

FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, D.C.

AND

STATE OF ILLINOIS

DEPARTMENT OF FINANCIAL AND PROFESSIONAL REGULATION

DIVISION OF BANKING

SPRINGFIELD, ILLINOIS

_____	)	
In the Matter of	)	
	)	CONSENT ORDER
FIRST SAVANNA SAVINGS BANK	)	
SAVANNA, ILLINOIS	)	
	)	FDIC-18-0194b
	)	2019-DB-02
(Insured State Nonmember Savings Bank)	)	
_____	)	

First Savanna Savings Bank, Savanna, Illinois (“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 law or regulation alleged to have been committed by the Bank, including those related to the Bank Secrecy Act, 31 U.S.C. §§ 5311-5330, and regulations implementing the Bank Secrecy Act, including 12 C.F.R. Part 326, Subpart B, and 31 C.F.R. Chapter X (hereinafter collectively, the “Bank Secrecy Act” or “BSA”), and of its right to a hearing on the charges under 12 U.S.C. § 1818(b), and under Sections 9018, 9018.1, 9018.2, 9018.3 and 9018.4 of the Illinois Savings Bank Act (“ISBA”), 2015 ILCS 205/9018, 9018.1, 9018.2, 9018.3 and 9018.4 and 38 Ill. Adm. Code Part 1075, Subpart I, and having waived those rights, entered into a STIPULATION AND CONSENT TO THE ISSUANCE OF A CONSENT

ORDER (“STIPULATION”) with representatives of the Federal Deposit Insurance Corporation (“FDIC”) and the Illinois Department of Financial and Professional Regulation, Division of Banking (“Division”), dated March 5, 2019, whereby, solely for the purpose of this proceeding and without admitting or denying the charges of unsafe or unsound banking practices and violations of law or regulation relating to weaknesses in capital, asset quality, management, earnings, liquidity, and sensitivity to market risk, the Bank consented to the issuance of a CONSENT ORDER (“ORDER”) by the FDIC and the Division.

The FDIC and the Division considered the matter and decided to accept the STIPULATION.

Having also determined that the requirements for issuance of an order under 12 U.S.C. § 1818(b) and the ISBA, 205 ILCS 205/1001 *et seq.*, have been satisfied, the FDIC and the Division HEREBY ORDER that the Bank, its institution-affiliated parties, as that term is defined in 12 U.S.C. § 1813(u) and in Sections 1007.05 and 11005 of the ISBA, 205 ILCS 205/1007.05 and 11005, and its successors and assigns, take affirmative action as follows:

**PROFIT PLAN AND BUDGET**

1. (a) Within ninety (90) days from the effective date of this ORDER, the Bank shall develop, adopt, implement, and adhere to a written profit plan and a realistic, comprehensive budget for all categories of income and expense for calendar years 2019 and 2020. The plans required by this paragraph shall contain formal goals and strategies, consistent with sound banking practices, to reduce discretionary expenses and to improve the Bank’s overall earnings, and shall contain a description of the operating assumptions that form the basis for major projected income and expense components.

(b) The written profit plan shall address, at a minimum:

- i. Realistic and comprehensive budgets;
- ii. A budget review process to monitor the income and expenses of the Bank to compare actual figures with budgetary projections;
- iii. Identification of major areas in, and means by which, earnings will be improved; and
- iv. A description of the operating assumptions that form the basis for and adequately support major projected income and expense components.

(c) During each monthly meeting of the Bank's board of directors ("Board") following completion of the profit plans and budgets required by this paragraph, the Board shall evaluate the Bank's actual performance in relation to the plan and budget, record the results of the evaluation, and note any actions taken by the Bank in the minutes of the Board meeting at which such evaluation is undertaken.

(d) A written profit plan and budget shall be prepared and submitted for each calendar year for which this ORDER is in effect.

(e) Copies of the plans and budgets required by this paragraph shall be acceptable to the Regional Director and the Division.

### **STRATEGIC PLAN**

2. (a) Within ninety (90) days from the effective date of this ORDER, the Bank shall develop, adopt, implement, and adhere to a realistic, comprehensive strategic plan. The plan required by this paragraph shall contain an assessment of the Bank's current financial condition and market area, and a description of the operating assumptions that form the basis for major projected income and expense components. It

should also include an analysis of the strengths, weaknesses, opportunities, and threats to the Bank.

- (b) The written strategic plan shall address, at a minimum:
  - i. The overall business strategy;
  - ii. Strategies for pricing policies and asset/liability management;
  - iii. Forecasts for maintaining a sound funds management position;
  - iv. Financial goals, including pro forma statements for asset growth, capital adequacy, and earnings; and
  - v. Information technology initiatives.

(c) The Bank shall approve the plan, which approval shall be recorded in the minutes of a Board meeting.

(d) Within thirty (30) days from the end of each calendar quarter following the effective date of this ORDER, the Board shall evaluate the Bank's actual performance in relation to the strategic plan required by this paragraph and record the results of the evaluation, and any actions taken by the Bank, in the minutes of the Board meeting at which such evaluation is undertaken.

(e) The strategic plan required by this ORDER shall be revised thirty (30) days prior to the end of each calendar year for which this ORDER is in effect.

(f) The strategic plan and any revisions thereto shall be acceptable to the Regional Director and the Division.

#### **NEW LINES OF BUSINESS**

3. (a) While this ORDER remains in effect, the Bank shall not enter into any new lines of business, or offer services to any new high-risk customers, without

conducting appropriate due diligence. The Board shall assure that appropriate documentation is maintained evidencing that the due diligence, at a minimum, addressed the following:

- i. A cost-benefit analysis of the proposed activity;
- ii. An explanation of how the proposed activity is consistent with the Board-approved strategic plan;
- iii. Assurance that adequate policies and procedures have been established;
- iv. Assurance that appropriate staff are adequately trained; and
- v. Assurance that adequate controls are in place to mitigate the risks associated with the proposed activity.

#### **MANAGEMENT**

4. (a) While this ORDER remains in effect, the Bank shall have and thereafter retain management qualified to oversee all aspects of the Bank's BSA Compliance Program and to assure full compliance with applicable laws and regulations related thereto.

(b) Within thirty (30) days from the effective date of this ORDER, the Board shall designate either the Bank's current BSA Officer or another senior Bank official to be responsible for overall BSA compliance. This designated senior official shall be in a position and have full authority to make and enforce policies with respect to BSA compliance and to assure that full and complete corrective action is taken regarding previously identified violations and deficiencies. This senior Bank official shall have the necessary knowledge, training, and expertise to effectively oversee the Bank's BSA compliance program commensurate with the level of risk in the Bank's products, services, and customer base.

(c) The Board shall ensure that the designated senior Bank official, as well as other personnel with BSA-related responsibilities, be provided the written authority and necessary training, time, and resources to fully implement and comply with all BSA-related regulations and the requirements of this ORDER.

**WRITTEN BSA COMPLIANCE PROGRAM**

5. (a) Within ninety (90) days from the effective date of this ORDER, the Board shall develop, adopt, and implement a revised written BSA compliance program (“Revised BSA Program”), which fully meets all applicable requirements of 12 C.F.R. § 326.8 and 21 C.F.R. Chapter X and is designed to, among other things, assure and maintain full compliance with BSA and the rules and regulations issued pursuant thereto by the Bank. At a minimum, the Revised BSA Program shall:

- i. Require the Bank to develop, adopt, and implement a revised, effective written policy designed to assure full compliance with all provisions of the BSA and FinCen Regulations, including, but not limited to, Currency Transaction Reporting, Customer Identification Program, Beneficial Ownership, and Information Sharing Requirements;
- ii. Require the Bank to develop a system of internal controls to assure full compliance with the BSA and the rules and regulations issued pursuant thereto, including policies and procedures to detect and monitor all transactions including, but not limited to, those conducted by wire transfer, Remote Deposit Capture (“RDC”), and bulk currency shipment

services, to assure the identification and proper reporting of all known or suspicious criminal activity, money laundering, activity, or violations of the BSA;

- iii. Provide for written detailed guidelines regarding the administration of Money Service Businesses (“MSB”) account activity and bulk cash shipment services, including the solicitation, opening, and ongoing monitoring of all such accounts for suspicious activity and the filing of all required reports resulting there from;
- iv. Establish due diligence practices and written guidelines for all customers that are commensurate with the level of BSA and money laundering risk posed by each customer; and
- v. Provide for accurate and comprehensive risk assessments for BSA and Office of Foreign Assets Control (“OFAC”) compliance procedures which fully take into account the nature of the Bank's operations including, but not limited to, MSB and bulk cash shipment activities and the geographic risk of the Bank.

(b) Within ninety (90) days from the effective date of this ORDER, the Board shall provide the Regional Director of the FDIC’s Chicago Regional Office (“Regional Director”) and the Division with a copy of the Revised BSA Program for review. Thereafter, the Revised BSA Program and its implementation shall be conducted in a manner acceptable to the Division and the Regional Director, as determined during subsequent examinations and/or visitations of the Bank.

## DUE DILIGENCE PROGRAM

6. (a) Within ninety (90) days from the effective date of this ORDER, the Bank shall adopt and implement a written Customer Due Diligence (“CDD”) Program. The CDD Program and its implementation shall be prepared and implemented in a manner acceptable to the FDIC and to the Division as determined at subsequent examinations and/or visitations of the Bank.

(b) At a minimum, the CDD Program shall provide a risk-focused assessment of the customer base of the Bank to determine the appropriate level of ongoing monitoring required to assure that the Bank can reasonably detect suspicious activity, and determine which customers require additional due diligence necessary for those categories of higher risk customers including, but not limited to, high-risk MSB and privately-owned automated teller machine (“ATM”) customers.

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

- i. Risk rating of the Bank’s customers, specifically including MSBs and privately-owned ATM customers, based on the potential for money laundering risk or other unlawful activity (e.g., terrorist financing) 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 utilized, and locations and markets served by the customer;
- ii. Obtaining, analyzing, and maintaining sufficient customer information necessary to allow effective suspicious activity



- monitoring, including, but not limited to, documentation of normal and expected transactions of the customer;
- iii. Guidance for documenting the analysis conducted under the CDD Program, including guidance for resolving issues when insufficient or inaccurate information is obtained;
  - iv. Monitoring procedures required for each customer category under the BSA risk ratings;
  - v. Guidelines to reasonably ensure 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, 12 C.F.R. § 353; and
  - vi. Periodic, risk-based monitoring of customer relationships to determine whether the original risk profile remains accurate.

#### **ACCOUNT TRANSACTION MONITORING**

7. (a) Within sixty (60) days from the effective date of this ORDER, the Bank shall establish an effective system for identifying, monitoring, and determining the appropriateness of accounts with frequent or large cash, check, or wire transfer deposits and withdrawals. Documentation supporting the review of accounts and determinations made shall be retained in the Bank's records.

(b) Within sixty (60) days from the effective date of this ORDER, the Bank shall develop and implement internal control procedures requiring the regular periodic comparison of actual activity in each account identified under paragraph (a) above against expected or anticipated activity. Such internal control procedures shall include procedures for

identifying and documenting significant variances between anticipated and actual activity along with procedures for reporting variances to the Board and the filing of Suspicious Activity Reports (“SAR”) when necessary.

### **BSA TRAINING PROGRAM**

8. Within sixty (60) days from the effective date of this ORDER, the Board shall ensure that the Bank provides for and documents an improved, comprehensive BSA training program for all appropriate personnel, and fully documents the completion of BSA training for all such personnel. Required training shall be conducted by qualified staff and/or independent contractors and shall include training in all aspects of regulatory and internal policies and procedures related to the BSA, and shall provide specific enhanced training with regard to due diligence and the monitoring of high-risk customers.

### **INDEPENDENT REVIEW**

9. (a) Within one hundred and fifty days (150) days from the effective date of this ORDER, the Bank shall ensure that an effective and comprehensive independent test of compliance with the BSA and 31 C.F.R. Chapter X is completed. The independent testing should thereafter be conducted on an annual basis.

(b) The Bank shall provide the FDIC and the Division with a copy of the written reports documenting the scope of testing procedures performed, the findings and results made, and any recommendations for improvement based on these findings. At a minimum, the independent testing shall include, and the contract or engagement letter entered into with any third party performing the testing shall provide the following:

- i. Testing of the Bank's internal procedures for monitoring BSA compliance;

- ii. Testing to ensure the Bank has implemented an effective risk-based CDD program;
- iii. Testing to ensure Bank personnel are reviewing and monitoring reports for unusual activities and, if applicable, that appropriate SARs are filed in a timely manner with the appropriate law enforcement agencies; and
- iv. Allowing unrestricted examiner access to consultant and/or auditor work papers for testing conducted by outside third parties.

#### **LOOK BACK REVIEW**

10. (a) Within sixty (60) days from the effective date of this ORDER, the Bank shall develop a written plan detailing how it will conduct, through an independent and qualified third party consultant ("Reviewer"), a review of deposit account and transaction activity for MSB accounts for the time period beginning June 30, 2017 through the effective date of this ORDER, to ensure that all suspicious activity involving any accounts of, or transactions through, the Bank were properly identified and reported in accordance with all applicable BSA reporting requirements ("Look Back Review").

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

- i. The scope of the review to be conducted, which shall specify the types of accounts and transactions to be reviewed;

- ii. The methodology for conducting the Look Back Review, including any sampling procedures to be followed;
- iii. The resources and expertise to be dedicated to the Look Back Review;
- iv. The anticipated date of completion of the Look Back Review;
- v. A provision for unrestricted examiner access to Reviewer work papers; and
- vi. A provision that the Reviewer will present its findings from the Look Back Review directly to both the Bank's Audit Committee and the Board.

(c) The plan for the Look Back Review, and any subsequent modifications thereof, shall be prepared and implemented in a manner acceptable to the FDIC and to the Division. For this purpose, the draft plan shall be submitted to the FDIC and to the Division for review and comment prior to implementation. After consideration of all such comments, and adoption of any recommended changes, the Board shall approve the plan, which approval shall be recorded in the minutes of the Board meeting at which approved.

(d) Within thirty (30) days of receipt of written notice from the FDIC and the Division indicating acceptance of the plan, the Bank shall implement the plan and commence the Look Back Review.

(e) Within thirty (30) days of implementing the plan and commencing the Look Back Review and thereafter by the tenth (10th) day of each month while the Look Back Review is being conducted, the Bank shall provide to the FDIC and to the Division a written

report detailing the actions taken under the Look Back Review and the results obtained since commencing the Look Back Review or since the prior monthly report, whichever is applicable.

(f) Within thirty (30) days of completion of the Look Back Review, the Bank shall provide a copy of the Look Back Review report to the FDIC and to the Division, including a list, specifying all outstanding matters or transactions identified by the Look Back Review that have yet to be appropriately addressed, and detailing how and when these matters will be resolved in accordance with applicable law and regulation.

(g) Within sixty (60) days of the Bank's receipt of the Look Back Review, the Bank shall ensure that all matters or transactions identified as requiring further resolution are in fact resolved in accordance with applicable laws and regulations.

### **INFORMATION TECHNOLOGY**

11. Within one hundred eighty (180) days from the effective date of this ORDER, the Bank shall correct and/or eliminate all Information Technology deficiencies cited in the Report of Examination dated August 20, 2018 ("Report of Examination"), consistent with the recommendations made therein.

### **CORRECTION OF VIOLATIONS**

12. Within ninety (90) days from the effective date of this ORDER, the Bank shall eliminate and/or correct all violations of law, rule, and regulations listed in the Bank's Report of Examination, and implement procedures to ensure future compliance with all applicable laws, rules, and regulations.

### **PROGRESS REPORTS**

13. Within thirty (30) days from the end of each calendar quarter following the effective date of this ORDER, the Bank shall furnish to the Regional Director and the Division

written progress reports signed by each member of the Board, detailing the actions taken to secure compliance with the ORDER and the results thereof.

**CLOSING PARAGRAPHS**

The effective date of this ORDER shall be the date of its issuance by the FDIC and the Division.

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 Division.

Pursuant to delegated authority.

Dated: MARCH 8, 2019.

/s/  
Christopher J. Newbury  
Deputy Regional Director  
Chicago Regional Office  
Federal Deposit Insurance Corporation

/s/  
Kerri A. Doll  
Director, Division of Banking  
Illinois Department of Financial  
and Professional Regulation