

Having determined that the requirements for issuance of an order under 12 U.S.C. § 1818(b) and Article 1, Section 34 of Chapter 58 of the New Mexico Statutes, N.M. Stat. Ann § 58-1-34 (1978), have been satisfied, the FDIC and the State hereby order that:

BSA COMPLIANCE PLAN

1. Within 60 days from the effective date of this ORDER, the Board shall develop a written BSA Compliance Plan, including policies and procedures, which fully meets all applicable requirements of section 326.8 of the FDIC's Rules and Regulations, 12 C.F.R. § 326.8, addresses the deficiencies and recommendations outlined within the June 18, 2018, Report of Examination, and which is designed to, among other things, ensure and maintain full compliance with the BSA and the rules and regulations issued pursuant thereto. The BSA Compliance Plan will also ensure and maintain full compliance with all anti-money laundering ("AML") laws, regulations, and rules and those relating to the Office of Foreign Asset Control ("OFAC").

The Board shall submit the BSA Compliance Plan to the FDIC Dallas Regional Office Regional Director ("Regional Director") and the Director of the Financial Institution Division ("Director") for non-objection or comment. Within 30 days of receipt of the Regional Director's and Commissioner's non-objection or comments and after incorporation and adoption of all comments, the Board shall approve the BSA Compliance Program, which approval shall be recorded in the minutes of the Board meeting. Within 30 days of such Board approval, the executive management team shall implement and fully comply with the BSA Compliance Plan in a manner acceptable to the Regional Director and Commissioner, as determined at subsequent examinations or visitations of the Bank.

BSA OFFICER/STAFFING

2. The Board shall appoint a qualified individual or individuals 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 ("BSA Officer"). The BSA Officer shall:

- a) Have sufficient executive authority and staff to monitor and ensure compliance with the BSA and its implementing rules and regulations;
- b) Supervise such staff in complying with the BSA and its implementing rules and regulations;
- c) Be responsible for assuring the proper filing of Currency Transaction Reports ("CTRs") and Suspicious Activity Reports ("SARs");
- d) Monitor all banking products and services for BSA/AML compliance; and
- e) Provide monthly comprehensive written reports to the Board of Directors regarding the Bank's adherence to the Bank's BSA Compliance Plan described above and this ORDER.

In addition, the Board shall analyze and assess staffing needs in order to provide for an adequate number of qualified staff for the Bank's BSA Department. The BSA Officer and Department staff shall be evaluated to determine ability, experience, training, and other necessary qualifications to perform present and anticipated duties, including adherence to the Bank's BSA Compliance Plan, requirements of BSA regulations, and provisions of this ORDER.

INTERNAL CONTROLS / SUSPICIOUS ACTIVITY MONITORING

3. The system of internal controls shall provide policies, procedures, processes, and systems for identifying, evaluating, monitoring, investigating, and reporting suspicious activity in the

Bank's products, accounts, customers, services, and geographic areas, including but not limited to:

- a) Establishment of meaningful rules and thresholds for identifying accounts and customers for further monitoring, review, and analyses and the validation of rules and thresholds;
- b) Periodic testing and monitoring of such rules and thresholds for their appropriateness to the Bank's products, customers, accounts, services, and geographic areas;
- c) 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 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;
- d) Procedures, processes, and 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:
 - e) Documentation of management's decisions to not to file a SAR;
 - f) Systems to ensure the timely, accurate, and complete filing of reports required by law. The written procedures must particularly ensure the accuracy of SARs and CTRs. The written procedures will ensure report accuracy, and require a secondary review process to ensure errors are identified and corrected prior to report submission.

CUSTOMER DUE DILIGENCE

4. Within 90 days from the effective date of this ORDER, the Bank shall develop, adopt, and implement a written Customer Due Diligence (“CDD”) Program as part of the system for internal controls. At minimum, the CDD Program shall also specifically provide for:

a) A risk focused assessment of the Bank’s customer base to determine the appropriate level of ongoing monitoring required to assure that the Bank can reasonably detect suspicious activity and determine which customers require Enhanced Due Diligence (“EDD”) necessary for those categories of customers the Bank has reason to believe pose a heightened risk of suspicious activity including, but not limited to, High-risk Accounts. Such activity includes marijuana-related businesses, nonbank financial institutions, non-governmental organizations, and privately-owned ATMs;

b) Risk rating of the Bank’s customers, specifically including High-risk Accounts based on the potential risk for money laundering, terrorist financing, or other illicit activity posed by the customer’s activities, with consideration given to the purpose of the account, the anticipated type and volume of account activity, types of products and services offered, and locations and markets served by the customer;

c) Obtaining, analyzing, and maintaining sufficient customer information necessary to allow effective suspicious activity monitoring, including documentation of normal and expected transactions of the customer;

d) Guidance for documenting the analysis conducted under the CDD process, including guidance for resolving issues when insufficient or inaccurate information is obtained;

e) Monitoring procedures required for each customer category under the BSA/AML risk ratings;

- f) Guidelines to reasonably assure the identification and timely, accurate reporting of known or suspected criminal activity, as required by the suspicious activity reporting provisions of Part 353 of the FDIC Rules and Regulations (“FDIC Rules”), 12 C.F.R. § 353; and
- g) Periodic, risk-based monitoring of customer relationships to determine whether the original risk profile remains accurate, including formally documenting review of High -risk Accounts.

INDEPENDENT TESTING

5. 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. Such testing shall be done on an annual basis and must be of a sufficient scope commensurate with the elevated risk profile of the institution. 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 review of the risk assessment. This review must ensure the risk assessment includes all quantifiable customer activity, such as that pertaining to higher-risk customers, and reassess implications of the automated monitoring system within the risk assessment;

- b) 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; and
2. Testing to ensure Bank personnel is reviewing all applicable reports, including monitoring reports for suspicious activities.

- c) Test the Bank's Customer Identification Program ("CIP") procedures, including customer due diligence measures;
- d) Review the effectiveness of suspicious activity monitoring systems and assess the integrity and accuracy of management information systems used in BSA compliance;
- e) Test the adequacy of the Bank's training program, specifically training efforts on utilization of the automated suspicious activity monitoring system; and
- f) 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.

DIVIDEND RESTRICTION

6. Following the date of this Memorandum, the Bank shall not pay any cash dividends without the prior written consent of the Director and Regional Director. Written requests for such approval shall be submitted at least 45 days prior to the anticipated dividend declaration date.

MANAGEMENT

7. The Board shall ensure that the Bank retains qualified management. Each member of management shall possess qualifications and experience commensurate with his or her duties and responsibilities. The Board shall evaluate the qualifications of management personnel according to their ability to do the following:

- a) Comply with the provisions of this ORDER;
- b) Operate the Bank in a safe and sound manner;
- c) Comply with applicable laws and regulations; and
- d) Restore all aspects of the Bank to a satisfactory condition.

STRATEGIC PLANNING

8. The Board and management will operate within the parameters of the current Strategic Plan. The institution shall obtain prior approval from the Regional Director and Director prior to any significant material change in strategic direction, including introduction of any new, significant, products or services.

REDUCTION OF CLASSIFIED ASSETS

9. Within 60 days of the date of this Order, the Board shall develop a written plan to reduce the volume of all adversely classified assets. The plan shall establish a schedule establishing target levels of classified assets, including as a percentage of Tier 1 Capital + Allowance for Loan and Lease Losses (“ALLL”), at the end of each calendar quarter. Quarterly, the Board will review and compare actual and targeted levels of classified assets, discuss the reasons for any material deviations from the plan, and document the review in the minutes. The Board shall also update the plan as needed to reflect any significant assets subsequently classified internally or by regulatory authorities.

LOAN REVIEW PROGRAM

10. Within 60 days of the date of this ORDER, the Board shall implement a loan review program to periodically review the Bank's loan portfolio and identify and categorize problem credits. The loan review program should be governed by a written loan review policy that shall

be submitted to the Director and the Regional Director for approval. The loan review policy shall address the following components of the loan review program:

- a) The responsibility for conducting the loan reviews (internal or external);
- b) The frequency and scope of loan reviews;
- c) The identification of each problem loan by type and amount;
- d) The identification of loans not in conformance with the Bank's lending policy, loan covenants, or applicable laws and regulations;
- e) The method of reporting findings, including an assessment of the overall quality of the loan portfolio, to the Board; and
- f) The documentation requirements for work papers to support assigned credit grades.

ALLOWANCE FOR LOAN AND LEASE LOSSES

11. Effective immediately, the Board shall establish an adequate ALLL, and such ALLL shall be established by charges to current operating earnings. In complying with this requirement of the ORDER, the Board shall review the adequacy of the ALLL prior to the end of each calendar quarter and make any necessary provisions to the ALLL. The methodology used shall be in conformance with outstanding accounting and regulatory guidance. The results of the ALLL adequacy review shall be recorded in the minutes of the Board meeting at which the review was undertaken.

VIOLATIONS

12. Within 30 days of the date of this ORDER, the Board shall, consistent with sound banking practices, ensure that all apparent violations cited in the Report are corrected. The Board shall also adopt procedures to prevent recurrence of apparent violations.

PROGRESS REPORTS

13. The Board shall provide written reports to the Director and Regional Director outlining its progress toward complying with each provision of this ORDER. The Board will provide these reports within 45 days after each calendar quarter end. This requirement for progress reports shall continue during the life of this ORDER unless modified or terminated in writing by the Director and Regional Director.

In addition to the above provisions, the Report of Examination includes other recommendations. Although not specifically addressed in the ORDER, the Board is expected to ensure that those additional recommendations are satisfactorily addressed.

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 16th day of December, 2018.

/s/
Serena L. Owens
Deputy Regional Director
Federal Deposit Insurance Corporation

/s/
Christopher Moya
Acting Director
Financial Institutions Division
State of New Mexico