

FEDERAL DEPOSIT INSURANCE CORPORATION
WASHINGTON, D.C.

AND
STATE OF MISSISSIPPI
DEPARTMENT OF BANKING AND CONSUMER FINANCE

In the Matter of

THE BANK OF HOLLY SPRINGS
HOLLY SPRINGS, MISSISSIPPI

(INSURED STATE NONMEMBER BANK)

CONSENT ORDER

FDIC-22-0084b

The Federal Deposit Insurance Corporation (“FDIC”) is the appropriate Federal banking agency for THE BANK OF HOLLY SPRINGS, HOLLY SPRINGS, MISSISSIPPI, (“Bank”), under section 3(q) of the Federal Deposit Insurance Act (“Act”), 12 U.S.C. § 1813(q).

The Mississippi Department of Banking and Consumer Finance (“MDBCFC”) is the appropriate state banking agency for the Bank under Title 81, Chapter 1 of the Mississippi Code, Miss. Code. Ann. § 81-1-59.

The Bank, by and through its duly elected and acting Board of Directors (“Board”), has executed a “STIPULATION AND CONSENT TO THE ISSUANCE OF A CONSENT ORDER” (“CONSENT AGREEMENT”), dated August 15, 2022, that is accepted by the FDIC and the MDBCFC. With the CONSENT AGREEMENT, the Bank has consented, without admitting or denying any charges of unsafe or unsound banking practices or violations of law 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 FDIC and the MDBCFC.

Having determined that the requirements for issuance of an order under section 8(b) of the Act, 12 U.S.C. § 1818(b) and Title 81, Chapter 1 of the Mississippi Code, MISS. CODE ANN. § 81-1-125 have been satisfied, the FDIC and the MDBCFC hereby orders that:

CONSENT ORDER COMPLIANCE COMMITTEE

1. Within five (5) days after the effective date of this ORDER, the Bank's Board shall establish a subcommittee of the Bank's Board charged with the responsibility of ensuring that the Bank complies with the provisions of this ORDER ("Consent Order Compliance Committee"). The Consent Order Compliance Committee shall report monthly to the entire Bank's Board, and a copy of the report and any discussion related to the report, or the ORDER shall be included in the minutes of the Bank's Board meeting. Nothing contained herein shall diminish the responsibility of the entire Bank's Board to ensure compliance with the provisions of this ORDER.

BSA STAFFING

2. Within sixty (60) days from the effective date of this ORDER, the Bank shall obtain an independent assessment of the Bank's staffing needs to provide for an adequate number of qualified staff for the Bank's BSA Department. 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. The adequacy of BSA staffing shall be evaluated by the DBCF and FDIC.

BSA OFFICER

3. (a) During the life of this ORDER, the Bank shall provide for the designation of 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").

(b) The BSA Officer shall:

- (1) Be fully knowledgeable of the BSA and all related regulations and should also understand the bank's products, services, customers, entities, and geographic locations, and the potential money laundering and terrorist financing risks associated with those activities;
- (2) Have appropriate time, staffing, and resources to adequately carry out the day-to-day responsibilities to ensure an effective and compliant BSA program.
- (3) Have sufficient executive authority to monitor and ensure compliance with the BSA and its implementing rules and regulations;
- (4) Be responsible for determining the adequacy of BSA/Anti-Money Laundering ("AML") staffing and for supervising such staff in complying with the BSA and its implementing rules and regulations;
- (5) Report to the Bank's Board of Directors on a regular basis, not less than quarterly, with respect to any BSA/AML matters;

- (6) Be responsible for ensuring the proper and accurate filing of Currency Transaction Reports ("CTRs"), Suspicious Activity Reports ("SARs"), and Designation of Exempt Persons ("DOEPs") relating to the BSA,
- (7) Be responsible for ensuring all issued requests from the Financial Crimes Enforcement Network (FinCEN) are searched and potential positive name matches are investigated and reported as necessary,
- (8) Ensure that all beneficial ownership forms for business accounts past, present, and future are obtained at account opening,
- (9) Conduct annual reviews to determine continued eligibility of exempt status in accordance with written guidance, and
- (10) The BSA Officer shall provide monthly comprehensive written reports to the Bank's Consent Order Compliance Committee regarding the Bank's adherence to the Compliance Plan and this ORDER.

(c) During the life of the Order, the Bank shall notify the Commissioner and the Regional Director in writing prior to appointing any new BSA Officer, or materially changing the responsibilities of the BSA Officer. Such proposed appointment, employment or change in responsibilities shall not become effective unless and until a written notice of non-objection has been received from the Commissioner and the Regional Director. The Bank shall also notify the Commissioner and the Regional Director in writing of any individual and/or management level committee to which the Bank-approved

BSA Officer reports, and shall ensure this individual and/or committee has the requisite BSA experience to help administer an effective BSA/AML Compliance Program.

DUE DILIGENCE PROGRAM

4. (a) Within ninety (90) days from the effective date of this ORDER, the Bank shall develop, adopt, and implement a written Customer Due Diligence ("CDD") Program.

(b) At a minimum, the CDD Program shall provide for 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 additional due diligence 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.

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

- (1) Appropriate risk-based procedures for conducting ongoing CDD that enables the institution to understand the nature and purpose of customer relationships for the purpose of developing a customer risk profile; and conducting ongoing monitoring to identify and report suspicious transactions and, on a risk basis, to maintain and update customer information. ;
- (2) Obtaining, analyzing, and maintaining sufficient customer information necessary to allow effective suspicious activity monitoring, including documentation of normal and expected transactions of the customer;

- (3) Guidance for documenting the analysis conducted under the CDD process, including guidance for resolving issues when insufficient or inaccurate information is obtained;
 - (4) Monitoring procedures required for each customer category under the BSA/ AML risk ratings;
 - (5) 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
 - (6) Periodic, risk-based monitoring of customer relationships to determine whether the original risk profile remains accurate;
 - (7) Time limits for Bank personnel to respond to account activity and monitoring exceptions;
 - (8) Time limits for determining if exceptions require a SAR; and
 - (9) Identification of customers requiring site visitations and the frequency of visitations.
- (d) Additional due diligence shall include procedures to:
- (1) determine the appropriate documentation necessary to confirm the identity and business activity of the customer;
 - (2) understand the normal and expected transactions of the customer;
- and

- (3) reasonably assure the identification and timely, accurate, and complete reporting of known or suspected criminal activity against or involving the Bank, as required by the suspicious activity reporting provisions of Part 353 of the FDIC's Rules and Regulations, 12 C.F.R. § 353.

INTERNAL CONTROLS

5. Within sixty (60) days from the effective date of this Order, the Bank shall develop and establish a system of internal controls that provides, at a minimum:

(a) 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 additional due diligence necessary for those categories of customers whose transactions and banking activities are not routine and/or usual ("High-risk Accounts");

(b) Policies and procedures with respect to High-risk Accounts and customers identified through the risk assessment conducted pursuant to paragraph 5(a), including the adoption of adequate methods for conducting additional due diligence on High-risk Accounts and customers at account opening and on an ongoing basis, and for monitoring High-risk Accounts client relationships on a transaction basis, as well as by account and customer;

(c) 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:

- (1) Establishment of procedures to identify accounts and customers for further monitoring, review, and analyses;
- (2) 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;
- (3) Establishment of procedures and/or systems designed to identify and mitigate known risks to the Bank for customers previously unknown to the Bank as having Money Service Businesses (MSB) and/or Independent Automated Teller Machine Owners or Operators activity, and to monitor and evaluate that activity in accordance with expected risk rated guidelines for customers involved in these high-risk activities.
- (4) Establishment of procedures and/or systems designed to identify, investigate, document, and report unusual or suspicious activity,.

(d) Design and implement processes to adequately document the review of potentially suspicious activity that does/does not warrant filing a Suspicious Activity Report (SAR):

(e) Systems to ensure the timely, accurate, and complete filing of required SARs and other similar or related reports required by law, including but not limited to, CTRs and Designation of Exempt Persons (DOEPs).

INDEPENDENT TESTING

6. (a) The Bank shall establish and maintain an independent testing program for compliance with the BSA and its implementing rules and regulations to be conducted by either:

- (1) A qualified, independent party with the requisite ability to perform such tests and analysis; or
- (2) Bank personnel independent of the BSA/AML function.

(b) Such tests shall be done at least annually and the independent test shall, at a minimum:

- (1) Test the Bank's internal procedures for monitoring compliance with the BSA and its implementing rules and regulations and the Board approved BSA Policy, including interviews of employees who handle cash transactions;
- (2) Sample large currency transactions and review 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 implementing rules and regulations, including, but not limited to;
- a. Tests to ensure all reportable transactions have been identified and documented including for monetary instruments, wires, and funds transfers;
 - b. Tests to ensure Bank personnel are reviewing all applicable reports, including monitoring reports for structuring activities;
 - c. Tests to ensure compliance with all OFAC requirements;
 - d. Tests to ensure compliance with CDD requirements and provisions;
 - e. Test to ensure Bank personnel are obtaining and reviewing proper documentation, as well as performing ongoing due diligence and monitoring of activity associated with the Bank's designated High-risk customers; and
 - f. Test to ensure compliance with SAR identification, filing, and documentation requirements. In addition, evaluate all policies, procedures, and monitoring systems associated with identifying suspicious activity, the decision-making processes involving timely filing or not filing SARs, and on-going monitoring of potential and actual suspicious activity.

- (5) Test the Bank's Customer Identification Program Procedures (“CIP”);
- (6) Test the adequacy of the Bank's Training Program to evaluate whether appropriate and on-going BSA training is provided and tailored to individuals based on their respective roles and responsibilities;
- (7) Evaluate the adequacy of the Board approved BSA Policy in terms of compliance with BSA requirements and adherence to internal Policy;
- (8) Evaluate the adequacy of the Bank’s process of identifying, reporting, monitoring, and resolving BSA-related exceptions, recommendations, and apparent violations identified by regulators and/or the institution’s BSA Independent Review; and
- (9) Document the scope of the testing procedures performed and the findings of the tests. The results of each independent test, as well as any apparent exceptions noted during the tests, 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 meeting.

TRAINING

7. Within sixty (60) days from the effective date of this ORDER, the Bank shall develop an effective training program ("Training Program") that provides at a minimum:

(a) Enhanced training for the Assistant BSA Officer on all aspects of BSA laws, regulations, bank policies and procedures relating to the BSA Compliance Program. This training should be ongoing and should include specific training on filing of required reports including SARs, CTRs, and DOEP forms, red flags for suspicious activity, and customer due diligence reviews for high-risk customers; and

(b) Training for management, staff, and the Board on all relevant aspects of laws, regulations, and Bank policies and procedures relating to the Bank Compliance Plan. This training shall be conducted at least annually and 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 reporting requirements reporting requirements associated with SARs and CTRs, as well as all applicable OFAC and CIP provisions.

SUSPICIOUS ACTIVITY MONITORING AND REPORTING

8. Within thirty (30) days from the effective date of this ORDER, the Bank shall develop, adopt, and implement a revised written program for monitoring and reporting suspicious activity, which fully meets all applicable requirements of Section 353 of the FDIC Rules and Regulations, 12 C.F.R. § 353, and which is designed to, among other things, assure and maintain full compliance by the Bank with the rules and regulations issued pursuant thereto for monitoring and reporting suspicious activity.

LOOKBACK REVIEW

9. (a) Within sixty (60) days after effective date of this ORDER, the Bank shall conduct a lookback review all transactions of \$3M or more starting with July 1, 2020, through February 28, 2022, to ensure all suspicious activity is identified, investigated and/or a SAR filed or a documented decision not to file is completed.

(b) Within sixty (60) days after effective date of this ORDER, the Bank shall conduct a lookback review of all new business customers starting with July 1, 2020, through February 28, 2022, to ensure that all beneficial ownership forms were completed in their entirety and are retained as part of the CIP profile for each business.

VIOLATIONS OF LAW AND REGULATIONS

10. (a) Within thirty (30) days after the effective date of this ORDER, the Bank shall eliminate and/or correct all violations of law and regulation noted in the Report of Examination related to BSA.

(b) Within sixty (60) days after the effective date of this ORDER, the Bank shall implement procedures to ensure future compliance with all applicable laws and regulations.

NOTIFICATION TO SHAREHOLDERS

11. Immediately following the effective date of this ORDER, the Bank shall send a copy of this ORDER or otherwise furnish a description of this ORDER to the shareholders of the Bank.

PROGRESS REPORTS

12. Within thirty (30) days after the end of the first calendar quarter following the effective date of this ORDER, and within thirty (30) days after the end of each successive calendar quarter, the Bank shall furnish written progress reports to the Commissioner and Regional Director 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 Commissioner and Regional Director have released the Bank in writing from making additional reports.

This ORDER shall be effective on the date of issuance. The provisions of this ORDER shall be binding upon the Bank, its institution-affiliate 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 or the MDBCf. The provisions of this ORDER shall not bar, stop, or otherwise prevent the FDIC, the MDBCf, 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.

Issued Pursuant to Delegated

Authority. Dated: August 16, 2022

/s/
J. Mark Love
Acting Deputy Regional Director
Division of Risk Management Supervision
Federal Deposit Insurance Corporation

/s/
Rhoshunda G. Kelly
Commissioner
Mississippi Department of Banking and
Consumer Finance