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[¶12,542] **In the Matter of The Cottonport Bank, Cottonport, Louisiana**, Docket No. 05-207b (2-26-06).

A cease and desist order was issued, based on findings by the FDIC that it had reason to believe that respondent was engaged in unsafe and unsound practices.

[.1] **Bank Secrecy Act—Compliance Officer Required**

[.2] **Bank Secrecy Act—Compliance**

[.3] **Bank Operations—Risk Assessment Required**

[.4] **Bank Secrecy Act—Written Policy Required**

[.5] **Compliance Committee—Establishment of Required**

[.6] **Definitions—Outside Director**

[.7] **Progress Report—Written Report Required**

[.8] **Board of Directors—Compliance with Cease and Desist Orders**

[.9] **Shareholders—Disclosure of Cease and Desist Order Required**

**In the Matter of
THE COTTONPORT BANK
COTTONPORT, LOUISIANA
(Insured State Nonmember Bank)
ORDER TO CEASE AND DESIST**

FDIC-05-207b

The Cottonport Bank, Cottonport, Louisiana ("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") and a representative of the Louisiana Office of Financial Institutions ("State"), dated February 10, 2006, 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 and the State 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 in violation of the Currency and Foreign Transactions Reporting Act (31 U.S.C. §5311 *et seq.*) (the Bank Secrecy Act) ("BSA"), the rules and regulations implementing the BSA issued by the U.S. Department of the Treasury (31 C.F.R. Part 103) ("Financial Recordkeeping"), and the FDIC's BSA Programs and

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Procedures Regulations, 12 C.F.R. Part 326 ("BSA Programs and Procedures"); and

(b) Operating with a board of directors that has failed to provide adequate supervision over and direction to the active management of the Bank to prevent unsafe or unsound banking practices and violations of laws or regulations.

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

[.1] 1. (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, Financial Recordkeeping, and BSA Programs and Procedures. This individual shall have the authority to recommend and enforce policies to ensure compliance with the BSA, Financial Recordkeeping, and BSA Programs and Procedures.

(b) During the life of this ORDER, the Bank shall notify the Regional Director of the FDIC ("Regional Director") and the Commissioner, Louisiana Office of Financial Institutions, Baton Rouge, Louisiana ("Commissioner") in writing of any changes in the Bank's BSA Officer.

[.2] 2. Within 60 days from the effective date of this ORDER, the Bank shall complete a review of senior Bank staff ("Senior Bank Staff") with responsibilities related to ensuring the Bank's compliance with the BSA, Financial Recordkeeping and BSA Programs and Procedures. Senior Bank Staff shall include, but is not limited to, the president, senior loan officers, compliance officers, BSA officers, assistant BSA officer 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 and the Commissioner for review and comment.

[.3] 3. Within 60 days from the effective date of this ORDER, the Bank shall employ a qualified independent consultant to conduct a customer risk assessment ("Assessment"). A copy of the Assessment shall be submitted to the Regional Director and the Commissioner for review and comment. At a minimum, the Assessment should address and review the following:

(a) The Bank's compliance with the April 26, 2005 *Interagency Interpretive Guidance on Providing Banking Services to Money Services Business Operating in the United States* issued by the Financial Crimes Enforcement Network and all Federal Banking Agencies; and

(b) The money laundering and terrorist financing risks associated with each of the Bank's deposit products, safekeeping services, geographic location and markets served.

[.4] 4. (a) Within 60 days from the completion of the Assessment, but in no event longer than 120 days from the effective date of this ORDER, the Bank shall adopt a

comprehensive, written BSA Program based upon the Assessment described in paragraph 3. The BSA Program shall be submitted to the Regional Director and the Commissioner for review, comment and approval. Any changes requested to be made to the 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 Program as necessary and receiving the Regional Director's and the Commissioner's final approval, the Bank shall adopt the Program. Such adoption shall be recorded in the minutes of the Bank's board of directors' meeting. The BSA Program shall be implemented immediately upon adoption by the Bank's board of directors.

(b) The BSA Program shall provide for an effective system of internal controls to ensure compliance with the BSA, Financial Recordkeeping, and BSA Programs and Procedures.

(c) The system of internal controls shall require the Bank to, at a minimum:

- (i) As required by 31 C.F.R. §103.22, identify reportable transactions and gather the information necessary to properly complete the required reporting forms;
- (ii) Ensure that all required reports are accurate, proper, complete, and timely filed;
- (iii) Ensure that customer exemptions are properly granted and documented; and
- (iv) Provide for separation of duties to

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ensure personnel completing required reports are not responsible for filing them.

(d) The Bank shall implement a training program for all appropriate personnel covering compliance with the BSA, Financial Recordkeeping, and BSA Programs and Procedures within 30 days from the effective date of this ORDER. The initial training shall be completed within 60 days from the effective date of this ORDER. 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.

(e) Within 180 days of the effective date of this ORDER and, at least annually thereafter, the Bank shall employ an independent consultant to test the BSA Program to ensure proper controls are in place to comply with the BSA, Financial Recordkeeping and BSA Programs and Procedures. The independent testing program shall, at a minimum:

- (i) Test the Bank's internal procedures for monitoring compliance with the BSA, Financial Recordkeeping and BSA Programs and Procedures, 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 recordkeeping system to ensure compliance with the BSA,

Financial Recordkeeping and BSA Programs and Procedures; and

(v) Document the scope of the testing procedures performed and the findings of the test.

(f) 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.

[.5] 5. 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 7. 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 or 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.

[.6] 6. 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 an 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.

[.7] 7. 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.

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

[.9] 9. Following the effective date of this ORDER, the Bank shall send to its shareholders or otherwise furnish a description of this ORDER (i) in conjunction with the Bank's next shareholder communication, and (ii) 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, statement, or notice shall be sent to the FDIC Accounting & Securities Unit, 550 17th Street, N.W., Room F-6043, Washington, D.C. 20429 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.

10. 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 and the State.

Pursuant to delegated authority.

Dated this 26th day of February, 2006.

Last
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