

UNITED STATES OF AMERICA
BEFORE THE
BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON, D.C.

Written Agreement by and between)	
)	
SOUTHERN COMMERCIAL BANK)	Docket No. 03-020-WA/RB-SM
St. Louis, Missouri)	
)	
and)	
)	
FEDERAL RESERVE BANK)	
OF ST. LOUIS)	
St. Louis, Missouri)	
)	

WHEREAS, as the result of the identification of deficiencies in its operations, Southern Commercial Bank, St. Louis, Missouri (the “Bank”), a state chartered bank that is a member of the Federal Reserve System, is taking steps to enhance and improve its policies and procedures for compliance with all applicable laws and regulations, including the Currency and Foreign Transactions Reporting Act (31 U.S.C. 5311 et seq.) (the Bank Secrecy Act (the “BSA”)) and the rules and regulations issued thereunder by the U.S. Department of the Treasury (31 C.F.R. 103.11 et seq.); the suspicious activity reporting and BSA compliance requirements of Regulation H of the Board of Governors (12 C.F.R. 208.62 and 208.63); and the rules and regulations of the U.S. Department of the Treasury’s Office of Foreign Asset Control (“OFAC”) (31 C.F.R. 500 et seq.);

WHEREAS, in recognition of the common goal of the Bank and the Federal Reserve Bank of St. Louis (the “Reserve Bank”) to ensure that the Bank fully addresses all deficiencies in the Bank’s anti-money laundering policies and procedures, customer due diligence practices, and internal control environment, the Bank and the Reserve Bank have mutually agreed to enter into this Written Agreement (the “Agreement”); and

WHEREAS, on June 10, 2003 the board of directors of the Bank, at a duly constituted meeting, adopted a resolution authorizing and directing Robert Hawkins to enter into this Agreement on behalf of the Bank, and consenting to compliance by the Bank and its 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 Agreement.

NOW, THEREFORE, the Bank and the Reserve Bank agree as follows:

1. Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank an acceptable written program designed to upgrade and improve the Bank's system of internal controls to ensure compliance with all applicable provisions of the BSA and the rules and regulations issued thereunder, as required by section 208.63 of Regulation H of the Board of Governors (12 C.F.R. 208.63). The program shall include provisions for updates on an ongoing basis, as necessary to incorporate amendments to the BSA and the rules and regulations thereunder. The program shall, at a minimum:

(a) Provide for a system of internal controls to ensure compliance with the BSA and the rules and regulations thereunder, including comprehensive policies and procedures for compliance with all recordkeeping and reporting requirements, covering all areas of operations, including but not limited to, currency transactions, wire transfers, and monetary instrument transactions;

(b) provide for regular, comprehensive, independent testing of compliance with the BSA and the rules and regulations issued thereunder and ensure that compliance audits are performed frequently, are fully documented, and are conducted with the appropriate segregation of duties; and

(c) provide for adequate training of all appropriate personnel, conducted by competent staff and covering all relevant BSA and related requirements (including accurate recordkeeping and form completion and the detection and reporting of suspicious activity), and ensure that the training is reviewed on a regular basis so that all personnel have the most current information.

2. Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank an acceptable enhanced customer due diligence program designed to reasonably ensure the identification and timely, accurate, and complete reporting of all known or suspected violations of law 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). At a minimum, the program shall include:

(a) An effective system to ensure that all known or suspected violations of law are properly identified and reported;

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

(i) Identify the categories of customers whose transactions and banking activities are usual and routine; 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; and

(c) 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 existing reporting requirements set forth in Regulation H of the Board of Governors (12 C.F.R. 208.62).

3. Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank an acceptable written program designed to ensure compliance with all OFAC regulations, 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.

4. The written programs required by paragraph 1, 2, and 3 of this Agreement shall be submitted to the Reserve Bank for review and approval. Acceptable programs shall be submitted within the time periods set forth in this Agreement. The Bank shall adopt the approved programs within 10 days of approval by the Reserve Bank and then shall fully comply with them. During the term of this Agreement, the approved programs shall not be amended or rescinded without the prior written approval of the Reserve Bank.

5. All communications regarding this Agreement shall be sent to:

- (a) Mr. Timothy A. Bosch
Vice President
Federal Reserve Bank of St. Louis
411 Locust Street
St. Louis, Missouri 63102

- (b) Mr. Robert W. Hawkins
Chairman
Southern Commercial Bank
4435 Meramec Bottom Road
St. Louis, Missouri 63111

6. Notwithstanding any provision of this Agreement to the contrary, the Reserve Bank may, in its sole discretion, grant written extensions of time to the Bank to comply with any provision of this Agreement.

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

8. Each provision of this Agreement shall remain effective and enforceable until stayed, modified, terminated or suspended by the Reserve Bank.

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

10. This Agreement is a "written agreement" for the purposes of, and is enforceable by the Board of Governors as an order issued under, section 8 of the FDI Act (12 U.S.C. 1818).

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed as of this 10 day of June, 2003.

Southern Commercial Bank

Federal Reserve Bank of St. Louis

By: Robert W. Hawkins
Robert W. Hawkins
Chairman

By: Timothy A. Bosch
Timothy A. Bosch
Vice President