


FEDERAL DEPOSIT INSURANCE CORPORATION  
WASHINGTON, D.C.

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IN THE MATTER OF )  
 )  
MOUNTAIN VALLEY BANK, ) CONSENT ORDER  
DUNLAP, TENNESSEE )  
 )  
(INSURED STATE NONMEMBER BANK) ) FDIC-18-0114b 

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The Federal Deposit Insurance Corporation (“FDIC”) is the appropriate Federal banking agency for Mountain Valley Bank, Dunlap, Tennessee (“Bank”), under section 3(q) of the Federal Deposit Insurance Act (“Act”), 12 U.S.C. § 1813(q).

The Bank, by and through its duly elected and acting board of directors (“Board”), has executed a “STIPULATION TO THE ISSUANCE OF A CONSENT ORDER” (“Stipulation”), dated September 27, 2018, that is accepted by the FDIC. With the Stipulation, the Bank has consented, without admitting or denying any charges of unsafe or unsound banking practices or violations of law or regulation relating to the Bank Secrecy Act (“BSA”)/Anti-Money Laundering (“AML”), 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 and section 204(B) of the Code have been satisfied, the FDIC hereby orders that:

**BANK SECRECY ACT COMPLIANCE PLAN**

1. Within ninety (90) days from the effective date of this ORDER, the Bank shall develop, adopt, and implement a written plan (“Compliance Plan”) for the administration of the Bank’s BSA Compliance Program and the Bank’s Customer Identification Program (“CIP”) designed to, among other things, ensure and maintain compliance with the BSA and its implementing rules and regulations. The Bank shall submit the Compliance Plan to the FDIC Regional Director and

the Tennessee Department of Financial Institutions Commissioner (“Commissioner”) for review and comment. Upon receipt of comments from the Regional Director and the Commissioner, if any, the Bank’s Board shall review and approve the Compliance Plan. The review and approval of the Compliance Plan shall be recorded in the minutes of the Board. Thereafter, the Bank shall implement the Compliance Plan.

At a minimum, the Compliance Plan shall provide for a system of internal controls sufficient to comply in all material respects with the BSA and its implementing rules and regulations and establish a plan for implementing such internal controls. The system of internal controls shall provide, at a minimum:

- (a) Risk assessment of the BSA program on at least an annual basis;
- (b) Customer due diligence procedures, including 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 an appropriate level of enhanced due diligence, including monitoring relationships on a transaction and account basis, for those categories of customers whose transactions and banking activities are not routine and/or usual (“high-risk accounts”);
- (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.
- (d) Policies and procedures to ensure all currency transaction reports (“CTRs”) and suspicious activity reports (“SARs”) are filed in accordance with law;
- (e) Program continuity in the event the BSA Officer (as defined below) is unable to coordinate and monitor day-to-day compliance with the BSA; and

(f) Requirements to meet all regulatory recordkeeping and information sharing obligations for BSA compliance and provide for timely updates in response to changes in the regulations.

### **INDEPENDENT TESTING**

2. 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 to be conducted by either a qualified outside party with the requisite ability to perform such testing and analysis, or bank personnel independent of the BSA function. Such testing shall be done on an annual basis. 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 interviews of employees who handle cash transactions;

(b) Sample large currency transactions followed by a review of the CTR filings;

(c) 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 are reviewing all applicable reports, including monitoring reports for structuring activities.

(d) Test the Bank's CIP procedures;

(e) Review the effectiveness of suspicious activity monitoring systems;

(f) Assess the integrity and accuracy of management information systems used in BSA compliance;

(g) Test the adequacy of the Bank's training program; and

(h) 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.

### **BSA OFFICER**

3. Within sixty (60) days from the effective date of this ORDER, the Board shall assess the resources needed to oversee BSA functions at the Bank, and provide for the designation of a qualified individual or individuals, with experience and training, responsible for coordinating and monitoring day-to-day compliance with the BSA ("BSA Officer") pursuant to Section 326.8 of the FDIC's Rules and Regulations (12 C.F.R. § 326.8). The BSA Officer shall:

- (a) Have sufficient executive authority to monitor and ensure compliance with the BSA and its implementing rules and regulations;
- (b) Report directly to the Bank's Board;
- (c) Report to the Bank's Audit Committee on a regular basis, not less than quarterly, with respect to any BSA/AML matters;
- (d) Be responsible for assuring the proper filing of CTRs and SARs relating to the BSA; and
- (e) Provide monthly comprehensive written reports to the Bank's Board regarding the Bank's adherence to the Compliance Plan and this ORDER.

## SUSPICIOUS ACTIVITY MONITORING AND REPORTING

4. Within 60 days from the effective date of this ORDER, the Bank shall develop, adopt, and implement a revised written Suspicious Activity Monitoring Program, which fully meets all applicable requirements of Part 353 of the FDIC Rules, 12 C.F.R. 353. The Suspicious Activity Monitoring Program shall include:

(a) Meaningful thresholds for identifying accounts and customers for further monitoring, review, and analyses;

(b) Periodic testing and monitoring of such thresholds for appropriateness in relation to the Bank's products, customers, accounts, services, and geographic areas;

(c) Appropriate training for the identification and timely referral of potentially suspicious activities;

(d) 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. Such procedures shall describe the circumstances under which an account should be closed and the processes and procedures to be followed in doing so;

(e) Procedures to require that the Board is advised of all SARs;

(f) 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. These periodic reports should:

1. Identify related accounts and the location of the customer's businesses and residences to evaluate patterns of activity; and

2. 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; and
- (g) Documentation of management's decisions to file or not to file a SAR.

### **BSA TRAINING**

5. Within sixty (60) 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.

### **CORRECTION OF VIOLATIONS**

6. (a) Within ninety (90) days after the effective date of this ORDER, the Bank shall eliminate and/or correct all violations of law and regulations noted in the Report of Examination related to BSA.

(b) Within ninety (90) days after the effective date of this ORDER, the Bank shall implement procedures to ensure future compliance with all applicable laws and regulations.

### **CONSENT ORDER COMPLIANCE COMMITTEE**

7. Within 10 days after the effective date of the 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 provisions of this ORDER ("Consent Order Compliance Committee"). A majority of the Consent Order Compliance Committee shall consist of outside directors. The Consent Order Compliance Committee shall formulate and review monthly reports detailing the Bank's actions with respect to compliance with this ORDER and shall meet on a regular basis, not less than monthly. The Consent Order Compliance Committee shall present a report detailing the Bank's adherence to this ORDER to the Board at each regularly scheduled Board meeting. 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.

### **SHAREHOLDER NOTIFICATION**

8. After the effective date of this ORDER, the Bank shall send a copy of this ORDER, or otherwise furnish a description of this ORDER, to its shareholders (1) in conjunction with the Bank's next shareholder communication, and also (2) in conjunction with its notice or proxy statement preceding the Bank's next shareholder meeting. The description shall fully describe the ORDER in all material respects. The description and any accompanying communication, statement, or notice shall be submitted to the FDIC - Accounting and Securities Disclosure Section, 550 17<sup>th</sup> Street, N.W., Washington, D.C. 20429, for review at least 20 days prior to dissemination to shareholders. Any changes requested by the FDIC shall be made prior to dissemination of the description, communication, notice, or statement.

**PROGRESS REPORTS**

9. Within 45 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 has released the Bank in writing from making additional reports.

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 2<sup>nd</sup> day of October, 2018.

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