

MINUTES OF THE SPECIAL MEETING

OF THE STATE BANKING BOARD

DECEMBER 5, 2018

**First item** 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 November 29, 2018. Notice of the meeting was also made available to the Secretary of State and other interested parties 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  
Sandy Bracken  
Wade Huckabay  
Brad Krieger  
Bob Newcomb  
Tom Thompson

Member Brand was absent.

Also present: Dudley Gilbert, Deputy Commissioner; Wayne Arbuthnot, Assistant Deputy Commissioner; Steven Hawkins, Budget Director; Jon Morphis, Regional Examiner; Paul Qualls, Director of Examinations; Bob Toler, Review Officer; Regina Rainey, Chief of Staff; and Angela Morris, Administrative Assistant.

**Third item** on the agenda was the approval of the minutes for the meeting held August 29, 2018.

Member Huckabay made the motion for approval of the minutes of the meeting held August 29, 2018. The motion was seconded by Member Thompson and approved as follows:

Sandy Bracken  
Wade Huckabay  
Brad Krieger  
Bob Newcomb  
Tom Thompson

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

A. Department Status Update

Chairman Thompson discussed the findings of the Department's recent audit by the State Auditor and Inspector.

Mr. Hawkins explained to the Board how the Department currently has segregated the duties associated with agency purchases. He explained how all purchases go through several personnel before an item is obtained.

Chairman Thompson discussed the Department's dual control process for performing an inventory review.

Chairman Thompson said at the previous meeting he reported that examination reports would include language regarding services provided to marijuana-related businesses. Since that meeting, the Department has decided to only describe an institution's compliance with the 2014 FinCEN Guidance in the Examination Report. However, in a separate letter, the Department will remind the institution that providing services to marijuana-related businesses remains illegal under federal law.

Chairman Thompson said the annex building has architectural plans being prepared. Annex building information will be updated for the Board as it develops.

Member Newcomb asked how many feet the annex will be? Chairman Thompson said approximately 4,000.

Chairman Thompson reported the Department has hired an Examiner Trainee and also a Legal Counsel.

#### B. Examination Report

Chairman Thompson said examinations of five non-member banks and one credit union were completed in October 2018. Examination of five banks, one credit union, one trust company, and one trust department were in process as of October 31, 2018.

#### C. Legislative and Rulemaking Update

Ms. Regina Rainey reported that orientation day was this week at the Capitol. Introductions were made to House and Senate staff. Bill requirement deadline is Friday, December 7. So far the Senate has 18 Bills and the House 0. She said the Department has no plans to request changes to the Banking Code this year.

Chairman Thompson added he understands at this time the OBA and CBAO have no plans to request a bill. If there are any items that need to be addressed, please let the Department know as soon as possible.

#### D. Pending Applications

Chairman Thompson confirmed each Board Member is receiving the report of pending applications. He then asked Dudley Gilbert to discuss a recent application for a de novo charter.

Mr. Gilbert reported Gateway Mortgage Group, LLC filed an application for a *de novo* charter. It will also file a merger application and branch application in connection with the charter application. He stated that Gateway Mortgage Group, LLC and Farmers Exchange Bank, Cherokee began change-of-control discussions in 2017 and the parties finalized an agreement in September 2018. He stated that the parties had originally applied to FDIC for change of control, which requires approval of multiple federal regulators even though the resulting bank would not be a Fed member. The Department was not part of the change-of-control application, but the applicant was told it could be a minimum of a six-month approval process by the federal regulators. Therefore, the FDIC suggested to the applicant that it form a charter to facilitate a merger.

Mr. Gilbert stated the applicant is expected to publish notice of the charter application this week. If so, the comment period will expire near the end of December 2018. The new charter intends to merge with Farmers Exchange Bank, Cherokee.

Mr. Gilbert then discussed that Governor Elect Stitt had been a Manager of Gateway Mortgage Group and owner (through trusts) of Gateway Mortgage Group. Mr. Gilbert stated that he understands that the Governor Elect is in the process of relinquishing control and management of both the company and the trusts. He also stated that the application we received shows that Governor Elect Stitt will not be part of the bank's board or management team. He also will not be a shareholder or trustee of any shareholder that will own stock in the bank.

Mr. Gilbert then stated that while the Oklahoma Governor appoints the Commissioner and members the Banking Board, the Banking Department is focused on avoiding any perception of a conflict of interest with Governor Elect Stitt. In that regard, he advised the Banking Board as follows:

1. The Banking Board will review and consider the applications on January 9, 2019, which is prior to the Governor Elect taking office.
2. Banking Board members should avoid any discussions of applications (*i.e.*, charter, merger, or branch) with the Governor Elect and his staff. Board members should review only the Department's analysis of the applications – which will be focused on capital, management, and the proposed business plan.
3. Any approvals provided by the Banking Board will be contingent on federal regulatory approval. He stated that the FDIC will have to separately approve the merger application, branch application, and deposit insurance for the surviving bank.
4. If the applications are approved, the FDIC has agreed to be the lead agency during all examinations of the bank while Governor Elect Stitt remains in office.

**Fifth** item on the agenda:

Consideration and prescription of the rates of bank and trust company assessments for Oklahoma chartered institutions existing as of December 31, 2018, calculated on institution assets as of December 31, 2018, pursuant to Title 6 O.S. §211(A)(2).

Commissioner Thompson discussed the Department's Expenditure Summary and Revenue Report. He also showed Board members a slide presentation that included a history of the Department's

assessment rates and the amount assessments have been reduced over the past several years. He discussed three proposals for setting assessment rates and explained the impact of each proposal. He stated that the Board could select among the Department's proposed plans or develop an assessment plan of its own.

The Commissioner also discussed costs associated with the annex building and how the assessment rates will impact that project.

After discussion by Board members and review of the assessment proposals, Member Krieger made a motion to set the assessment rate for banks at:

18¢ per \$1,000 of assets on the first \$1 billion,  
14 ¢ per \$1,000 on the assets exceeding \$1 billion, but not exceeding \$2 billion,  
10¢ per \$1,000 on assets exceeding \$2 billion but not exceeding \$4 billion, and  
7¢ per \$1,000 on assets exceeding \$4 billion

and the Commissioner is directed to reduce the total collected assessment by 10% for each bank with assets of \$1 billion or less and by 5% for each bank with assets greater than \$1 billion.

The motion was seconded by Member Bracken and approved as follows:

Sandy Bracken  
Wade Huckabay  
Brad Krieger  
Bob Newcomb  
Tom Thompson

Member Bracken then made the motion to set the rate of trust company assessments as follows:

18¢ per \$1,000 of company-owned assets, plus  
a rate of 10¢ per \$1,000 of assets under management - with this portion of the assessment capped at \$25,000.

The motion was seconded by Member Newcomb and approved as follows:

Sandy Bracken  
Wade Huckabay  
Brad Krieger  
Bob Newcomb  
Tom Thompson

**Sixth** item on the agenda, Adjournment.

Member Newcomb made a motion to adjourn. The motion was seconded by Member Bracken and approved as follows:

Sandy Bracken  
Wade Huckabay  
Brad Krieger  
Bob Newcomb  
Tom Thompson

The meeting adjourned at 11:15 a.m.

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Mick Thompson, Chairman

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Sandy Bracken

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Brad Krieger

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Tom Thompson

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Wade Huckabay

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Bob Newcomb