

UNITED STATES OF AMERICA

BEFORE

THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

WASHINGTON, D.C.

_____)	
In the Matter of)	Docket No. 01-005-B-SM
)	
BANK OF ROGERS)	Order to Cease and Desist
Rogers, Arkansas)	Issued Upon Consent
)	
_____)	

WHEREAS, in recognition of the common goal of the Board of Governors of the Federal Reserve System (the “Board of Governors”) and the Bank of Rogers, Rogers, Arkansas (the “Bank”), to ensure compliance with all applicable federal and state laws, rules, and regulations, the Bank has consented to the issuance of this Order to Cease and Desist (the “Order”);

WHEREAS, as the result of the identification of deficiencies in its operations, the Bank is taking steps to enhance and improve its policies and procedures for compliance with all applicable laws, regulations and guidelines, including the Currency and Foreign Transactions Reporting Act (31 U.S.C. 5311 et seq.) and the rules and regulations issued thereunder by the U.S. Department of the Treasury (31 C.F.R. 103.11 et seq.) (collectively referred to as the Bank Secrecy Act (the “BSA”)) and the applicable provisions of Regulation H of the Board of Governors (12 C.F.R. 208.62 and 208.63); and

WHEREAS, on JUNE 27, 2001, the board of directors of the Bank adopted a resolution authorizing and directing JAMES R. McLELLAND to enter into this Order on behalf of the Bank, and consenting to compliance by the board of directors of the Bank and the Bank's institution-affiliated parties, as defined in section 3(u) of the Federal Deposit Insurance Act, as amended (the "FDI Act") (12 U.S.C. 1813(u)), with each and every provision of this Order; and waiving any and all rights that the Bank may have pursuant to section 8 of the FDI Act (12 U.S.C. 1818): to the issuance of a notice of charges and of hearing on any matter set forth in this Order; to a hearing for the purpose of taking evidence on any matters set forth in this Order; to judicial review of this Order; and to challenge or contest, in any manner, the basis, issuance, validity, terms, effectiveness or enforceability of this Order or any provision hereof.

NOW, THEREFORE, before the taking of any testimony or adjudication of, or finding on any issue of fact or law herein, and without this Order constituting an admission or denial of any allegation made or implied by the Board of Governors, and solely for the purpose of settlement of this proceeding without a protracted or extended hearing or testimony and pursuant to the aforesaid resolution:

IT IS HEREBY ORDERED that the Bank and its institution-affiliated parties cease and desist and take affirmative action as follows:

1. (a) The Bank and its institution-affiliated parties shall not, directly or indirectly, violate the BSA or the rules and regulations issued pursuant thereto, and shall correct all BSA and Regulation H of the Board of Governors violations and deficiencies cited in the

Report of Examination of the Bank as of February 26, 2001, as well as violations and deficiencies identified in previous examinations of the Bank.

(b) For the purposes of this Order, the term "violate" shall include any action (alone or with another or others) for or toward causing, bringing about, participating in, counseling or aiding or abetting a violation.

2. To assist the Bank in correcting any existing violations of the BSA and Regulation H of the Board of Governors, as well as to assist the Bank in the development of policies and procedures designed to ensure future compliance with the BSA and Regulation H of the Board of Governors:

(a) Within 30 days of this Order, the Bank shall engage the services of a qualified independent public accounting firm or qualified consulting firm (the "Consultant"), acceptable to the Federal Reserve Bank of St. Louis (the "Reserve Bank"), to conduct a full and complete review of the Bank's current internal controls, policies and procedures related to BSA compliance, customer due diligence and the identification and reporting of suspicious activity and recommend, where necessary, new policies and procedures to be implemented by the Bank.

(b) Within 10 days of the engagement of the Consultant, but prior to the commencement of the review, the Bank shall submit to the Reserve Bank for approval an engagement letter that delineates the scope of the review. The engagement letter shall specify that the review will be completed within a reasonable time period, not to exceed 45 days. In addition, the engagement letter shall acknowledge that the Consultant shall have access to all documents and records necessary to conduct the review and that all information including, but

not limited to, work papers, programs and procedures related to the review shall be provided to the Reserve Bank by the Consultant upon request.

(c) Upon completion of the review, a copy of the Consultant's report detailing the findings and conclusions from the review shall be provided to the Reserve Bank.

3. Within 45 days of the completion of the Consultant's report required by paragraph 2 hereof, the Bank shall submit to the Reserve Bank an acceptable written plan designed to ensure compliance with all provisions of the BSA, including, but not limited to, the recordkeeping and reporting requirements for currency transactions of over \$10,000 and the procedures for exemptions from such requirements (31 C.F.R. 103.22).

4. Within 45 days of the completion of the Consultant's report required by paragraph 2 hereof, the Bank shall submit to the Reserve Bank an acceptable written enhanced customer due diligence program. The program shall be designed to reasonably ensure the identification and timely, accurate and complete reporting of known or suspected criminal activity against or involving the Bank to law enforcement and supervisory authorities, as required by the suspicious activity reporting provisions of Regulation H of the Board of Governors (12 C.F.R. 208.62). The enhanced customer due diligence program shall, at a minimum, provide:

(a) For a risk focused assessment of the customer base of the Bank to:

(i) identify the categories of customers whose transactions do not require monitoring because of the routine and usual nature of their banking activities; and

(ii) determine the appropriate level of enhanced due diligence necessary for those categories of customers that the Bank has reason to believe pose a heightened risk of illicit activities at or through the Bank.

(b) For those customers whose transactions require enhanced due diligence, procedures to:

(i) determine the appropriate documentation necessary to confirm the identity and business activities of the customer;

(ii) understand the normal and expected transactions of the customer; and

(iii) report suspicious activities in compliance with the reporting requirements of Regulation H of the Board of Governors.

5. Within 45 days of the completion of the Consultant's report required by paragraph 2 hereof, the Bank shall submit to the Reserve Bank an acceptable written compliance program, as required by the applicable provisions of Regulation H of the Board of Governors (12 C.F.R. 208.63), designed to, among other things, ensure and maintain compliance by the Bank with the BSA and the rules and regulations issued pursuant thereto. The program, at a minimum, shall:

(a) Establish a system of internal controls to ensure compliance with the BSA and the rules and regulations issued pursuant thereto, including policies and procedures to detect and monitor all transactions to ensure that they are not being conducted for illegitimate purposes and that there is full compliance with all applicable laws and regulations;

(b) provide for independent testing of compliance with all applicable rules and regulations related to the BSA and the reporting of suspicious transactions, and ensure that compliance audits are performed frequently, are fully documented, and are conducted with the appropriate segregation of duties;

(c) ensure that the Bank's BSA compliance program is managed by a qualified officer who shall have responsibility for all BSA compliance and related matters, including, without limitation, (i) the identification and timely, accurate and complete reporting to law enforcement and supervisory authorities of unusual or suspicious activity or known or suspected criminal activity perpetrated against or involving the Bank, and (ii) monitoring the Bank's compliance and ensuring that full and complete corrective action is taken with respect to previously identified violations and deficiencies; and

(d) provide appropriate training to all affected personnel, conducted by competent staff, which includes all relevant BSA and related requirements with a specific concentration on accurate recordkeeping, form completion and the detection and reporting of known and/or suspected criminal activity.

6. Within 45 days of the completion of the Consultant's report required by paragraph 2 hereof, the Bank shall submit to the Reserve Bank an acceptable written plan designed to ensure compliance with the regulations of the U.S. Department of the Treasury's Office of Foreign Asset Control ("OFAC") (31 C.F.R. 500 et seq.), as well as any rules and guidelines issued or administered by OFAC. The plan shall include, at a minimum, procedures to ensure that customer transactions are processed in accordance with OFAC requirements and in accordance with a regularly updated list of entities and individuals whose transactions or assets are required to be blocked, frozen or monitored.

7. The Bank shall submit the engagement letter and written plans and programs required by paragraphs 2, 3, 4, 5, and 6 hereof that are acceptable to the Reserve Bank within the time periods set forth in this Order. The Bank shall adopt the engagement letter and the approved plans and programs within 10 days of approval by the Reserve Bank, and then shall fully comply with them. During the term of this Order, the Bank shall not amend or rescind the approved engagement letter, plans or programs without the prior written approval of the Reserve Bank.

8. Within 10 days after the end of each calendar quarter (June 30, September 30, December 31 and March 31) following the date of this Order, the Bank shall submit a written progress report detailing the form and manner of all actions taken to comply with this Order, and the results thereof. Such reports may be discontinued when the Reserve Bank, in writing, releases the Bank from making further reports.

9. All communications regarding this Order shall be sent to:

(a) Timothy A. Bosch
Vice President
Federal Reserve Bank of St. Louis
P.O. Box 442
St. Louis, Missouri 63166

(b) James R. McLelland
President and Chairman
Bank of Rogers
P.O. Box 699
Rogers, Arkansas 72757

10. The provisions of this Order shall be binding on the Bank and each of its institution-affiliated parties in their capacities as such, and their successors and assigns.

11. Each provision of this Order shall remain effective and enforceable until stayed, modified, terminated, or suspended by the Board of Governors.

12. Notwithstanding any provision of this Order, the Reserve Bank may, in its discretion, grant written extensions of time to the Bank to comply with any provision of this Order.

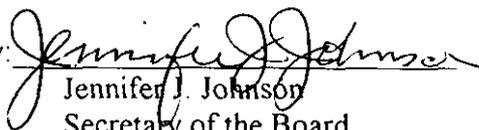
13. The provisions of this Order shall not bar, estop or otherwise prevent the Board of Governors or any federal or state agency or department from taking any other action affecting the Bank or any of its current or former institution-affiliated parties.

By order of the Board of Governors of the Federal Reserve System effective this 12th day of July, 2001.

BANK OF ROGERS

By: 
James R. McLelland
President and Chairman

BOARD OF GOVERNORS OF THE
FEDERAL RESERVE SYSTEM

By: 
Jennifer J. Johnson
Secretary of the Board