

MINUTES OF THE REGULAR MEETING

OF THE STATE BANKING BOARD

AUGUST 16, 2006

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 August 15, 2006. Notice of the meeting was also made available to the Secretary of State pursuant to Title 25 O.S. § 311 (The Open Meeting Act). 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
David Burrage
Gordon Greer
Bob Newcomb

Member Conn, Member Goad, and Member Meyer were absent.

Also present: Dudley Gilbert, Legal Counsel; Charles Griffith, Deputy Commissioner; Sherbie Kiffin, Assistant Deputy Commissioner; Stacey Tayar, Administrative Assistant; Rhonda Bruno, Budget Director, and Angela Morris, Secretary.

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

Chairman Thompson said Member Conn had surgery recently and is doing well.

Member Newcomb made the motion for approval of minutes of meeting held June 21, 2006. Motion was seconded and approved as follows:

David Burrage – voted yes
Gordon Greer – voted yes
Bob Newcomb – voted yes

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

Chairman Thompson discussed the Department's budget, a copy of which is in the Board packets. He said the Expenditure Summary was \$368,000 over last year's total, but 16% under this year's budget. He said on the Expenditure increases were because of salary, retirement insurance, and travel. Professional services, administrative expenses and equipment were all down this year. He said on the Revenue Report for the year \$6,035,000 was collected.

Member Greer asked if the Department recently acquired additional responsibilities?

Chairman Thompson said yes. The Department will be registering and licensing money transmitter companies in Oklahoma. He said Mr. Gilbert has drafted an agreement for the Bureau of Narcotics approval. He said currently twenty money transmitter companies have contacted the Department and have a total of 2,100 agents. The Department will license them and the Bureau of Narcotics will contact the agents to make sure they are in compliance.

Member Greer asked when the licensing would begin?

Chairman Thompson said rulemaking would first need to be completed and then determine what the fee will be. Two companies have over 600 agents each.

Mr. Gilbert said financial institutions are exempt from this licensing. He said first the Department is asking companies to submit their agent lists and then rulemaking will be implemented and brought before the Board in November or December.

Chairman Thompson said there will be cost sharing with the Bureau of Narcotics once fees are charged.

Member Burrage asked if there will be any audit responsibilities?

Chairman Thompson said not at this time.

Mr. Gilbert said financial institutions that do money transmission are examined by the Department. The Federal Trade Commission and IRS examine other type of companies that transmit currency such as gas stations, grocery stores, etc.

Chairman Thompson said the Department audit is finally complete. He said some of the findings were: segregation of duties within the Department; out of approximately \$6 million in deposits, \$200 was deposited in the wrong fund (this was probably due to rounding errors based on how banks send in their assessments).

Member Greer suggested having an internal policy for rounding errors up to a certain amount.

Chairman Thompson said he would look into that. He said another issue was a purchase order that was for a telephone service, but had been put under a freight category; two deliveries that had been signed for by employees, but the word "received" was not written next to their name; and a purchase of \$39 of paper towels that supposedly wasn't on state contract, but when items were ordered from the website, it was stated that it was a state contract business. Overall he feels it was a very good audit with very few findings.

Chairman Thompson gave Board members a copy of the new building plans. He said the name of the architectural firm is TAP. He said this is the first project under the state's Lincoln Boulevard renaissance project.

Member Greer asked if examiners would have cubicles?

Chairman Thompson said yes. He said currently two people share a cubicle, but in the new building everyone will have their own cubicle.

Member Greer asked if there would be a back exit?

Chairman Thompson said yes. He said there will also be a portico for examiners to use to bring paperwork in and out of bad weather.

Chairman Thompson said at the April Banking Board meeting he was somewhat critical of the Federal Reserve Bank. He said Esther George, Senior Vice President and Bob Toler, Assistant Vice President of the Federal Reserve Bank visited the Department recently to discuss making the relationship between the two agencies more positive. He said the meeting went well. He said he discussed an Agreement that the Department has with the FDIC and suggested that the Department and Federal Reserve Bank should also have an agreement. Mrs. George stated the Federal Reserve would review the agreement and report back to the Department. Also, Mrs. George asked about the Federal Reserve and the Department continuing their training of loan officer, and the Chairman thinks that is a great idea. Mrs. George and Mr. Toler were both very positive about the relationship with the Federal Reserve and the Department. Chairman Thompson looks forward to working with the Federal Reserve.

B. Examination Report.

Chairman Thompson gave the monthly examination report showing that during the month of July one fed member bank, three non fed member banks, two credit unions, three cemeteries, and one money order company were examined. Examinations in process at the end of July were two banks, one credit union, and one cemetery.

Two examiners attended the Cannon Trust School.

Two examiners attended the Colorado Graduate School of Banking (one graduated).

One staff person attended the AICPA Controllers Workshop.

One examiner attended the Northern American Cemetery Regulators Association Annual Meeting and Conference.

Member Greer asked where the Department is on examinations?

Mr. Griffith said the Department is caught up on the exams.

Chairman Thompson reported to the Board that Carter Mathews, Supervisory Examiner, recently resigned and is now the president of First Priority Bank.

Member Newcomb asked how Randy Brooks is doing?

Chairman Thompson said he came in to visit the office last week and has a long way to go, but is improving. He is still doing physical therapy.

C. Legislative Update.

Chairman Thompson gave Board members a copy of a letter from federal regulators that was sent to CSBS regarding Industrial Loan Companies. He said the information says that you can't discriminate against an Industrial Loan Company regarding interstate branching; it has to be basically the same law that an out of state bank would follow. Because of S.B. 1680, Oklahoma's interstate branching could be in jeopardy. He said the Department met recently with the Oklahoma Bankers Association regarding this. He said the Department is preparing to issue an Interpretive Statement regarding this matter.

Fifth item on the agenda, Consideration of Request for Approval of Merger and Application for Certificate to Maintain and Operate a Branch:

- A. Application for Merger of AllNations Bank, Calumet, Oklahoma, with and into Bank2, Oklahoma City, Oklahoma, pursuant to Title 6 O.S. Section 1103.
- B. Branch Application of Bank2, Oklahoma City, Oklahoma, pursuant to Title 6 O.S. Section 501.1 and O.A.C. 85:10-9-2.
Branch Location – 112 East Main in Calumet, Oklahoma
Proposed Name: "Bank2"

Paul Foster, Attorney, and Ross Hill, President of Bank2 were present.

Mr. Gilbert said before the merger between these two banks can take place, the holding company for Bank2 must acquire AllNations Bank. The acquisition has not yet been consummated so therefore the merger cannot be done at this time. He said Mr. Foster has suggested that the Board consider tabling this application for merger and branch until a later date.

Member Newcomb made the motion to table the Application for Merger of AllNations Bank, Calumet, Oklahoma, with and into Bank2, Oklahoma City, Oklahoma, and Branch Application of Bank2, Oklahoma City. Motion was seconded and approved as follows:

David Burrage – voted yes
Gordon Greer – voted yes
Bob Newcomb – voted yes

Sixth item on the agenda, Consideration of Changes to the Oklahoma State Banking Department Employee Position Description Manual pursuant to Title 6 O.S. Section 201.C.5.

Mr. Gilbert explained the changes to the Employee Position Description Manual resulting from statutory changes in H.B. 1181.

Member Greer made the motion to approve the change to the Employee Description Manual. Motion was seconded and approved as follows:

David Burrage – voted yes
Gordon Greer – voted yes
Bob Newcomb – voted yes

Member Newcomb made the motion to adjourn at 10:45 a.m. Motion was seconded and unanimously approved as follows:

David Burrage – voted yes
Gordon Greer – voted yes
Bob Newcomb – voted yes

Mick Thompson, Chairman

David Burrage

Gordon Greer

Bob Newcomb