FEDERAL DEPOSIT INSURANCE CORPORATION
WASHINGTON, D.C.

AND

TEXAS DEPARTMENT OF BANKING
AUSTIN, TEXAS

In the Matter of	)	CONSENT ORDER
NORMANGEE STATE BANK NORMANGEE, TEXAS	)	FDIC-14-0311b
(Insured State Nonmember Bank)	)	COMMISSIONER ORDER No. 2014-018

The Federal Deposit Insurance Corporation ("FDIC") is the appropriate Federal banking agency for Normangee State Bank, Normangee, Texas, ("Bank"), under Section 3(q) of the Federal Deposit Insurance Act ("Act"), 12 U.S.C. § 1813(q).

The Texas Department of Banking ("Department") is the appropriate state banking agency for the Bank, under Texas Finance Code, Title 3, Subtitle A, §§ 31.001 et. seq.

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 September 18, 2014, that is accepted by the FDIC and the Department.

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"), 31 U.S.C. § 5311 *et seq.*, and the USA PATRIOT Act of 2001, 115 Stat. 272 (Public Law 107-56-Oct. 26, 2001), to the issuance of this CONSENT ORDER

(“ORDER”) by the Regional Director of the FDIC’s Dallas Regional Office (“Regional Director”) and the Texas Banking Commissioner (“Commissioner”).

Having determined that the requirements for the issuance of an order under 12 U.S.C. § 1818(b) and Texas Finance Code §§ 35.002 have been satisfied, the FDIC and the Department hereby order that:

INDEPENDENT TESTING

1. Within 60 days from the effective date of this ORDER, the Bank shall provide for the periodic and independent testing of the Bank’s BSA Compliance Program. At a minimum, the Independent Testing Plan shall:

(a) Provide for independent testing for compliance by the Bank with the BSA and its Regulations to be conducted by either:

(1) A qualified outside party with the requisite ability to perform such testing and analysis or

(2) Qualified Bank personnel independent of the BSA function.

(b) Such testing shall be done on an annual basis.

(c) The independent testing shall, at a minimum:

(1) Test the Bank’s internal procedures for monitoring compliance with the BSA and its Rules, including interviews of employees who handle cash transactions;

(2) Sample large currency transactions followed by a review of the Currency Transaction Report (“CTR”) filings;

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

(4) Test the Bank's recordkeeping system for compliance with the BSA and its Regulations, including, but not limited to:

   i. Testing to ensure all reportable transactions have been identified;

   ii. Testing to ensure Bank personnel is reviewing all applicable reports, including monitoring reports for structuring activities;

   iii. Testing to ensure compliance with the Office of Foreign Assets Control provisions.

(5) Test the Bank's Customer Identification Program procedures;

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

(7) Assess the overall process for identifying and reporting suspicious activity to include testing to ensure the effectiveness of the Bank's suspicious activity monitoring systems used for BSA compliance;

(8) Assess the integrity and accuracy of management information systems used in the BSA Compliance Program; and

(9) 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 Bank's 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 Bank's Board meeting.

INTERNAL CONTROLS

2. Within 60 days from the effective date of this ORDER, the Bank shall provide for a system of internal controls sufficient to comply in all material respects with the BSA and its implementing Regulations and establish a plan for implementing such internal controls.

CORRECTION OF VIOLATIONS

3. Within 60 days after the effective date of this ORDER, the Bank's Board shall eliminate and/or correct all violations of law or regulation identified in the 2014 Report of Examination and implement procedures designed to ensure the Bank's future BSA Compliance.

PROGRESS REPORTS

4. Beginning on January 31, 2015, 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, the Department, 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 by the FDIC and the Department.

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 Department.

This order is signed by the FDIC Dallas Regional Director, pursuant to delegated authority.

Issued and made effective this 16th day of October, 2014.

/s/
Kristie Elmquist
Regional Director
Division of Risk Management Supervision
Federal Deposit Insurance Corporation

/s/
Charles G. Cooper
Commissioner
Texas Department of Banking