

FEDERAL DEPOSIT INSURANCE CORPORATION
WASHINGTON, D.C.

In the Matter of)	CONSENT ORDER
)	
FIRST CENTURY BANK)	
TAZEWELL, TENNESSEE)	FDIC-10-653(b)
)	
(Insured State Nonmember Bank))	

The Federal Deposit Insurance Corporation (“FDIC”) is the appropriate Federal banking agency for First Century Bank, Tazewell, Tennessee (“Bank”), under 12 U.S.C. § 1813(q).

The Bank, by and through its duly elected and acting board of directors, has executed a “STIPULATION TO THE ISSUANCE OF A CONSENT ORDER” (“STIPULATION”), dated October 13, 2010, 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 solely to the Bank Secrecy Act Program, to the issuance of this CONSENT ORDER (“ORDER”) by the FDIC.

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

**BSA COMPLIANCE PLAN
COMPLIANCE PROGRAM and CUSTOMER IDENTIFICATION PROGRAM**

1. Within 90 days from the effective date of this ORDER, the Bank shall develop, adopt and implement a revised written plan (“Compliance Plan”) for the continued administration of the Bank’s Bank Secrecy Act (“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 revised Compliance Plan to the Regional Director and Commissioner for review and comment. Upon receipt of comments from the Regional Director and Commissioner, if any, the Bank's board of directors shall review and approve the revised Compliance Plan. The review and approval of the revised Compliance Plan shall be recorded in the minutes of the Bank's board of directors. Thereafter, the Bank shall implement the revised Compliance Plan.

At a minimum, the revised Compliance Plan shall:

(a) 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:

- (1) 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 enhanced due diligence necessary for those categories of customers whose transactions and banking activities are not routine and/or usual ("high-risk accounts");
- (2) Policies and procedures with respect to high-risk accounts and customers identified through the risk assessment conducted pursuant to paragraph 1(a)(1), including the adoption of adequate methods for conducting enhanced due diligence on high-risk accounts and customers at account opening and on an ongoing basis, and for monitoring high-risk client relationships on a

transaction basis, as well as by account and customer;

- (3) 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:
 - a. Establishment of meaningful thresholds for identifying accounts and customers for further monitoring, review, and analyses;
 - b. Periodic testing and monitoring of such thresholds for their appropriateness to the Bank's products, customers, accounts, services, and geographic areas;
 - c. 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 Suspicious Activity Reports ("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;
 - d. Procedures and/or systems for each subsidiary and 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:

- i. 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
 - ii. 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;
 - e. Documentation of management's decisions to file or not to file an SAR; and
 - f. Systems to ensure the timely, accurate, and complete filing of required SARs and any other similar or related reports required by law.
- (4) Continued maintenance, regular review and, as necessary, periodic updating 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;
- (5) Continuation of procedures to ensure customers and transactions

are being compared to current Office of Foreign Assets Control (“OFAC”) listings; and

- (6) Policies and procedures for transactions involving non-customers, including, but not limited to, wire transfer services, traveler’s check services, and foreign exchange services.

(b) Continuation of independent testing 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 testing and analysis, or
- (2) Bank personnel independent of the BSA function.

Such testing shall be done on an annual basis. The independent testing 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 Currency Transaction Report (“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. Testing to ensure all reportable transactions have been identified;

- b. Testing to ensure Bank personnel is reviewing all applicable reports, including monitoring reports for structuring activities; and
 - c. Testing to ensure compliance with OFAC provisions.
- (5) Test the Bank's CIP procedures;
 - (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 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 of directors. The Bank's board of directors 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.

(c) Provide that the Bank continue to ensure the designation of a qualified individual or individuals ("BSA Officer") 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. 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 directly to the Bank's board of directors, or committee established pursuant to this ORDER, or the Bank's Chief Executive Officer;
- (4) Report to the Bank's Audit Committee on a regular basis, not less than quarterly, with respect to any BSA/AML matters; and
- (5) Be responsible for assuring the proper filing of CTRs, Reports of International Transportation of Currency or Monetary Instruments, and SARs relating to the BSA.

The BSA Officer shall provide monthly comprehensive written reports to the Bank's board of directors or committee established pursuant to the ORDER regarding the Bank's adherence to the Compliance Plan and this ORDER.

(d) Provide 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 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 Suspicious Activity Reports, as well as all applicable Office of Foreign Assets Control provisions. The Training Program shall also cover:

- (1) The Bank's BSA/AML policies and procedures, and new rules and requirements as they arise;
- (2) A requirement that the Bank's board of directors shall fully document the training of each employee, including the designated

BSA Compliance Officer; and

- (3) A requirement that training shall be conducted no less frequently than annually.

(e) Continue to maintain a Customer Identification Program that meets all the requirements set forth in section 103.121 of the Treasury Department's financial recordkeeping regulations, 31 C.F.R. § 103.121.

LOOK BACK REVIEW

2. (a) Within 30 days from the effective date of this ORDER, the Bank shall engage a qualified independent firm ("Consultant"), acceptable to the Regional Director and Commissioner, to conduct a review of account and transaction activity, for the time period beginning September 1, 2009, and ending on the effective date of this ORDER, to determine whether suspicious activity involving any accounts of, or transactions within or through, the Bank were properly identified and reported in accordance with the applicable suspicious activity reporting requirements ("Look Back Review").

(b) Within 10 days of the engagement of the Consultant, but prior to the commencement of the Look Back Review, the Bank shall submit to the Regional Director and Commissioner for approval an engagement letter that sets forth:

- (1) The scope of the Look Back Review, including the types of accounts and transactions to be reviewed which shall, at a minimum, include, but not be limited to, the transactions or accounts identified in the ROE as requiring additional investigation by the Bank;
- (2) The methodology for conducting the Look Back Review, including

any sampling procedures to be followed;

(3) The expertise and resources to be dedicated to the Look Back Review; and

(4) The anticipated date of the completion of the Look Back Review.

(c) Upon completion of the Look Back Review, the Consultant shall provide a copy of the report detailing its findings to the Regional Director and Commissioner at the same time the report is provided to the Bank.

(d) Within 30 days of its receipt of the Look Back Review report, the Bank shall ensure that all matters or transactions required to be reported, for which appropriate action has not previously been taken, are addressed in accordance with applicable laws and regulations.

SHAREHOLDER NOTIFICATION

3. 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 sent to the FDIC Accounting and Securities Disclosure Section, 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

4. 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 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 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.

Issued pursuant to delegated authority this 18th day of October, 2010.

/s/
Kristie K. Elmquist
Acting Regional Director
Dallas Region
Division of Supervision and Consumer Protection
Federal Deposit Insurance Corporation