

MINUTES OF THE REGULAR MEETING
OF THE STATE BANKING BOARD

OCTOBER 18, 2006

As first item in order of business on the agenda, Chairman Thompson called the Banking Board meeting to order at 10:05 a.m., pursuant to the Agenda that was posted for public display prior to 10:00 a.m. on October 17, 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
Chris Conn
Gordon Greer
Jim Meyer
Bob Newcomb

Member Goad was absent.

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

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

Member Conn made the motion for approval of minutes of the meeting held September 20, 2006. Motion was seconded and approved as follows:

David Burrage – voted yes
Chris Conn – voted yes
Gordon Greer – voted yes
Jim Meyer – voted yes
Bob Newcomb – voted yes

Chairman Thompson wished Member Greer Happy upcoming 70th Birthday from the Department.

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

Chairman Thompson referred to the Expenditure Summary, number seven on the first page shows the Department under budget by \$376,000, but this will change when the 5% mandated salary increase and examiner skill based adjustment begins next month. He referred to the Expenditure Summary by Object Code, on the second page under Professional Services is an increase from

\$54.00 to \$17,000 which are costs incurred for the new building for architectural services. He referred to the Revenue Report, on the third page, monthly amount collected is \$29,000 and for the quarter is \$98,000.

Chairman Thompson said the Board will next month make recommendations for assessment rates for 2007.

Member Greer asked where the process of the building is and what timeline is being followed.

Chairman Thompson said the Department has met with the architect firm several times and are now meeting with electrical and mechanical engineers. There should be a final draft in the next 60-90 days. The building is about 8,000 square feet and he should have additional information next month.

Member Newcomb asked where the new building is from the Agricultural building.

Chairman Thompson said directly north.

Member Greer asked if bids go through the state.

Chairman Thompson said the Department has an architect who works for the Department of Central Services.

Member Greer said the Department basically has control of the layout and the costs.

Chairman Thompson said yes.

Member Meyer asked if the category "Professional Services" will be depleted by year end.

Rhonda Bruno said doubtful because the number used was high.

Member Greer said he's had trouble figuring out the numbers because some are fiscal and part are calendar.

Chairman Thompson said the Department is self-funded and receives its money by year end, but everything else is based on a July to June fiscal year. He said a six month report would be more meaningful than the quarterly report.

Chairman Thompson gave Board members copies of the Audit Report. He said on the first page the Auditor asked for segregation of duties. The Department's response was the Department is such a small agency, it wouldn't be beneficial and there are internal controls in place to detect errors, etc.

Rhonda Bruno said when the Department receives a check, Zee Fiddes, Clerk, stamps the back of the check, makes three copies (one for the application, one for herself and one to be coded with what the check is for and given to Rhonda). A deposit is made the same day the check is received.

Chairman Thompson said receipt of checks has three people involved, but they aren't always the same three people.

Chairman Thompson said on item two, 20 deposits were randomly selected and there were no findings.

Chairman Thompson said on item three, the Auditor recalculated the required percentage/amount to be deposited into the General Revenue Fund. There was no concern for this item.

Member Greer asked when the 10% deposit to the General Revenue Fund will begin?

Rhonda Bruno said January 2007.

Chairman Thompson said on number four, 60 vouchers were reviewed, seven were not recorded properly. The Department had included freight and telephone together, but they should have been separated.

Member Meyer asked if the "Report of Agreed-Upon Procedures" was the first type of audit the Department had.

Rhonda Bruno said yes. They are usually financial audits.

Member Meyer asked if this will be the same audit every year.

Chairman Thompson said they will be either financial audits or Agreed-Upon Procedure Audits.

Chairman Thompson said on page three, items 5, 6, 7, 8, and 9, there were no findings.

Chairman Thompson said items 10, 11, and 12, dealing with purchase cards, there were no findings.

Chairman Thompson said item thirteen, two receipts were not signed with the word "received" next to the name and nine transactions were not purchased through state contracts. The items were purchased from a web site that stated the vendor was under state contract, but apparently dropped out of state contract and failed to take it off their website.

Member Greer asked if general revenue received interest.

Chairman Thompson said yes on top of the 10%.

Chairman Thompson complimented Rhonda on her compliance with all items.

Chairman Thompson gave Board members a brochure showing different types of pavers that can be purchased through the Centennial Committee to put names on.

B. Examination Report.

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

One senior examiner and one staff member attended the CSBS Technology Seminar. One senior examiner completed a six week online course for money services businesses.

Chairman Thompson said Member Meyers asked for examination information last month and gave Board members copies. He said this information can be provided quarterly.

Chairman Thompson asked if the Department is up to date on examinations?

Tony Reel said yes, ahead of schedule.

Member Greer asked if the exams performed include exams with the FDIC and Federal Reserve.

Mr. Reel said yes.

Member Greer asked if 1-2 rated banks are on an 18 month schedule.

Chairman Thompson said the Financial Regulatory Relief Act has passed. He said well-managed and capitalized banks, over \$250 million but under \$500 million will now be on a 18-month basis instead of a 12-month basis (copy given to Board members). CSBS also added an amendment giving states full voting rights on the FFIEC Council, which in the past they didn't have, only federal regulators could vote.

Mr. Gilbert said another provision was that interstate agreements are now recognized. If, for example, an Oklahoma bank branches into Texas, Texas cannot charge that bank unless the Department and Texas have an agreement. It prevents a bank from having to worry about paying more than once.

Member Greer asked if 18 months is the maximum time between exams.

Chairman Thompson said yes.

Member Greer asked if money order companies are new at being examined.

Chairman Thompson said cemeteries and money order companies are done on an internal cycle, not by statute.

Mr. Gilbert said the Department used to accept outside audits for money order companies, but now also does its own exams on top of the mandated outside audits.

Chairman Thompson said money transmitters now have approximately 2,100 agents in Oklahoma represented by 20 companies. He will be testifying before the Revenue and Taxation Committee next Tuesday regarding money being wired in and out of the country. An application

is being developed between the Department and Bureau of Narcotics. Rulemaking will begin soon on money transmitters.

C. Legislative Update.

Chairman Thompson said the Department will be meeting with the OBA next week regarding upcoming legislation. If there are any rules or statutes that need to be looked at, please let the Department know soon.

Member Greer asked if there would be any real estate rulemaking.

Mr. Gilbert said there was a joint federal guidance CRE proposed in January 2006.

Member Greer said there were many protests to this.

Mr. Gilbert said the comment period ended in March 2006, and the guidance has not been reissued. This is a federal issue and the OCC is for it, but it appears the OTS may be backing away from it. Member Conn said the OCC ignored the protests.

Chairman Thompson said an interim study is being done in Oklahoma regarding real estate brokerage. This is an industry issue.

Member Greer asked if the FDIC is anticipating any news on the Wal-Mart issue.

Chairman Thompson said he believes the issue has stalled.

Member Burrage asked if the Department is involved in the issue of risk weighting of Federal Home Loan Bank advances?

Mr. Gilbert said the Department is not involved in this.

Member Burrage expressed concern about some loans being used to generate tax credits under the Rural Venture Capital Formation Incentive Act.

Member Conn asked if they are transferrable.

Member Burrage said yes.

Mr. Gilbert said banks are involved at a risk free investment. He said the loans are not used as tax credits for the banks. He said Senator Ted Fisher closed a loophole last legislative session. He said the money was supposed to go to small business venture capital company and dispensed through rural communities, but what happened was investments were put into CDs which offset the loans and the money didn't get to where it was supposed to be going.

Member Burrage said he knows of a bank currently doing this.

Mr. Gilbert said the bank probably started the process before the most recent amendments became effective. If the investment was approved before the amendments went into effect, the investment need not be done yet. This should be the last of these type of loans.

Member Conn asked if money transmitters will be a burden to the Department.

Chairman Thompson said he didn't think so. The Department will only be licensing them. Bureau of Narcotics will actually be visiting the companies, no supervision by the Department.

Member Greer asked how the fees will be distributed.

Chairman Thompson said they will go to the Department. There may be an interagency agreement with the Bureau of Narcotics which could share a part of the fees received.

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

- A. Application for Merger of Bank of Nichols Hills, Oklahoma City, Oklahoma, with and into RCB Bank, Claremore, Oklahoma, pursuant to Title 6 O.S. § 1103.
- B. Branch Application of RCB Bank, Claremore, Oklahoma, pursuant to Title 6 O.S. § 501.2 and O.A.C. 85:10-9-2.
Branch Location – 2644 N.W. 63rd Street, Oklahoma City, Oklahoma
Proposed Name: “RCB Bank of Nichols Hills”

Tom Bayless, President of RCB Bank, Claremore, was present to answer questions.

Mr. Bayless said on April 14, 2006, RCB Holding Company, Inc. acquired 100% of Pioneer Bancshares which owns Bank of Nichols Hills. He said they plan to merge Pioneer Bancshares into RCB Holding Company and submit a request to merge Pioneer Bank & Trust effective February 9.

Member Newcomb said there will be no ownership change.

Mr. Bayless said that is correct.

Member Newcomb made the motion to approve the merger. Motion was seconded and approved as follows:

David Burrage – voted yes
Chris Conn – voted yes
Gordon Greer – voted yes
Jim Meyer – voted yes
Bob Newcomb – voted yes

Member Greer made the motion to approve the branch application. Motion was seconded and approved as follows:

David Burrage – voted yes
Chris Conn – voted yes
Gordon Greer – voted yes
Jim Meyer – voted yes
Bob Newcomb – voted yes

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

David Burrage – voted yes
Chris Conn – voted yes
Gordon Greer – voted yes
Jim Meyer – voted yes
Bob Newcomb – voted yes

Mick Thompson, Chairman

David Burrage

Chris Conn

Gordon Greer

Jim Meyer

Bob Newcomb