

FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, D.C.

AND

STATE OF OHIO

DEPARTMENT OF COMMERCE

DIVISION OF FINANCIAL INSTITUTIONS

SPRINGFIELD, ILLINOIS

_____)	
In the Matter of)	
)	
SUTTON BANK)	CONSENT ORDER
ATTICA, OHIO)	
)	
(Insured State Nonmember Bank))	FDIC-23-0110b
_____)	BA2023-01

The Federal Deposit Insurance Corporation (FDIC) is the appropriate Federal banking agency for Sutton Bank, Attica, Ohio (Bank), under Section 3(q) of the Federal Deposit Insurance Act (FDI Act), 12 U.S.C. § 1813(q).

The Ohio Department of Commerce, Division of Financial Institutions (Division) is the appropriate state supervisor for the Bank.

Having been advised of its right to a NOTICE OF CHARGES AND OF HEARING detailing the unsafe or unsound banking practices and violations of law or regulation alleged to have been committed by the Bank, including those related to the Bank Secrecy Act, 31 U.S.C. §§ 5311-5330, and regulations implementing the Bank Secrecy Act, including 12 C.F.R. Part 326, Subpart B, and 31 C.F.R. Chapter X (hereinafter collectively, the Bank Secrecy Act or BSA), and of its right to a hearing on the charges under 12 U.S.C. § 1818(b), and under Ohio Revised Code 1121.38 regarding hearings before the Division, and having waived those rights, the Bank entered into a STIPULATION AND CONSENT TO THE ISSUANCE OF A CONSENT

ORDER (STIPULATION) with representatives of the Federal Deposit Insurance Corporation (FDIC) and the Division, dated February 1, 2024, whereby, solely for the purpose of this proceeding and without admitting or denying the charges of unsafe or unsound banking practices and violations of law or regulation, including those relating to the Bank Secrecy Act, the Bank consented to the issuance of a CONSENT ORDER (ORDER) by the FDIC and the Division.

Having also determined that the requirements for issuance of an order under 12 U.S.C. § 1818(b) and Ohio Revised Code 1121.32(C)(1) have been satisfied, the FDIC and the Division HEREBY ORDER that the Bank, its institution-affiliated parties, as that term is defined in 12 U.S.C. § 1813(u), and its successors and assigns, take affirmative action as follows:

AML/CFT COMPLIANCE PROGRAM

1. Within one hundred and eighty (180) days from the effective date of this ORDER, the Bank's Board of Directors (Board) shall develop, adopt, and implement a revised written AML/CFT program (Revised AML/CFT Program), which fully meets all applicable requirements of 12 C.F.R. § 326.8, and which is reasonably designed to, among other things, assure and maintain the Bank's full compliance with the BSA and the rules and regulations issued pursuant thereto. The Board shall provide the Regional Director of the FDIC's Chicago Regional Office (Regional Director) and the Division with a copy of the Revised AML/CFT Program for review. Thereafter, the Revised AML/CFT Program shall be maintained and implemented in a manner acceptable to the Division and the Regional Director, as determined at subsequent examinations and/or visitations of the Bank. At a minimum, the Bank must ensure that the Revised AML/CFT Program:

- (a) Is commensurate with the Bank's money laundering/terrorist financing (ML/TF), and other illicit financial activity risk profile (ML/TF Risk Profile);
- (b) Addresses the deficiencies and weaknesses identified in the January 17, 2023 Report of Examination (2023 Report);
- (c) Includes the appropriate assessment and oversight, both initial and on-going, of any entity or party that has entered into a business relationship or arrangement with the Bank (Third Party) wherein any AML/CFT regulatory requirement or obligation of the Bank is outsourced to the Third Party with satisfactory documentation of such assessment and oversight;
- (d) Includes procedures for monitoring the performance of, and the Bank's adherence to, the AML/CFT Program with processes for documenting, tracking, and reporting on such performance and adherence to the Board;
- (e) Includes procedures for periodically reviewing and revising the AML/CFT Program to ensure that it is reasonably designed to monitor the Bank's compliance with the BSA; and
- (f) Satisfies the requirements of this ORDER.

BOARD SUPERVISION

- 2. Within ninety (90) days from the effective date of this ORDER, the Board must:
 - (a) Improve its supervision and direction of the AML/CFT Program;
 - (b) Assume full responsibility for the development, approval, implementation, and adherence by the Bank to sound AML/CFT policies, procedures, and processes that (i) are reasonably designed to assure and monitor the Bank's compliance with AML/CFT laws and regulations; (ii) appropriately address the AML/CTF related deficiencies and weaknesses identified in the 2023 Report; and (iii) reflect the Bank's actual practices;

(c) Ensure that the Bank maintains a permanent, designated individual or individuals (BSA Officer) with qualifications commensurate with the Bank's size, complexity, and organizational structure, the Risk Assessment and ML/TF Risk Profile. The BSA Officer must report directly to the Board and be vested with sufficient authority, time, and resources, both staff and systems, to fulfill the duties and responsibilities of this position; and

(d) Establish a Board Committee (Directors' Committee) to oversee and ensure complete and timely compliance with this ORDER. The majority of the members of the Directors' Committee shall be directors not employed in any capacity by the Bank other than as a director. The Directors' Committee shall formulate and review monthly reports detailing the Bank's actions with respect to compliance with this ORDER. The Directors' Committee shall present a report detailing the Bank's adherence with this ORDER at each regularly scheduled Board meeting. Such report shall be recorded in the appropriate minutes of the Board meeting and shall be retained in the Bank's records. Establishment of the Directors' Committee does not diminish the responsibility of the entire Board to ensure compliance with the provisions of this ORDER.

AML/CFT STAFFING AND RESOURCES

3. Within ninety (90) days of the effective date of this ORDER, the Bank shall:

(a) Provide for an independent review of the Bank's AML/CFT related resources, including staffing and systems (AML/CFT Resources Review). The AML/CFT Resources Review must include an analysis of the adequacy and appropriateness of current resource levels and be documented and supported both qualitatively and quantitatively in a written report (AML/CFT Resources Report). The AML/CFT Resources Review must, at a minimum, consider the Bank's size and growth plans, complexity and organizational structure, geographic locations, customers, products and services offered, systems, the AML/CFT Risk

Assessment, the ML/TF Risk Profile, and the deficiencies and weaknesses identified in the 2023 Report. The AML/CFT Resources Report must be submitted to the Board upon completion and submitted to the Regional Director of the FDIC (Regional Director) and the Superintendent of the Division for review and approval within 15 days of Board approval.

(b) Ensure policies, procedures, and processes are developed, adopted, and implemented requiring the BSA Officer to conduct periodic risk based AML/CFT Resource Reviews and prepare an AML/CFT Resource Report upon completion of every AML/CFT Resource Review;

(c) Provide for an adequate level of AML/CFT related resources, including staffing and systems, to implement the AML/CFT Program and ensure compliance with BSA regulations;

(d) Ensure the designated BSA Officer has sufficient delegated authority to effectively coordinate, monitor, and ensure compliance with the BSA; and

(e) Require the BSA Officer to prepare and submit an action plan to address and correct all identified AML/CFT Program weaknesses and deficiencies (AML/CFT Action Plan) to the Board.

THIRD PARTY RISK MANAGEMENT

4. Within ninety (90) days of the effective date of this ORDER, the Bank shall:

(a) Develop appropriate policies and procedures relating to third-party risk management. Policies and procedures must be commensurate with the Bank's ML/TF risk tolerance and the level of risk and complexity of its third-party relationships.

(b) Compile a complete inventory of third-party relationships. The inventory should detail what aspects of AML/CFT compliance each program manager is responsible for conducting, including but not limited to, the Customer Identification Program (CIP), transaction monitoring, independent testing and reporting suspicious activity.

(c) Provide for sufficient due diligence and ongoing monitoring of third parties who complete AML/CFT responsibilities on behalf of the Bank. Ongoing monitoring should be performed to ensure the Bank maintains compliance with the AML/CFT laws.

(d) Ensure timely corrective action is taken by third parties when deficiencies with AML/CFT responsibilities are identified.

(e) Require quarterly reporting of third-party compliance with legal, contractual, and service level responsibilities, and management actions to address AML/CFT deficiencies.

SUSPICIOUS ACTIVITY MONITORING

5. Within ninety (90) days of the effective date of this ORDER, the Board must ensure the Bank's policies, procedures, processes, and systems for the identification, monitoring, and reporting of suspicious activity:

(a) Are revised to satisfactorily address the deficiencies and weaknesses identified in the 2023 Report related to suspicious activity monitoring;

(b) Require the evaluation of the adequacy of the suspicious activity monitoring and reporting by third-party program managers for the Bank's prepaid card programs (Prepaid Third-Party Program Managers);

(c) Incorporate procedures to track, review, and document suspicious monitoring reports and referrals received from Prepaid Third-Party Program Managers;

- (d) Result in the timely detection, investigation, and reporting of suspicious activity with the filing of accurate and complete suspicious activity reports relating to the prepaid card programs;
- (e) Comprehensively, clearly, and consistently address all stages of suspicious activity monitoring, including alert review and dispositioning, for the prepaid card programs;
- (f) Require appropriate levels of documentation, analysis, and support for each stage of the suspicious activity monitoring and reporting process for the prepaid card programs;
- (g) Establish satisfactory quality control procedures over the alert clearing and investigation processes for the prepaid card programs; and
- (h) Are adopted, implemented, and adhered to by the Bank.

AML/CFT TRAINING PROGRAM

6. Within ninety (90) days from the effective date of this ORDER, the Bank shall develop and implement a revised, comprehensive training program that shall have a general component for all directors and staff, and specific components that are tailored to the bank's ML/TF Risk Profile and complexity level. Required training shall be conducted by qualified staff and/or independent contractors and shall include training in all aspects of regulatory and internal policies and procedures related to the BSA regulations, and shall provide specific training and mitigating internal controls regarding the ML/TF risks associated with prepaid card activities. The revised training program shall require documentation of attendance at training with full explanations of absences with notation of when absentees will be trained.

CUSTOMER IDENTIFICATION PROGRAM

7. (a) Within ninety (90) days from the effective date of this ORDER, the Bank should ensure compliance with CIP regulations within the prepaid card programs by requiring Prepaid Third-Party Program Managers to collect all required information, including the full first name of customers at account opening, and test for compliance during the CIP testing process.

(b) Within ninety (90) days from the effective date of this ORDER, the Board should ensure compliance with CIP regulations within the prepaid card programs by requiring Prepaid Third-Party Program Managers to develop procedures for responding to circumstances in which the covered financial institution cannot form a reasonable belief that it knows the true identity of a customer. Procedures should provide for timely resolution of identified deficiencies and outline circumstances and timeframes in which accounts must be closed when deficiencies are identified.

(c) Within sixty (60) days from the effective date of this ORDER: (i) the Bank shall develop a proposed plan to provide for a lookback of prepaid card customers “CIP Lookback Review” beginning from July 1, 2020, to ensure that all required CIP information has been obtained and the Bank has formed a reasonable belief that it knows the true identity of the customer, and (ii) the proposed scope of the CIP Lookback Review should be presented to the Regional Director and the Division for review and approval.

(d) Within one hundred and twenty (120) days from the effective date of this ORDER, the Bank shall complete the CIP Lookback Review.

CORRECTION OF VIOLATIONS

8. Within one hundred eighty (180) days from the effective date of this ORDER, the Bank must ensure that all steps necessary, consistent with other provisions of this ORDER and sound banking practices, are taken to eliminate and correct all violations of law and regulations as detailed in the 2023 Report and appropriately address the deficiencies and weaknesses identified in the 2023 Report. In addition, the Bank shall adopt procedures to ensure future compliance with all applicable laws, rules, and regulations.

OTHER AML/CFT WEAKNESSES

9. Within one hundred eighty (180) days from the effective date of this ORDER, the Bank shall correct all AML/CFT weaknesses identified in the 2023 ROE.

NOTIFICATION TO SHAREHOLDER

10. Immediately following the effective date of this ORDER, the Bank shall send a copy of this ORDER: (1) in conjunction with the Bank's next shareholder communication; or (2) in conjunction with its notice or proxy statement preceding the Bank's next shareholder meeting.

PROGRESS REPORTS

11. Within forty-five (45) days from the end of each calendar quarter following the effective date of this ORDER, the Bank shall furnish to the Regional Director and the Division written progress reports signed by each member of the Bank's board of directors, detailing the actions taken to secure compliance with the ORDER and the results thereof.

CLOSING PARAGRAPHS

The effective date of this ORDER shall be the date of its issuance by the FDIC and the Division. The provisions of this ORDER shall be binding upon the Bank, its institution-affiliated parties, and any successors and assigns thereof.

This ORDER is a public record as that term is used in Ohio Revised Code 149.43.

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 Division.

Pursuant to delegated authority.

Dated: February 1, 2024.

/s/ _____
Larisa M. Collado
Deputy Regional Director
Chicago Regional Office
Federal Deposit Insurance Corporation

/s/ _____
Kevin R. Allard
Superintendent
Ohio Department of Commerce
Division of Financial Institutions