

FEDERAL DEPOSIT INSURANCE CORPORATION
WASHINGTON, D.C.

AND

STATE OF MISSISSIPPI
DEPARTMENT OF BANKING AND CONSUMER FINANCE

In the Matter of)	
)	
BANK OF MORTON)	CONSENT ORDER
MORTON, MISSISSIPPI)	
)	
(INSURED STATE NONMEMBER BANK))	FDIC-20-0025b
)	

The Federal Deposit Insurance Corporation (“FDIC”) is the appropriate Federal banking agency for BANK OF MORTON, MORTON, 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 (“DBCF”) 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 June 18, 2020, that is accepted by the FDIC. 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.*, to the issuance of this Consent Order (“ORDER”) by the FDIC.

Having determined that the requirements for issuance of an order under section 8(b) of the Act, 12 U.S.C. § 1818(b) have been satisfied, the FDIC hereby orders that:

CONSENT ORDER COMPLIANCE COMMITTEE

1. Within 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 60 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. 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 reviewed by the Regional Director of the FDIC's Dallas Regional Office ("Regional Director") and the Commissioner of the DBCF ("Commissioner") based on subsequent examinations and/or visitations of the Bank.

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"). The adequacy of the BSA Officer shall be reviewed by the Regional Director and the Commissioner based on subsequent examinations and/or visitations of the Bank.

(b) The BSA Officer shall:

- (1) Have sufficient executive authority to monitor and ensure compliance with the BSA and its implementing rules and regulations;
- (2) 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;
- (3) Report to the Bank's Audit Committee on a regular basis, not less than quarterly, with respect to any BSA/AML matters;
- (4) Be responsible for ensuring the proper filing of Currency Transaction Reports ("CTRs"), Reports of International Transportation of Currency or Monetary Instruments, and Suspicious Activity Reports ("SARs") relating to the BSA, and
- (5) 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.

COMPLIANCE PLAN

4. Within 90 days from the effective date of this ORDER, the Bank shall develop, adopt, and implement a written compliance plan that includes a customer due diligence program (“Customer Due Diligence Program”), which shall provide for a risk-focused assessment of the Bank’s customer base to determine the minimal appropriate level of due diligence and level of additional due diligence necessary for those categories of customers that the Bank has reason to believe pose a heightened risk of illicit activities at the Bank.

DUE DILIGENCE PROGRAM

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

(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) 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;
- (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 exceptions;
 - (8) Time limits for determining if exceptions require a Suspicious Activity Report ("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

6. Within 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 meaningful thresholds for identifying accounts and customers for further monitoring, review, and analyses;

2. Periodic tests and monitoring of such thresholds for their appropriateness to the Bank's products, customers, accounts, services, and geographic areas;
3. 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;
4. Procedures and/or 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:
 - a. The Bank's procedures and/or systems should be able to identify related accounts, countries of origin, location of the customer's businesses and residences to evaluate patterns of activity; and

5. The periodic reports should cover a broad range of time frames, including individual days, a number of days, and a number of months, as appropriate, and should segregate transactions that pose a greater than normal risk for non-compliance with the BSA;
 - (d) Documentation of management's decisions to file or not to file a SAR;
 - (e) Systems to ensure the timely, accurate, and complete filing of required SARs and any other similar or related reports required by law;
 - (f) Development and maintenance of policies and procedures with respect to wire transfer recordkeeping, including requirements for complete information on beneficiaries and senders, as required by 31 C.F.R. § 103.33; and
 - (g) Procedures to ensure customers and transactions are being compared to current Office of Foreign Assets Control ("OFAC") listings.

INDEPENDENT TESTING

7. (a) Within 150 days from the effective date of this Order, the Bank shall develop and establish an independent testing program for compliance by the Bank with the BSA and its implementing rules and regulations to be conducted by either:
 - (1) A qualified outside party with the requisite ability to perform such tests and analysis, or
 - (2) Bank personnel independent of the BSA function.

(b) Such tests shall be done on an annual basis. The independent tests shall, at a minimum:

- (1) Test the Bank's internal procedures for monitoring compliance with the BSA and its implementing rules and regulations, including interviews of employees who handle cash transactions;
- (2) Sample large currency transactions followed by a review of the 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;
 - b. Tests to ensure Bank personnel are reviewing all applicable reports, including monitoring reports for structuring activities; and
 - c. Tests to ensure compliance with OFAC provisions.
- (5) Test the Bank's Customer Identification Procedures (“CIP”);
- (6) Test the adequacy of the Bank's Training Program; and
- (7) 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

8. Within 120 days from the effective date of this ORDER, the Bank shall develop an effective training program ("Training Program") for management and staff 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 currency and monetary instruments reporting requirements and the reporting requirements associated with SARs, as well as all applicable OFAC provisions.

BSA/AML RISK ASSESSMENT

9. Within 45 days from the effective date of this ORDER, the Bank shall revise its BSA/AML Risk Assessment. At a minimum, the revised BSA/AML Risk Assessment Program shall provide for:

1. Consideration of the specific risk categories (i.e. products, services, customers, entities, transactions, and geographic locations); and
2. A detailed analysis within the specific risk categories that evaluates data pertaining to the Bank's activities (e.g., number of: domestic and international funds transfers, private banking customers, foreign correspondent accounts, payable through accounts; and domestic and

international locations of the Bank's business area and customer transactions) in relation to the CIP and CDD information.

SUSPICIOUS ACTIVITY MONITORING AND REPORTING

10. Within 60 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.

VIOLATIONS OF LAW AND REGULATIONS

11. (a) Within 45 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 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

12. 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

13. Within 30 days after the end of the first calendar quarter following the effective date of this ORDER, 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.

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 DBCF.

The provisions of this ORDER shall not bar, stop, or otherwise prevent the FDIC, the DBCF, 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: 6/30/2020

By:

Serena L Owens
Serena L. Owens
Deputy Regional Director
Division of Risk Management Supervision
Federal Deposit Insurance Corporation

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