direction to the management of the Bank to prevent unsafe and unsound banking practices and violation of laws or regulations and to ensure compliance with the BSA Rules;

(c) Operating the Bank with an ineffective system of internal controls to ensure compliance with the BSA Rules;

(d) Operating the Bank with an ineffective Customer Identification Program ("CIP") for accounts for persons other than individuals;

(e) Operating the Bank with an ineffective Customer Due Diligence Program ("CDD") to ensure compliance with the BSA Rules;

(f) Operating the Bank with an ineffective system of independent testing to ensure compliance with the BSA Rules; and

(g) Operating the Bank with an ineffective training program for appropriate Bank personnel to ensure compliance with the BSA Rules.

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

1. By July 30, 2007, the Bank shall complete an independent review of senior Bank staff with responsibilities related to ensuring the Bank's compliance with the BSA Rules ("Review"). Senior Bank staff shall include, but is not limited to, the president, senior loan officers, compliance officers, BSA officers, assistant BSA officers and all teller supervisors. The Review shall be conducted by a qualified party with the requisite ability to perform such an analysis. The primary

purpose of the Review shall be to assist the Bank in achieving and maintaining a management and reporting structure for BSA compliance that is appropriate for the Bank's size and BSA risk profile and that is adequately staffed by qualified and trained personnel. A copy of the Review shall be submitted to the Regional Director of the Federal Deposit Insurance Corporation ("Regional Director") and the Commissioner of the Tennessee Department of Financial Institutions ("Commissioner") for review and comment.

2. (a) By July 30, 2007, the Bank shall develop, adopt and implement a comprehensive, written, Bank Secrecy Act Compliance Program ("Compliance Program") as required by the BSA Rules. The Compliance Program shall be submitted to the Regional Director and the Commissioner for review, comment and approval upon its completion. Any changes requested to be made to the Compliance Program by the Regional Director or the Commissioner shall be made within 30 days from the receipt of all such comments from the Regional Director and the Commissioner. After revising the Compliance Program as necessary and receiving the Regional Director's and the Commissioner's final approval, the Board shall adopt the Compliance Program. Such adoption shall be recorded in the minutes of the Bank's board of directors' meeting. The Compliance Program shall be implemented immediately upon

adoption by the Bank's board of directors. At a minimum, the Compliance Program shall:

- (i) Provide for an effective system of internal controls to ensure compliance with the BSA Rules;
- (ii) Provide for an effective CIP Program appropriate for the size and BSA risk profile of the Bank;
- (iii) Establish policies and procedures with respect to high-risk accounts and customers, including the adequacy of methods for identifying and conducting due diligence on high-risk accounts and customers at account opening and thereafter, and for monitoring high-risk client relationships on a transaction basis as well as by account and customer;
- (iv) Establish policies and procedures regarding the identification and reporting of cash transactions and for granting customer exemptions;
- (v) Establish procedures to ensure customers are being compared to current Office of Foreign Assets Control ("OFAC") listings;

- (vi) Designate a senior Bank official ("BSA Officer") responsible for coordinating and monitoring day-to-day compliance with the BSA Rules and ensure adequate staffing in the BSA area;
- (vii) Provide for independent annual testing for compliance with the BSA in accordance with the procedures described in section 326.8 of the FDIC's Rules and Regulations, 12 C.F.R. § 326.8; and
- (viii) Require and implement an appropriate training program for the Bank to ensure that appropriate personnel are regularly trained to comply with the BSA Rules.

(b) The Bank shall also provide for the continued administration of the Compliance Program to ensure and monitor on-going compliance with the BSA Rules.

3. By July 30, 2007, the Bank shall develop, adopt, and implement an effective system of internal controls to ensure compliance with the BSA, including, but not limited to, the monitoring of high-risk and suspicious activities for all types of accounts, customers, products, services, and geographic areas. At a minimum, the system of internal controls shall:

(a) Identify reportable transactions and gather the information necessary to properly complete the required reporting forms as required by 31 C.F.R. § 103.22;

(b) Ensure that all required reports are accurate, proper, complete, and timely filed;

(c) Ensure that customer exemptions are properly granted and documented;

(d) Provide for separation of duties to ensure personnel completing required reports are not responsible for filing the reports; and

(e) Develop and maintain policies and procedures with respect to recordkeeping, including requirements for complete information on beneficiaries and senders as required by 31 C.F.R. § 103.33.

4. By July 30, 2007, the Bank shall revise the CIP for accounts for persons other than individuals to ensure compliance with 31 C.F.R. § 103.121 ("Revised CIP"). The Bank shall submit the Revised CIP to the Regional Director and the Commissioner for review and comment upon completion. Any changes requested by the Regional Director and the Commissioner shall be made within 30 days from the receipt of all such comments. After changing the Revised Enhanced CIP as necessary, the Board shall adopt the Revised Enhanced CIP. The review, approval and

adoption shall be recorded in the minutes of the Bank's board of directors' meetings.

5. By July 30, 2007, the Bank shall develop, adopt and implement a written customer due diligence program ("CDD Program") which shall provide for a risk focused assessment of the customer base of the Bank to determine the appropriate level of enhanced due diligence necessary for those categories of customers that the Bank has reason to believe pose a heightened risk of illicit activities at the Bank;

(a) At a minimum, the CDD Program shall provide for:

(i) Time limits for Bank personnel to respond to account activity exceptions;

(ii) Time limits for determining if exceptions require a suspicious activity report ("SAR"); and

(iii) Identification of customers requiring site visitations and the frequency of visitations.

(b) For those customers whose transactions require enhanced due diligence, the CDD Program shall provide procedures to:

(i) Determine the appropriate documentation necessary to confirm the identity and business activity of the customer;

- (ii) Understand the normal and expected transactions of the customer; and
- (iii) Reasonably ensure the identification and timely, accurate and complete reporting of known or suspected criminal activity against or involving the Bank to law enforcement and the Regional Director and the Commissioner, as required by the SAR Procedures.

6. By July 30, 2007, the Bank shall develop, adopt and implement procedures to ensure that customers are being compared to current OFAC listings. At a minimum, the procedures must include: records documenting searches and document retention procedures. Documentation must be sufficient in scope that an audit trail can be produced.

7. By July 30, 2007, the Bank shall develop, adopt and implement a system designed to reasonably detect and report any known or suspected federal criminal violations committed or attempted against the bank or involving an applicable transaction(s) through the Bank. This system should include reasonable steps to accurately complete any SAR and to file said report with the Financial Crimes Enforcement Network ("FinCEN") within the timeframes prescribed in 12 C.F.R. Part 353. Any SAR

filed by the Bank should be reported to the board of directors or appropriate committee thereof.

8. (a) During the life of this ORDER, the Bank shall retain a BSA Officer who is qualified and responsible for the implementation, coordination and monitoring of the Bank's day to day compliance with the BSA Rules. This individual shall have the authority to recommend and enforce policies to ensure compliance with the BSA Rules.

(b) During the life of this ORDER, the Bank shall notify, within 14 days, the Regional Director and the Commissioner in writing of any changes in the Bank's BSA Officer ("Notice"). At a minimum, the Bank's Notice shall include the following information regarding the BSA Officer: salary, education, professional industry experience, BSA training, and BSA experience.

9. (a) By July 30, 2007, and at least annually thereafter the Bank shall employ an independent consultant to test the Compliance Program to ensure overall integrity, effectiveness and compliance of the Compliance Program with the BSA Rules including policies, procedures, and processes. At a minimum, the independent testing program shall:

- (i) Test the Bank's internal procedures for monitoring compliance with the BSA Rules,

- including interviews of employees who handle cash transactions;
- (ii) Test the large currency transactions followed by a review of the currency transaction report filings;
 - (iii) Test the validity and reasonableness of the customer exemptions granted by the Bank;
 - (iv) Test the Bank's CIP;
 - (v) Test the Bank's recordkeeping system to ensure compliance with the BSA Rules;
 - (vi) Test the accuracy and validity of the automated large transaction identification system;
 - (vii) Test the integrity and accuracy of management information reports used in the anti-money laundering compliance program;
 - (viii) Test to reasonably ensure that the Bank is in compliance with rules and regulations related to:
 - (a) Identifying and reporting suspicious activities;
 - (b) Funds transfer operations;

- (c) On-going training of appropriate personnel;
 - (d) Office of Foreign Asset Control (OFAC) compliance;
 - (e) High-risk activities related to customers and other areas of the Bank; and
 - (f) Compliance with information sharing requirements.
- (ix) Test the Bank's effectiveness in addressing the April 26, 2005 *Interagency Interpretive Guidance on Providing Banking Services to Money Services Business Operating in the United States* issued by FinCEN and all Federal Banking Agencies; and
- (x) Document the scope of the testing procedures performed and the findings of the test.

(b) The results of each independent test as well as any apparent exceptions noted during the testing shall be presented to the Bank's board of directors. The board shall record the steps taken to correct any exceptions noted, address any recommendations made during each independent test, and

record its actions in the minutes of the Bank's board of directors' meetings.

10. By July 30, 2007, the Bank shall implement a training program for all appropriate personnel covering compliance with the BSA Rules. The initial training shall also be completed by July 30, 2007. The Bank shall thereafter conduct additional training on a regular basis, but not less than annually. Employees receiving the initial and subsequent training shall include, but are not limited to, all current or new employees employed by the Bank as tellers, new accounts personnel, lending personnel, bookkeeping personnel, wire transfer personnel, proof personnel, senior Bank management and the Bank's board of directors.

11. (a) By July 30, 2007, the Bank shall take all steps necessary, consistent with safe and sound banking practices, to eliminate and/or correct all BSA Rules violations detailed on pages 12-20 of the October 10, 2006, Report of Examination.

(b) By July 30, 2007, the Bank shall adopt and implement procedures to ensure future compliance with all BSA Rules.

12. Within 30 days from the effective date of this ORDER, the Bank's board of directors shall establish a committee of the board of directors with the responsibility to ensure that the Bank complies with the provisions of this ORDER. At least a

majority of the members of such committee shall be independent, outside directors as defined in paragraph 13. The committee shall report monthly to the entire board of directors, and a copy of the monthly report and any discussion relating to the monthly report of this ORDER shall be included in the minutes of the Bank's board of directors' meetings. Nothing contained herein shall diminish the responsibility of the entire board of directors to ensure compliance with the provisions of this ORDER.

13. For purposes of this ORDER, an "outside director" shall be an individual:

(a) Who shall not be employed, in any capacity, by the Bank or its affiliates other than as a director of the Bank or its affiliate;

(b) Who shall not own or control more than 5 percent of the voting stock of the Bank or its Holding Company;

(c) Who shall not be indebted to the Bank or any of its affiliates in an amount greater than 5 percent of the Bank's equity capital and reserves;

(d) Who shall not be related to any directors, principal shareholders of the Bank or affiliates of the Bank; and

(e) Who shall be a resident of, or engage in business in, the Bank's trade area.

14. The Bank shall furnish written progress reports to the Regional Director and the Commissioner detailing the form and manner of any actions taken to secure compliance with this ORDER and the results thereof. Such reports shall be received by the Regional Director and the Commissioner no later than 30 calendar days from the beginning of each calendar quarter (i.e, January 30, April 30, July 30, and October 30 of each calendar year). Such reports may be discontinued when the corrections required by this ORDER have been accomplished and the Regional Director and the Commissioner have released the Bank in writing from making further reports.

15. The provisions of this ORDER shall be binding upon the Bank, its directors, officers, employees, agents, successors, assigns, and other institution-affiliated parties of the Bank.

16. Within 30 days from the effective date of this ORDER, the Bank shall send to its shareholders or otherwise furnish a notification of this ORDER, and, contemporaneously therewith provide a copy of such notification to the Regional Director and the Commissioner.

17. This ORDER shall become effective 10 calendar days from the date of its issuance by the FDIC. 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.

Pursuant to delegated authority.

Dated this 16th day of April, 2007.

M. Anthony Lowe
Acting Regional Director
Dallas Region
Division of Supervision and
Consumer Protection
Federal Deposit Insurance
Corporation