

MINUTES OF THE REGULAR MEETING
OF THE STATE BANKING BOARD

JANUARY 19, 2005

As first item in order of business on the agenda, Acting Chairman Griffith 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 January 18, 2005. 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:

Charles R. Griffith, Acting Chairman
Chris Conn
John Goad
Gordon Greer
Gary Huckabay

Members Cartwright and Newcomb were absent.

Also present: Dudley Gilbert, Legal Counsel; Sherbie Kiffin, Assistant Deputy Commissioner; Randy Brooks, Director of Examinations; Tony Reel, Assistant Deputy Commissioner; Wayne Arbuthnot, Senior Examiner; Rhonda Bruno, Budget Director/Comptroller; and Angela Morris, Secretary.

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

Third item on the agenda, Acting Chairman Griffith called for approval or discussion of the Minutes of the Regular Meeting of the State Banking Board held December 15, 2004. Member Conn made the motion for approval. Motion was seconded and approved as follows:

Chris Conn – voted yes
Gary Huckabay – voted yes
John Goad – voted yes
Gordon Greer – voted yes

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

A. Department Status Update

Acting Chairman Griffith said Board members should have a copy of the budget information as of December 31, 2004 in their materials. He said the Department is under budget by approximately \$275,000. He said \$1.2 million has been received in assessments and as they come in the Department pays 20% to the General Revenue Fund.

Member Greer said he still has trouble with the June 30 and December 31 numbers.

Ms. Bruno said the state operates on a fiscal year (July-June). The bulk of the cash flow is received in January and is on a calendar basis (January-December). The books are kept on fiscal year which is July-June.

Member Greer asked if the figures are comparing apples and apples all across now?

Ms. Bruno said yes. The information presented compares December 31, 2003-December 31, 2004.

Member Huckabay said the money the Department receives and spends, whenever the budget is done on a July-June basis, is that money going in current year's income for the first six months or the last six months?

Ms. Bruno said the money the Department receives right now will help carry the Department through the calendar year. The budget is from July 1-June 30 and predict what will come in. There is money to carry the Department from July 1-December.

Member Huckabay asked if the money is divided between the fiscal year which the Department is already six months into versus the fiscal year starting the next July 1?

Ms. Bruno said it all goes into the same fund.

Member Huckabay said the money received at the first of the year, is that budgeted for the fiscal year we are in or the next year or for both and if it is for both, how do you divide it between the year you're in or the year you're going to be in?

Ms. Bruno said it's budgeted for both. A new budget is done each year and it is watched throughout the year.

Member Greer said the top part of the chart shows the calendar year. It shows last year, current year and the coming year. He said this doesn't have anything to do with the fiscal year. He said everything is December 31.

Member Huckabay said that makes sense.

Member Greer said knowing there is a fiscal year makes it confusing.

Member Huckabay asked what the target for assessments to be put into reserves is and will that allow the assessment rate to be lowered?

Acting Chairman Griffith said \$2 million in the revolving fund is what the Commissioner is targeting.

Member Huckabay said assuming the \$2 million was in the revolving fund what would that make the assessment be then?

Acting Chairman Griffith said he had no idea.

Ms. Bruno said this is something that would have to be looked at. She said asset growth and other factors would have to be included.

Member Huckabay asked what percentage that is assessed to banks goes to operations versus what goes to reserves?

Ms. Bruno said 20% goes to general revenue, 80% is kept by the Department and approximately 80-90% of that is going to operations.

B. Examination Report .

Acting Chairman Griffith gave the monthly examination report showing that during the month of December four fed member banks, one nonmember bank, two credit unions, one holding company and four cemeteries were examined. Examinations in process at the end of December were nine banks, two credit unions, two cemeteries, two trust departments and one holding company.

Seven (7) examiners from the Tulsa office listened to a FRB webcast concerning its BSA outreach program.

Two (2) staff members sat in on a CSBS webcast concerning "Phishing Scams in the Banking Industry".

C. Legislative Update

He gave Board members a copy of the Commissioner's Bill (H.B. 1234). He said the bill is not controversial and is mainly cleanup language.

Mr. Gilbert said he received some suggested changes/clarifications from Member Huckabay and those were made.

D. Pending Applications

Acting Commissioner Griffith said all Board members should have received pending applications for January 14. He said there will be a new bank charter application coming in regarding branches of GoldBank.

Member Huckabay asked if their plan is to get a new charter to own the branches in Oklahoma?

Acting Commissioner Griffith said there is a gentlemen from Texas who is going to charter a new bank and buy the branches in Kingfisher, El Reno, Oklahoma City, and maybe another location. The main office will be in Oklahoma City.

Fifth item on the agenda, Consideration of Application for Authority to Engage in the Trust Business by North Bay Trust Company, Inc., Oklahoma City, Oklahoma, pursuant to Title 6 O.S. § 1740 et seq.

Christian Guzzy, Attorney, is present to answer questions.

Acting Commissioner Griffith said one of these was approved previously in September 2001 – Columbia Trust Company.

Mr. Gilbert said this application comes to the Department under the State Trust Institutions Charter Modernization Act. This Act was a product of CSBS that was promoted and enacted in Oklahoma in 1998. There are not a lot of states that followed through with adopting this Trust Modernization Act. There are approximately four or five sections that are directed to private trust companies, but generally the Act is intended to modernize the trust laws and allow for consumers to set up trusts more easily.

Mr. Gilbert said this application was first brought to the Department about a year ago by Christian Guzzy. He said one of the unique things about a private trust company is they only deal with family members and therefore, the risk to the community is minimal. He said there is still risk but it is primarily limited to specific family members. As a result, the Private Trust Company Act permits the proposed company to request exemptions from requirements that otherwise apply to public trust companies. Mr. Guzzy's firm and the Department corresponded over a period of three or four months before the application was made and various exemptions were discussed. The Commissioner is authorized to grant exemptions and has done so.

Mr. Gilbert said the Banking Code requires a trust company to have quarterly Board meetings. This is the first exemption: they asked to meet twice per year and their request was granted.

Mr. Gilbert said their second request was for a reduction in capital requirements. Because of the minimal risk to the public, the exemption was granted. However, he said the capital requirement agreed upon is 1% of assets held in trust.

Mr. Gilbert said the third request for exemption was from publication requirements in the newspaper. This exemption was granted because publication is primarily for community comment. This trust company will not be doing any business with the public or imposing any competition against any existing trust company in the community. Therefore, there is no need for publication.

Mr. Gilbert said their fourth request was with respect to capital held by the trust company. He said trust companies are under the same restrictions as a bank with respect to its capital and they requested to be able to make investments in assets that are not eligible for banks or other trust companies. This request was denied and we told them they would have to comply with the same investment requirements that a public trust company would have to comply with.

Mr. Gilbert said their fifth request was to be exempt from pledging securities or purchasing a bond. He said a trust company or a bank with a trust department has to pledge securities or purchase a bond for purposes of protecting the community. The request for an absolute exemption was denied. However, the company has been permitted to purchase an irrevocable letter of credit instead of a bond.

Mr. Gilbert said the application is complete and if the Board approves the application, then an application for a Certificate of Authority will be submitted to the Commissioner for his approval. He said Examiner Wayne Arbuthnot visited with the company and can answer any questions.

Member Huckabay asked what safeguards there are for a Letter of Credit?

Mr. Gilbert said the Commissioner has to approve the Letter of Credit and it has to be irrevocable.

Member Greer asked Mr. Gilbert for clarification on what he said about denying their application for certain types of investments?

Mr. Gilbert said that the trust company's own capital must be invested in only eligible investments under § 806 of the banking code, even though the fiduciary assets may be invested in other types of ventures.

Member Huckabay asked if would be paid to the beneficiary?

Mr. Gilbert said in this case it would be the Letter of Credit.

Member Greer asked what the difference is between this applicant and Investors Trust Company?

Mr. Gilbert said Investors Trust Company deals with the public. This applicant will not be dealing with the public.

Member Greer said Columbia Trust Company is the only other trust like this applicant?

Mr. Gilbert said that is correct.

Mr. Guzzy said Mr. Gilbert has done a great job on this application. The principals behind the applicant have deposited the approximate amount of capital that is needed.

Member Goad made the motion for approval of the New Trust Charter. Motion was seconded and approved as follows:

Chris Conn – voted yes
Gary Huckabay – voted yes
John Goad – voted yes
Gordon Greer – voted yes

Member Conn made the motion to adjourn at 10:28 a.m. Motion was seconded and unanimously approved as follows:

Chris Conn – voted yes
Gary Huckabay – voted yes
John Goad – voted yes
Gordon Greer – voted yes

Charles R. Griffith, Acting Chairman

Gary Huckabay

Gordon Greer

John Goad

Chris Conn