FEDERAL DEPOSIT INSURANCE CORPORATION
WASHINGTON, D.C.

AND

OKLAHOMA STATE BANKING DEPARTMENT
OKLAHOMA CITY, OKLAHOMA

In the Matter of	)	CONSENT ORDER
BANK OF HYDRO HYDRO, OKLAHOMA	)	FDIC-17-0072b
(Insured State Nonmember Bank)	)	OSBD-17-C&D-1

The Federal Deposit Insurance Corporation ("FDIC") is the appropriate Federal banking agency for BANK OF HYDRO, HYDRO, OKLAHOMA, ("Bank"), under section 3(q) of the Federal Deposit Insurance Act ("Act"), 12 U.S.C. § 1813(q).

The Oklahoma State Banking Department ("State") is the appropriate state banking agency for the Bank, pursuant to Oklahoma law under the Oklahoma Banking Code Title 6 Okla. Stat. § 101 *et seq*. (the "Code").

The Bank, by and through its duly elected and acting board of directors ("Board"), has executed a "STIPULATION TO THE ISSUANCE OF A CONSENT ORDER" ("Stipulation"), dated April 19, 2017, that is accepted by the FDIC and State. With the Stipulation, the Bank has consented, without admitting or denying any charges of unsafe or unsound banking practices or violations of law or regulation relating to the Bank Secrecy Act ("BSA")/Anti-Money Laundering ("AML"), to the issuance of this Consent Order ("ORDER") by the FDIC and State.

Having determined that the requirements for issuance of an order under section 8(b) of the Act and section 204(B) of the Code and the provisions of the Oklahoma Administrative

Procedures Act, Title 75 Okla. Stat.§ 250 et seq., have been satisfied, the FDIC and the State hereby order that:

BANK SECRECY ACT COMPLIANCE PLAN

1. Within ninety (90) days from the effective date of this ORDER, the Bank shall develop, adopt, and implement a revised written plan ("Compliance Plan") for the continued administration of the Bank's BSA Compliance Program and the Bank's Customer Identification Program ("CIP") designed to, among other things, ensure and maintain compliance with the BSA and its implementing rules and regulations. The Bank shall submit the revised Compliance Plan to the FDIC Regional Director and the Oklahoma State Banking Commissioner ("Commissioner") for review and comment. Upon receipt of comments from the Regional Director and the Commissioner, if any, the Bank's Board shall review and approve the revised Compliance Plan. The review and approval of the revised Compliance Plan shall be recorded in the minutes of the Board. Thereafter, the Bank shall implement the Compliance Plan. At a minimum, the Compliance Plan shall:

(a) Provide for a system of internal controls sufficient to comply in all material respects with the BSA and its implementing rules and regulations and establish a plan for implementing such internal controls. The system of internal controls shall provide, at a minimum:

(1) Establish and implement customer due diligence procedures, including procedures for conducting a risk-based assessment of the Bank's customer base to identify the categories of customers whose transactions and banking activities are routine and usual; and determine the appropriate level of enhanced due diligence necessary for those categories of customers whose transactions and banking activities are not routine and/or usual ("high-risk accounts");

(2) Policies and procedures with respect to high-risk accounts and customers identified through the risk assessment conducted pursuant to paragraph 1(a)(1), 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;

(3) Policies, procedures, and systems for identifying, evaluating, monitoring, investigating, and reporting suspicious activity in the Bank's products, accounts, customers, services, and geographic areas, including:

a. Establishment of meaningful thresholds for identifying accounts and customers for further monitoring, review, and analyses;

b. Periodic testing and monitoring of such thresholds for appropriateness to the Bank's products, customers, accounts, services, and geographic areas;

c. Appropriate training for the identification and timely referral of potentially suspicious activities;

d. Review of existing systems to ensure adequate referral of information about potentially suspicious activity through appropriate levels of management, including a policy for determining action to be taken in the event of multiple filings of Suspicious Activity Reports ("SARs") on the same customer, or in the event a correspondent or other customer fails to provide due diligence information. Such procedures shall describe the circumstances under which an account should be closed and the processes and procedures to be followed in doing so;

e. Procedures and/or systems for each business area of the Bank to produce periodic reports designed to identify unusual or suspicious activity, to monitor and evaluate unusual or suspicious activity, and to maintain accurate information needed to produce these reports with the following features:

(i) The Bank's procedures and/or systems should be able to identify related accounts, countries of origin, location of the customer's businesses and residences to evaluate patterns of activity; and

(ii) The periodic reports should cover a broad range of time frames, including individual days, a number of days, and a number of months, as appropriate, and should segregate transactions that pose a greater than normal risk for non-compliance with the BSA;

f. Documentation of management's decisions to file or not to file an SAR; and;

g. Systems to ensure the timely, accurate, and complete filing of required SARs and any other similar or related reports required by law.

(4) Development and maintenance of policies, procedures, and proper training with respect to wire transfer recordkeeping, including requirements for complete information on beneficiaries and senders, as required by 31 C.F.R. § 1020.410;

(5) Procedures to ensure customers and transactions are being compared to current Office of Foreign Assets Control ("OFAC") listings, which procedures must include, at a minimum: establishment of effective internal controls, independent testing, designation of qualified individuals for OFAC compliance, and training for all appropriate employees;

(6) Policies and procedures for transactions involving non-customers, including, but not limited to, wire transfer services, traveler's check services, foreign exchange services, and 314(a) OFAC searches;

(7) Requirements to perform reviews of exempt customers, at least annually or more often;

(8) Policies and procedures to ensure all currency transaction reports ("CTR") and SAR are filed in accordance with law;

(9) Provide for program continuity in the event the BSA Officer (as defined below) is unable to coordinate and monitor day-to-day compliance with the BSA; and

(10) Requirements to meet all regulatory recordkeeping and reporting obligations for BSA compliance and provide for timely updates in response to changes in the regulations.

INDEPENDENT TESTING

2. Within sixty (60) days from the effective date of this ORDER, the Bank shall develop a plan for independent testing in compliance with the BSA and its implementing rules and regulations to be conducted by either a qualified outside party with the requisite ability to perform such testing and analysis, or bank personnel independent of the BSA function. Such testing shall be done on an annual basis. The independent testing shall, at a minimum:

(a) Test the Bank's internal procedures for monitoring compliance with the BSA and its implementing rules and regulations, including interviews of employees who handle cash transactions;

(b) Sample large currency transactions followed by a review of the Currency Transaction Report ("CTR") filings;

(c) Test the validity and reasonableness of the customer exemptions granted by the Bank;

(d) Test the Bank's recordkeeping system for compliance with the BSA and its implementing rules and regulations, including, but not limited to:

(1) Testing to ensure all reportable transactions have been identified;

(2) Testing to ensure Bank personnel is reviewing all applicable reports, including monitoring reports for structuring activities; and

(3) Testing to ensure compliance with OFAC provisions.

(e) Test the Bank's CIP procedures;

(f) Review the effectiveness of suspicious activity monitoring systems;

(g) Assess the integrity and accuracy of management information systems used in BSA compliance;

(h) Test the adequacy of the Bank's training program; and

(i) Document the scope of the testing procedures performed and the findings of the testing. The results of each independent test, as well as any apparent exceptions noted during the testing, shall be presented to the Bank's Board. The Board shall record the steps taken to correct any exceptions noted and address any recommendations made during each independent test in the minutes of the meeting.

BSA OFFICER

3. Within sixty (60) days from the effective date of this ORDER, the Board shall provide for the designation of a qualified individual or individuals, with demonstrated experience and training ("BSA Officer"), responsible for coordinating and monitoring day-to-day compliance with the BSA pursuant to Section 326.8 of the FDIC's Rules and Regulations (12 C.F.R. § 326.8). The BSA Officer shall:

(a) Have sufficient executive authority to monitor and ensure compliance with the BSA and its implementing rules and regulations;

(b) Be responsible for determining the adequacy of BSA/AML staffing and for supervising such staff in complying with the BSA and its implementing rules and regulations;

(c) Report directly to the Bank's Board;

(d) Report to the Bank's Audit Committee on a regular basis, not less than quarterly, with respect to any BSA/AML matters; and

(e) Be responsible for assuring the proper filing of CTRs, Reports of International Transportation of Currency or Monetary Instruments, and SARs relating to the BSA.

(f) Provide monthly comprehensive written reports to the Bank's Board regarding the Bank's adherence to the Compliance Plan and this ORDER.

BSA TRAINING

4. Within sixty (60) days from the effective date of this ORDER, the Bank shall develop an effective training program ("Training Program") for management and staff on all relevant aspects of laws, regulations, and Bank policies and procedures relating to the Bank Compliance Plan. This training shall 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 currency and monetary instruments reporting requirements and the reporting requirements associated with SARs, as well as all applicable OFAC provisions. The Training Program shall also cover:

(a) The Bank's BSA/AML policies and procedures, and new rules and requirements as they arise;

(b) A requirement that the Bank's Board shall fully document the training of each employee, including the designated BSA Compliance Officer; and

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

CUSTOMER IDENTIFICATION PROGRAM (CIP)

5. Within sixty (60) days from the effective date of this ORDER, the Bank shall develop, adopt, and implement a written Customer Identification Program ("CIP"), appropriate

for the Bank's size and type of business, consistent with the requirements of the BSA, and which addresses the criticisms cited in the Report of Examination. The Bank shall submit the CIP to the Regional Director and the Commissioner for review and comment. Upon receipt of the Regional Director's and the Commissioner's comments, if any, the Board shall review and approve the CIP. After the Board has approved the CIP, the review and approval shall be recorded in the minutes of the Board. Thereafter, the Bank shall implement the CIP.

LOOK BACK REVIEW

6. (a) Within 90 days from the effective date of this ORDER, the Bank shall develop and submit to the Regional Director and Commissioner a written Look Back Review Plan ("Look Back Review Plan") detailing how it will conduct a review of transactions from March 30, 2015, through December 31, 2016, to determine whether suspicious activity was properly identified and reported in accordance with the applicable suspicious activity reporting requirements.

(b) The Look Back Review Plan, and any subsequent contract or engagement letter entered into with a consultant performing the Look Back Review, shall include, at a minimum:

(1) The scope of the Look Back Review, which shall specify the types of accounts and transactions to be reviewed, including the Bank's High-risk Account customers;

(2) The methodology for conducting the Look Back Review;

(3) The resources and expertise to be dedicated to the Look Back Review;

(4) The anticipated date of completion of the Look Back Review;

(5) A provision for unrestricted examiner access to any third-party work papers;

(6) A provision requiring the filing of a SAR for all suspicious activity identified during the Look Back Review; and

(7) A provision that the findings from the Look Back Review will be presented directly to the Bank's Board, the FDIC, and State.

The Look Back Review Plan shall be submitted to the Regional Director and Commissioner for review and comment prior to implementation. The Regional Director and Commissioner shall provide a response on the Look Back Review Plan within 30 days of receipt thereof, unless the Regional Director and Commissioner notify the Bank, in writing, that a longer period will apply. Within 30 days of receipt of a response from the Regional Director and Commissioner, the Board shall adopt the changes recommended by the Regional Director and Commissioner, approve the Look Back Review Plan, and record its approval and adoption in the minutes of the Board's meeting at which approved.

The Look Back Review shall be conducted in in accordance with the approved plan, and the bank will promptly investigate and file SARs on suspicious activity identified by the Look Back Review.

CORRECTION OF VIOLATIONS

7. (a) Within ninety (90) days after the effective date of this ORDER, the Bank shall eliminate and/or correct all violations of law and regulations noted in the Report of Examination related to BSA.

(b) Within ninety (90) days after the effective date of this ORDER, the Bank shall implement procedures to ensure future compliance with all applicable laws and regulations.

PROGRESS REPORTS

8. The full Board must document in its monthly meetings all action taken to comply with this ORDER since the previous Board meeting. Within 30 days after the end

of the first calendar quarter following the effective date of this ORDER, and within 30 days after the end of each successive calendar quarter, 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 may be discontinued when the corrections required by the ORDER have been accomplished and the Regional Director and the Commissioner have released the Bank in writing from making additional reports.

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

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 and the State.

Issued this 24th day of April, 2017.

/s/
Kristie Elmquist
Regional Director
Division of Supervision and Consumer Protection
Federal Deposit Insurance Corporation

/s/
Mick Thompson
Commissioner
Oklahoma State Banking Department