

MINUTES OF THE REGULAR MEETING
OF THE STATE BANKING BOARD

JUNE 18, 2003

As first item in order of business on the agenda, Chairman Thompson called the Banking Board meeting to order at 10:00 a.m., pursuant to the Agenda that was posted for public display prior to 10:00 a.m. on June 17, 2003. The meeting was held in the Conference Room of the State Banking Department, Oklahoma City, Oklahoma.

Second item on the agenda was roll call; the following members were present:

Mick Thompson, Chairman
Gary Huckabay
Chris Conn
John Goad

Members Cartwright, Greer and Newcomb were absent.

Also present: Charles R. Griffith, Deputy Commissioner; Dudley Gilbert, Legal Counsel; Tony Reel, Assistant Deputy Commissioner; Randy Brooks, Director of Examinations; Sherbie Kiffin, Assistant Deputy Commissioner; and Angela Morris, Secretary.

The Chairman noted for the record that a quorum was present.

Third item on the agenda, Chairman Thompson called for approval or discussion of the Minutes of the Meeting of the State Banking Board held May 21, 2003. Member Goad made the motion for approval. Motion was seconded and approved as follows:

Gary Huckabay – voted yes
Chris Conn – voted yes
John Goad – voted yes
Chairman Thompson – voted yes

Fourth item on the agenda, Commissioner's Monthly Reports:

A. Department Status Update.

Chairman Thompson thanked the Oklahoma Bankers Association and Community Bankers Association for sponsoring dinners for the Oklahoma delegation at the CSBS Annual Conference in Asheville, North Carolina. He said both functions were very nice and well attended by the Oklahoma delegation.

Chairman Thompson said last month there was discussion with the Board that there would be a Commissioner's Tour soon regarding the self-funding bill. He said he has visited Ardmore, Clinton,

Oklahoma City, Tulsa, and Perry. He said tomorrow he will be visiting Atoka. He said there has been good attendance at some and average at others. He said between 70-80 bankers have attended and they are expecting approximately total attendance of 100. He said all legislation that was passed has been discussed, and the self-funding issue has been discussed in detail. He said he hasn't heard any voiced concerns or negative comments regarding the self-funding issue. He said bankers have suggested a new facility for the Department. Also suggested was for the Department to be sure reserves are built up for the Department in case of bad times or loss of banks in the future.

Chairman Thompson asked Member Conn if he had anything to add.

Member Conn said the tenor of the meeting was very favorable and everyone seemed happy of the passage of H.B. 1202.

Chairman Thompson said the Board will be in charge of more of the Department's budget and he will be providing more information to the Board regarding the budget.

B. Examination Report .

Chairman Thompson gave the monthly examination report showing that during the month of May one fed member bank, six nonmember banks, four credit unions, one savings and loan, two trust departments and three cemeteries were examined. Examinations in process at the end of May were seven banks, two credit unions, one cemetery, and two trust departments.

Seven staff members and three Senior Examiners attended the CSBS Annual Meeting and Conference (May 28-31).

Thirteen examiners attended a Microsoft Excel Workshop (May 29 and 30).

Chairman Thompson asked Mr. Brooks to give an update on where examinations are.

Mr. Brooks said at the end of May, the Department was eight banks overdue, all of which are joint examinations with the Federal Reserve, and it's up to them to do the scheduling and we should be caught up by the end of June.

C. Legislative Update

Chairman Thompson said any issues or changes that need to be made to the rules or statutes for the next legislative session, please get them to Dudley Gilbert within the next few months.

Chairman Thompson said fees for cemeteries are being looked at and may be adjusted. He said money order fees may also be adjusted.

Member Huckabay asked how it is determined what cemeteries pay?

Chairman Thompson said an annual fee of \$200.00 for cemetery merchandise, \$200.00 for perpetual care fund, and an annual examination fee.

D. Pending Applications

Fifth item on the agenda, Discussion of House Bills 1202 and 1522, signed by the Governor and effective June 3, 2003, and November 1, 2003, respectively.

Chairman Thompson said these Bills have been discussed at length in the past. He asked if there are any questions regarding either bill?

Sixth item on the agenda, Consideration and Prescription of a special assessment rate against banks and trust companies pursuant to Title 6 Okla. Stat. Section 211.A.3, as amended by H.B. 1202, effective June 3, 2003.

Chairman Thompson said there will be a Bill signing Friday (June 20, 2003) at 10:30 a.m. at the Capitol in the Blue Room on the second floor.

Member Huckabay said the passage of H.B. 1202 is very fortunate especially in the current environment.

Chairman Thompson said other agencies are furloughing employees.

Chairman Thompson said if H.B. 1202 did not pass, the Department was going to have to furlough 10-12 days and/or raise fees. He said if the Department had to furlough that many days, there would be no way to keep up with statutory duties and/or agreements with the FDIC and Federal Reserve.

Chairman Thompson said forty-one states cannot make budget right now. He said the last day of session in Illinois, the legislature doubled fees on all state chartered banks (approximately 500 banks) to raise \$12.4 million and all that is going to the general revenue fund in that state.

Chairman Thompson said if you look at the chart provided, it shows in 1999 the Department received 87% of assessments paid by state chartered institutions; in 2004 the Department would have received only 68%. The trend is more money every year going to general revenue instead of to the Department.

Chairman Thompson said assets have gone up, but the assessment amounts have been lowered twice. If the assessments hadn't been lowered, the Department would have received approximately 50% in 2004 instead of 68%.

Chairman Thompson said in January, the Department will pay to the general revenue fund \$1,050,000, which will make everything revenue neutral. No money will be appropriated to the Department from July 2003 to January 2004. The Department's problem is it will have to raise enough money for that six month period to run the agency. He said the Department will need \$2,000,000 for that six month period and this will be done through the special assessment. The Department suggests that a special assessment be set by the Board for .05 per \$1,000 of total assets which is allowed by H.B. 1202. He said the Department has come up with \$1,000,000 by not replacing three employees, not purchasing any equipment and using all revolving money. The other \$1,000,000 will come from the special assessment.

Member Huckabay said the state will receive none of the special assessment money?

Chairman Thompson said that is correct. The state will not receive the mandatory 20% until 2005.

Member Conn asked if Local Oklahoma is included?

Chairman Thompson said no. They are just now being billed for their conversion fee.

Chairman Thompson said the Department will send a letter to all institutions explaining what the special assessment is. Also, the Oklahoma Bankers Association and Community Bankers Association will be sending letters.

Member Conn said the regular assessment will be paid in January. He asked how much will be in reserves after receiving the regular assessment?

Chairman Thompson said approximately \$200,000 if no banks are lost or no other banks convert.

Member Conn asked if there is any chance of having to do another special assessment if something happens between July 1 and January?

Chairman Thompson said no because all banks have paid their assessment for the year. If someone left from now until January, it would affect 2004 assessments, not this year. He said the first year will be a frugal year for the Department.

Member Huckabay said the Department will pay general revenue \$1,000,000 by when?

Chairman Thompson said by March 1, 2004. Chairman Thompson said if you took today's numbers, the assessments next year would bring in approximately \$4,000,000 which would be paid to the Department by February 5 based on December 31 assets. He said the Department gives the state \$1,000,000 and the Department has \$3,000,000 left.

Member Huckabay said the projections are based upon 2003 assessments?

Chairman Thompson said correct.

Member Huckabay said then March 1, the state is paid 25% of assessments?

Chairman Thompson said that is correct. It could have been 32% under the scenario before H.B. 1202 was passed.

Member Conn asked if fees can be adjusted next year?

Chairman Thompson said yes. He said it is important for bankers to talk with national bankers to convert because it would be more beneficial for them to be a state chartered institution.

Member Huckabay asked who does the Department's accounting?

Chairman Thompson said Rhonda Bruno who is a CPA and worked for the Office of State Finance 10-12 years.

Member Conn asked if the Board could receive a copy of the Department's pro forma cash flow for the next twelve months?

Chairman Thompson said yes and went to get a copy of the budget that he and Rhonda worked on this morning. He said the Department will still have to submit a budget to the Office of State Finance and it has to be approved even though the Department is self funded.

Member Huckabay made the motion for a special assessment for banks and trust companies in the amount of .05 per \$1,000 based on March 31, 2003 assets which will be due September 1, 2003. Motion was seconded and approved as follows:

Gary Huckabay – voted yes
Chris Conn – voted yes
John Goad – voted yes
Chairman Thompson – voted yes

Member Huckabay said his recent FDIC bank examination was user friendly and pleasant. He said it was non-confrontational with the FDIC.

Chairman Thompson said the trend seems to be more banks becoming FDIC members instead of Federal Reserve members.

Member Conn made the motion to adjourn at 10:55 a.m. Motion was seconded and unanimously approved as follows:

Gary Huckabay – voted yes
Chris Conn – voted yes
John Goad – voted yes
Chairman Thompson – voted yes

Mick Thompson, Chairman

Gary Huckabay

Chris Conn

John Goad