

FEDERAL RESERVE SYSTEM

The Bank of Versailles  
Versailles, Missouri

Order Approving Establishment of a Branch

The Bank of Versailles (“BOV”), Versailles, Missouri, a state member bank, has requested the Board’s approval under section 9 of the Federal Reserve Act (“FRA”)<sup>1</sup> and the Board’s Regulation H<sup>2</sup> to establish a branch at 76 Grand Point Boulevard in Sunrise Beach, Missouri (the “Sunrise Beach branch”).

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published in accordance with the Board’s Rules of Procedure.<sup>3</sup> The time for submitting comments has expired, and the Board has considered the notice and all comments received in light of the factors specified in the FRA.

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<sup>1</sup> 12 U.S.C. § 321 *et seq.*

<sup>2</sup> 12 CFR 208.

<sup>3</sup> 12 CFR 262.3(b).

BOV is the 109th largest depository institution in Missouri, controlling approximately \$197 million in deposits, which represent less than 1 percent of the total amount of deposits of insured depository institutions in the state.<sup>4</sup> BOV's main office is in Versailles, Missouri, and BOV has three additional branches in Missouri.<sup>5</sup>

Under the Board's Regulation H, which implements section 9 of the FRA,<sup>6</sup> the factors that the Board must consider in acting on branch applications include (1) the financial history and condition of the applying bank and the general character of its management; (2) the adequacy of the bank's capital and its future earnings prospects; (3) the convenience and needs of the community to be served by the branch; (4) in the case of branches with deposit-taking capability, the bank's performance under the Community Reinvestment Act ("CRA");<sup>7</sup> and (5) whether the bank's investment in bank premises in establishing the branch satisfies certain criteria.

The Board has considered the application in light of these factors and a public comment received from two individuals regarding the proposal. The commenters objected to the proposal, alleging that, because BOV was unable to provide the commenters with certain documents they requested and, also, failed to maintain certain customer information, it fails to comply with the recordkeeping and reporting requirements of the Bank Secrecy Act ("BSA").

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<sup>4</sup> Data are as of June 30, 2014. In this context, insured depository institutions include commercial banks, savings associations, and savings banks.

<sup>5</sup> BOV's branches are located in Camden and Morgan counties.

<sup>6</sup> 12 CFR 208.6(b).

<sup>7</sup> 12 U.S.C. § 2901 et seq.

### Financial, Managerial, and Other Supervisory Considerations

In considering the financial history and condition, earnings prospects, and capital adequacy of BOV, the Board has reviewed reports of examination, other supervisory information, publicly reported and other financial information, and information provided by BOV. BOV is well capitalized and would remain so on consummation of the proposal. After considering all the facts of record, the Board concludes that the financial history and condition, capital adequacy, and future earnings prospects of BOV are consistent with approval of the proposal. The Board also has reviewed BOV's proposed investment in the Sunrise Beach branch and concludes that the investment is consistent with regulatory limitations on investment in bank premises.<sup>8</sup>

In considering BOV's managerial resources, the Board has reviewed BOV's examination record, including assessments of its management, risk-management systems, and operations. The Board also has considered its supervisory experiences with BOV and BOV's record of compliance with applicable banking laws, including anti-money-laundering laws. In addition, the Board has considered the comment on the proposal. The commenters allege that BOV does not comply with the recordkeeping requirements of the BSA and that BOV does not follow the customer identification requirements of the BSA. BOV was unable to comply with portions of the commenters' request due to a temporary computer failure, which resulted in the loss of some data that could not be retrieved from document imaging systems.<sup>9</sup> BOV also asserts that it is in compliance with

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<sup>8</sup> 12 CFR 208.21(a).

<sup>9</sup> The commenters are former business partners of the current president of BOV in a failed real estate venture. The commenters requested from BOV certain bank account records related to the venture as part of their ongoing personal bankruptcy court proceedings. The court denied commenters' motion to compel BOV to produce all documents related to the business accounts of the failed real estate

BSA requirements and that it follows the applicable customer identification requirements of the BSA.

BOV is considered to be well managed. Prior to the filing of this application, the Federal Reserve Bank of Kansas City (“Reserve Bank”) conducted a review of account activity and account statements pertaining to commenters’ business account at BOV, including the bank president’s administration of this account, concurrent with a regularly scheduled examination. The review investigated allegations raised by commenters regarding recordkeeping and the administration of this account. Examiners reviewed samples of account statements provided by BOV and considered the administration of the commenters’ business account to be appropriate. Examiners also concluded that BOV’s BSA/anti-money-laundering compliance program was satisfactory. In addition, examiners confirmed that BOV has management information systems that capture relevant customer identification data at the time of account opening.

Based on this review and all the facts of record, the Board concludes that the financial and managerial factors, as well as the records of effectiveness of BOV in combatting money-laundering activities, are consistent with approval of the proposal.

#### Convenience and Needs Considerations

The Board also has considered the convenience and needs of the community to be served, taking into account BOV’s performance under the CRA. The CRA requires the federal financial supervisory agencies to encourage insured depository institutions to help meet the credit needs of the local communities in

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venture. Instead, BOV was directed to produce a sample of the documents commenters requested.

which they operate, consistent with their safe and sound operation.<sup>10</sup> In addition, the CRA requires the appropriate federal financial supervisory agency to take into account a relevant depository institution's record of meeting the credit needs of its entire community, including low- and moderate-income ("LMI") neighborhoods, in evaluating bank expansionary proposals.<sup>11</sup>

As provided in the CRA, the Board evaluates an institution's performance record in light of examinations by the appropriate federal supervisors of the CRA performance records of that institution.<sup>12</sup> The CRA requires that the appropriate federal financial supervisor for a depository institution prepare a written evaluation of the institution's record of meeting the credit needs of its entire community, including LMI neighborhoods.<sup>13</sup> An institution's most recent CRA performance evaluation is a particularly important consideration in the applications process because it represents a detailed, on-site evaluation of the institution's overall record of performance under the CRA by its appropriate federal supervisor.<sup>14</sup>

The Board has considered all the facts of record, including reports of examination of the CRA performance of BOV and confidential supervisory information. BOV was assigned an overall "satisfactory" rating at its CRA performance evaluation by the Reserve Bank as of February 27, 2012. BOV was evaluated under the Small Bank Examination procedures, which consider factors such as BOV's loan-to-deposit ratio and lending inside its assessment area.

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<sup>10</sup> 12 U.S.C. § 2901(b).

<sup>11</sup> 12 U.S.C. § 2903.

<sup>12</sup> See Interagency Questions and Answers Regarding Community Reinvestment, 5 Fed. Reg. 11642, 11665 (2010) ("Interagency Q&As on CRA").

<sup>13</sup> 12 U.S.C. § 2906.

<sup>14</sup> See Interagency Q&As on CRA, 75 Fed. Reg. 11642 (2010).

Examiners reviewed a sample of residential real estate and commercial loans originated between December 2009 and November 2011.

Examiners found that BOV was reasonably responsive to the credit needs of its assessment area. Examiners noted that BOV extended the majority of its loans inside its assessment area and that its distribution of loans to LMI borrowers was reasonable. Examiners also noted that BOV's lending to small businesses was excellent, penetrating all income levels.

BOV represents that the proposed Sunrise Beach branch would provide public benefits by enabling customers living in the Sunrise Beach area to access banking services more conveniently. Currently, customers living in Sunrise Beach must cross a toll bridge to access the nearest BOV branch and are several miles away from a bank branch of any kind. The proposed branch would be conveniently located in the Sunrise Beach community.

Based on all the facts of record and for the reasons described in this order, the Board concludes that the convenience and needs factor, including BOV's CRA performance, is consistent with approval of the application.

### Conclusion

Based on the foregoing and all the facts of record, the Board has determined that the application should be, and hereby is, approved.<sup>15</sup> The Board's

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<sup>15</sup> The commenters on this proposal request that the Board hold a public hearing on the proposal. Under its rules, the Board may, in its discretion, hold a public hearing if appropriate to allow interested persons an opportunity to provide relevant testimony when written comments would not adequately present their views. 12 CFR 262.3(e). The Board has considered the commenters' request in light of all the facts of record. In the Board's view, the commenters have had ample opportunity to submit comments on the proposal and, in fact, submitted a written comment that the Board has considered in acting on the proposal. In addition, the request does not demonstrate why the written comment does not present the commenters' views adequately or why a hearing otherwise would be

approval is specifically conditioned on BOV's compliance with all commitments made to the Board in connection with the proposal as well as all conditions imposed in this order. The commitments and conditions relied on by the Board are deemed to be conditions imposed in writing in connection with its findings and decision herein and, as such, may be enforced in proceedings under applicable law.

Approval of this application is also subject to the establishment of the proposed branch within one year of the date of this order, unless such period is extended by the Board or the Reserve Bank acting under authority delegated by the Board.

By order of the Board of Governors,<sup>16</sup> effective May 7, 2015.

*Margaret McCloskey Shanks (signed)*

Margaret McCloskey Shanks  
Deputy Secretary of the Board

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necessary or appropriate. For these reasons, and based on all the facts of record, the Board has determined that a public hearing is not required or warranted in this case. Accordingly, the request for a public hearing on the proposal is denied.

<sup>16</sup> Voting for this action: Chair Yellen, Vice Chairman Fischer, and Governors Tarullo, Powell, and Brainard.