

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
SECURITY BANK, S.B.	)	
SPRINGFIELD, ILLINOIS	)	FDIC-20-0043b
	)	2020-DB-03
(Insured State Nonmember Savings Bank)	)	
	)	

Security Bank, Springfield, 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”), 205 ILCS 205/9018, 9018.1, 9018.2, 9018.3 and 9018.4, and 38 Ill. Adm. Code Part 1075, Subpart I regarding hearings before the Illinois Department of Financial and Professional Regulation, Division of Banking (“Division”), 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 Division, dated June 3, 2020, 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 the Bank Secrecy Act, 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 determined that they had reason to believe the Bank had engaged in unsafe or unsound practices related to the Bank Secrecy Act and therefore accepted the STIPULATION.

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

WRITTEN BSA COMPLIANCE PROGRAM

1. Within sixty (60) 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 which is designed to, among other things, assure and maintain full compliance with the BSA and the rules and regulations issued pursuant thereto by the Bank. The Board shall provide the Regional Director and the Division with a copy of the revised written BSA compliance program for review. Thereafter, the revised program and its implementation shall be prepared and conducted in a manner acceptable to the Division and the Regional Director, as determined at subsequent examinations and/or visitations of the Bank. At a minimum, the revised program shall:

(a) Require the Bank to develop, adopt, and implement a revised, effective written policy designed to ensure full compliance with all provisions of the BSA and FinCEN Regulations;

(b) Require the Bank to develop a revised 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 to assure the identification and proper reporting of all known or suspicious criminal activity, money laundering activity, or violations of the BSA;

(c) Designate a senior bank official to be responsible for overall BSA compliance. This designated senior official shall be in a position, and have the 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 and expertise to effectively oversee the Bank's program commensurate with the level of risk in the Bank's operations. The designated senior official shall have direct access to the Board for reporting on BSA compliance;

(d) Provide for revised, written and detailed guidelines regarding the administration of new business account activity, including the solicitation, opening, initial risk assessment, and ongoing monitoring of all such accounts for suspicious activity and the filing of all required reports resulting therefrom;

(e) Establish revised 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;

(f) Establish revised due diligence practices and written guidelines for monitoring high risk business accounts that fully address all deficiencies and recommendations noted in the December 30, 2019 FDIC Report of Examination; and

(g) Provide for accurate and comprehensive risk assessment for BSA/AML 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 types of customers, products, services, and geographical location.

CUSTOMER DUE DILIGENCE PROGRAM

2. Within ninety (90) days from the effective date of this ORDER, the Bank shall develop, adopt, and implement a revised, written Customer Due Diligence (CDD) program. The revised CDD program and its implementation shall be prepared and conducted in a manner acceptable to the Regional Director and Division as determined at subsequent examinations and/or visitations of the Bank. The revised CDD program shall, at a minimum, provide for:

(a) A risk-focused assessment of the Bank's customer base and records shall be conducted to determine the appropriate level of ongoing monitoring required. The CDD procedures shall ensure that personnel can reasonably detect suspicious activity and determine which customers require additional due diligence necessary for those bank-identified high-risk customers;

(b) Assigning a risk rating of the Bank's customers based on the potential risk 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 customers;

(c) Obtaining, analyzing, documenting, and maintaining sufficient effective suspicious activity monitoring, including documentation of normal and expected transactions of the customers;

(d) 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 category under the BSA risk ratings and periodic, risk-based monitoring of customer relationships to determine whether the original risk profile remains the accurate; and

(f) Providing guidelines to reasonably assure the identification and timely, accurate reporting of known or suspected criminal activity, as required by the suspicious activity reporting provision of 12 C.F.R. § 353.

ACCOUNT TRANSACTION MONITORING

3. (a) Within one hundred twenty (120) days from the effective date of this ORDER, the Bank shall establish an effective system for identifying, verifying, monitoring, and determining the appropriateness of accounts with frequent cash, check, ACH, 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 one hundred twenty (120) 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 filing a SAR when necessary.

(c) Within one hundred eighty (180) days from the effective date of this ORDER, the Bank shall conduct a review of deposit account and transaction activity for the time period beginning May 1, 2019, through the effective date of this ORDER, for all internally rated high risk accounts to determine whether suspicious activity involving any such accounts were properly identified and reported in accordance with the applicable suspicious activity reporting requirements.

QUALIFIED BSA MANAGEMENT

4. (a) During the life of this ORDER and thereafter, the Bank shall have and retain management qualified to oversee all aspects of the Bank's BSA Compliance Program and to ensure compliance with all applicable laws and regulations related thereto. Each member of management with responsibilities relating to Section 326.8 of the FDIC Rules and Regulations, 12 C.F.R. § 326.8, or the Treasury Department's Financial Recordkeeping Regulations, 31 C.F.R. Chapter X, shall have the qualifications commensurate with his or her duties and responsibilities under those regulations.

(b) Within forty-five (45) days from the effective date of this ORDER, the Bank shall analyze and assess the Bank's staffing needs in order to provide for an adequate number of qualified staff for the Bank's BSA department, including provision for succession of BSA responsibilities. The BSA department staff shall be evaluated to determine whether these individuals possess the ability, experience, training, and other necessary qualifications required to perform present and anticipated duties, including adherence to the Bank's BSA Compliance Program, the requirements of the BSA regulations, and the provisions of this ORDER.

(c) The Board shall ensure that the Bank's BSA officer and all personnel with BSA responsibilities be provided the written authority and the necessary training, time, and resources to fully implement and comply with all requirements of this ORDER.

BSA TRAINING PROGRAM

5. (a) Within forty-five (45) days from the effective date of this ORDER, the Board shall identify staff positions and personnel whose duties, assignments, and responsibilities call for knowledge of the compliance requirements for the BSA Rules. Such personnel shall include, but not necessarily be limited to, directors, executive officers, department heads, supervisors, loan officers, loan operations staff, private and personal banking officers, tellers, customer service representatives, bookkeepers, couriers, information technology staff, wire transfer staff, and all other customer contact personnel.

(b) Within ninety (90) days from the effective date of the ORDER, the bank shall develop a revised, comprehensive training program that shall have a general component for all directors and staff and specific components that are tailored to the needs of specific positions. 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 regards to due diligence and monitoring of high-risk customers. Additionally, the training program should provide for the BSA Officer and staff to obtain periodic specialized training as appropriate to obtain adequate BSA knowledge and keep up-to-date on emerging risks. The revised training program shall require documentation of attendance at training with full explanations of absences with notation of when absentees will be trained.

(c) The revised, comprehensive training program shall be approved by the Board and forwarded to the Regional Director of the FDIC's Chicago Regional Office and the Division along with the next progress report required by paragraph 10 of this ORDER due following the Board's approval.

CORRECTION OF VIOLATIONS

6. Within one hundred twenty (120) days from the effective date of this ORDER, the Bank shall take all steps necessary to eliminate or correct all violations of law and regulations as detailed in the September 30, 2019 Report of Examination (“ROE”) issued by the FDIC and the Division. In addition, the Bank shall adopt procedures to ensure future compliance with all applicable laws, rules, and regulations.

OTHER BSA WEAKNESSES

7. Within ninety (90) days from the effective date of this ORDER, the Bank shall correct all BSA weaknesses identified in the ROE.

NEW LINES OF BUSINESS

8. While this ORDER remains in effect, the Bank shall not enter into any new lines of business 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:

- (a) A cost-benefit analysis of the proposed activity;
- (b) Capital planning, consideration of increase in volume of cash and Automated Clearing House transactions and ensuring off-balance sheet risk exposures and potential contingent liabilities are appropriately reflected in capital levels;
- (c) Assurance that adequate policies and procedures have been established;
- (d) Assurance that appropriate staff are adequately trained; and
- (e) Assurance that adequate controls are in place to mitigate risks associated with the proposed activity.

PROGRESS REPORTS

9. Within forty-five (45) 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 Bank's board of directors, 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: June 5, 2020.

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



Chasse Rehwinkel
Acting Director, Division of Banking
Illinois Department of Financial
and Professional Regulation