



Comptroller of the Currency
Administrator of National Banks

Washington, DC

Conditional Approval #493
October 2001

September 28, 2001

Mr. John H. Beirise
President and CEO
Native American Bancorporation
P.O. Box 261178
Denver, Colorado 80226

Re: The Consolidation of Blackfeet National Bank (BNB), Browning, Montana with Native American Interim Bank, National Association (In Organization), Browning, Montana, under the charter number of BNB with the title of Native American National Bank (NANB) to Facilitate the Acquisition of BNB by Native American Bancorporation (NAB), Denver, Colorado
OCC Control Number: 2001-WE-02-0010

Dear Mr. Beirise:

This is to inform you that effective this date, the Office of the Comptroller of the Currency (OCC), has conditionally approved the proposal described above. Native American Interim Bank, National Association (In Organization) (Interim Bank), Browning, Montana will consolidate with Blackfeet National Bank (BNB), Browning, Montana under the charter of the latter and with the title of "Native American National Bank" (NANB). The establishment of Interim Bank and the consolidation of Interim Bank with BNB is legally permissible under 12 USC 21, 215, and 1828(c).

NAB will be owned by a number of federally recognized Native American tribes. Based on proposed initial shareholdings, none of the tribes will be considered a principal or controlling shareholder. Your proposal calls for the resulting bank, NANB, to significantly expand the size and geographic scope of its operations in the future and to completely replace the current board of directors and management team at BNB.

This conditional approval is granted based on a thorough review of all information available, including representations and commitments made in your application or subsequently submitted to the OCC by you or your representative. We also made our decision to approve this transaction with the expectation that the parent bank holding company, Native American Bancorporation (NAB), will comply with the requirements imposed by the Board of Governors of the Federal Reserve System on NAB's application to acquire BNB.

Conditions associated with this conditional approval generally fall into one of the following three categories:

- Issues concerning tribal sovereignty presented by ownership of the bank holding company (BHC) by a number of federally recognized Native American tribes, none of which will have controlling ownership of the BHC based on the proposed initial shareholdings.
- Condition of the target bank and its operation under a Formal Agreement.
- Conditions equivalent to those required for a new bank, reflecting anticipated substantial changes in operating plan.

Approval of the consolidation is granted subject to the following:

1. You must complete all required steps to organize the interim national bank.
2. If the consolidation is not consummated **within one year from this date**, the approval shall automatically terminate unless the OCC has granted an extension.
3. The Licensing Manager in our San Francisco District Office must be advised **at least 10 days in advance** of the desired effective date for the consolidation so that the OCC may issue the necessary certification letter. The effective date must be on or after the date of this letter.

We will not issue a letter certifying consummation of the transaction until we have received the documents listed in Attachment A (Consummation Certification Requirements).

In addition, we will not certificate the consummation until the following conditions have been satisfied:

1. Upon consummation, the resulting consolidated bank shall have total Tier 1 capital of no less than \$7.5 million.
2. NANB's directors have met the ownership requirement contained in 12 USC 72 and have taken an oath, pursuant to 12 USC 73, in the format prescribed by the OCC and set forth in Attachment B (OCC Prescribed Bank Director Format).

In addition, our approval is subject to the special conditions included in Attachment C (Enforceable Conditions under 12 USC 1818) that are conditions "imposed in writing by the agency in connection with the granting of any application or other request" within the meaning

of 12 USC 1818.

The OCC poses no objection to the following individuals serving as directors and executive officers of the bank. All other directors and executive officers are subject to the OCC's **prior** review and clearance.

Lewis A. Anderson	Director
John H. Beirise	President and Chief Executive Officer
Elouise Cobell	Director
John B. Cole	Director
Bryon I. Mallott	Director
William C. Mealing	Director
William D. Snyder	Director

In addition, the OCC has granted approval for NANB to be designated as a Community Development Bank (see enclosed letter). With a community development focus, other national banks may invest in NAB consistent with statutory requirements found at 12 USC 24 (Eleventh) and its implementing regulation, 12 CFR 24 or 12 USC 24 (Seventh) and 12 CFR 5.36.

We also grant approval for a waiver request of the residency requirements of 12 USC 72 for a majority of NANB's directors, as requested in the application. This waiver is granted based upon a review of all available information, including the filing, and the applicant's representation that this waiver will not affect the board's responsibility to direct NANB's operations in a safe, sound, and legal manner. Please understand that the OCC reserves the right to withdraw or modify this waiver and, at its discretion, to request additional information at any time in the future.

This conditional approval, and the activities and communications by OCC employees in connection with the filing, do not constitute a contract, express or implied, or any other obligation binding upon the OCC, the U.S., any agency or entity of the U.S., or an officer or employee of the U.S., and do not affect the ability of the OCC to exercise its supervisory, regulatory and examination authorities under applicable law and regulations. The foregoing may not be waived or modified by any employee or agent of the OCC or the U.S.

All correspondence and documents concerning this transaction should be directed to Licensing Manager James Bundy in our San Francisco District Office. Jim may be contacted at (415) 545-5916.

A separate letter is enclosed requesting your feedback on how we handled your application. We would appreciate your response so we may improve our service.

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Very truly yours,

-signed-

Jan Kalmus
National Bank Examiner/Senior Licensing Analyst

Enclosures:

“The Internet and the National Bank Charter”
OCC Letter Approving Designation as a Community Development Bank
Survey Letter

Attachments:

Attachment A – Consummation Certification Requirements
Attachment B – OCC Prescribed Oath of Bank Director Format
Attachment C – Enforceable Conditions under 12 USC 1818
Attachment C-1 – Standard Requirements
Attachment C-2 – Minimum Policies and Procedures

Consummation Certification Requirements

We will not issue a letter certifying consummation of the transaction until we have received the list of documents that follow.

1. A Secretary's Certificate from each consolidating institution certifying that a majority of the board of directors has agreed to the proposed consolidation;
2. An addendum to the consolidation agreement binding Native American Interim National Bank to the consolidation;
3. A Secretary's Certificate from each consolidating institution certifying that the shareholder approvals have been obtained;
4. A commitment letter to the OCC from each tribal investor that will own three percent or more of NABC stock and/or that will have a director on NANB's board of directors, in a format acceptable to the OCC.
5. A commitment letter to the OCC from NABC in a format acceptable to the OCC.
6. Articles of association for NANB that contain the following restrictive language consistent with its intent to have a community development focus:

“The purpose of the association shall be to carry on the business of banking, and other activities incidental to banking, under the laws of the United States of America, with a particular focus on promoting the public welfare by means of permissible loans, investments, and services pursuant to the applicable laws of the United States, including, but not limited to, 12 USC section 24(Eleventh) and 12 CFR part 24. The foregoing provision pertaining to a particular focus on promoting the public welfare may only be amended after such amendment has received the prior non-objection of the Comptroller of the Currency.”

7. Articles of association for NANB that contain the following specified language that emphasizes the responsibility of each bank director to comply with federal banking laws and to act consistently with safe and sound banking practices:

The board of directors has a legal responsibility and fiduciary duty to shareholders to administer the Bank's affairs faithfully, and oversee its management. Commensurate with those duties, each director must:

- Acknowledge that as a director of the Bank, the Bank and members of the Board of Directors of the Bank are governed by and subject to federal banking laws, including, but not limited to titles 12, 18, 15 and 42 of the United States Code;

- Acknowledge that the Office of the Comptroller of the Currency, Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Federal Trade Commission, the United States Department of Justice, the United States Department of the Treasury, the United States Department of Housing and Urban Development, and any other federal banking agency or department (individually a “federal banking authority” and collectively the “federal banking authorities”), as appropriate, may enforce compliance with the federal banking laws against each director of the bank personally, pursuant to 12 U.S.C. § 1813(u);
- Diligently and honestly administer the affairs of the bank;
- Not knowingly violate, or willingly permit to be violated, any applicable federal banking law;
- Exercise reasonable care and place the interests of the Bank before his or her own interests;
- Fulfill his or her duties of loyalty and care to the association;
- Ensure that he or she learns of changes in federal banking laws, as they are administered by the federal banking authorities, which affect his or her duties, responsibilities, or obligations as a director and affiliated person of the association;
- Own, in good faith and in his or her own right, of the number of shares of stock required by law;
- Either subscribe for or acquire this stock and neither hypothecate nor in any way pledge it as security for any loan or debt;
- Make a good faith effort to attend meetings of the board of directors and participate fully on all committees of the board to which he or she is appointed; and
- Take an oath of bank director required by 12 USC 73, in the format prescribed by the OCC.

The foregoing provision pertaining to comply with federal banking laws and to act consistently with safe and sound banking practices may only be amended after such amendment has received the prior non-objection of the Comptroller of the Currency.

Attachment B

OCC Prescribed Oath of Bank Director Format

Bank Name _____
State of _____
County of _____

I, the undersigned, a (proposed) director of Native American National Bank (“Bank”) do solemnly swear (affirm) that:

I acknowledge that as a director of the Bank, the Bank and members of the Board of Directors of the Bank are governed by and subject to federal banking laws,¹ including, but not limited to titles 12, 18, 15 and 42 of the United States Code. I further acknowledge that the Office of the Comptroller of the Currency, Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Federal Trade Commission, the United States Department of Justice, the United States Department of the Treasury, the United States Department of Housing and Urban Development, and any other federal banking agency or department (individually a “federal banking authority” and collectively the “federal banking authorities”), as appropriate, may enforce compliance with the federal banking laws against me personally, as a director of the Bank, pursuant to 12 U.S.C. § 1813(u).

As with all directors of national banks, I understand that I have a legal responsibility and fiduciary duty to shareholders to administer the Bank’s affairs faithfully, and oversee its management. I shall, commensurate with my duties, diligently and honestly administer the affairs of the Bank, and I shall not knowingly violate, or willingly permit to be violated, any applicable federal banking law. I shall exercise reasonable care and place the interests of the Bank before my own interests. I shall fulfill my duties of loyalty and care to the association.

Furthermore, I shall ensure that I learn of changes in federal banking laws, as they are administered by the federal banking authorities, which affect my duties, responsibilities, or obligations as a director and affiliated person of the association.

I am the owner, in good faith and in my own right, of the number of shares of stock required by law. I have either subscribed for this stock or it is issued and outstanding, and it is not hypothecated, or in any way pledged, as security for any loan or debt.

I shall make a good faith effort to attend meetings of the board of directors and participate fully on all committees of the board to which I am appointed.

¹ For purposes of this Oath, the term "federal banking law" is defined as set forth on Exhibit A, attached hereto, and incorporated by reference. (If applicable, attach a tribal commitment from the tribe that the proposed director represents. If proposed director does not represent a tribe, attach Attachment B-1.)

Signature
Typed Name
Mailing Address
City _____ State _____ ZIP Code

Notary's Affirmation

Subscribed and sworn (affirmed) to before the undersigned, who is not an officer of the above-named bank, this _____ day of _____,

Notary Public
Commission Expires:

**Oath of Bank Director
Attachment for Directors not Affiliated with
A Native American Tribe**

The term "federal banking law" is defined as follows:

- (i) All federal banking statutes, rules, and regulations that any federal banking authority, as defined in the above commitment, administers or for which such federal banking authority has rulemaking or enforcement authority, and which from time to time may be applicable to NABC or Native American National Bank, any director, officer, or other institution-affiliated party (as defined in sections 3(u), 8(b)(3), and 8(e)(5) of the Federal Deposit Insurance Act) (an "IAP") of Native American National Bank or NABC, any shareholder of NABC, or any affiliate of Native American National Bank or NABC. The term "federal banking law" includes without limitation:
 - (A) All provisions of Title 12, United States Code;
 - (B) Sections 45(a)(1) and 57a(f) of Chapter 2 of Title 15, United States Code (15 U.S.C. §§ 45(a)(1) and 57a(f));
 - (C) Chapter 41 of Title 15, United States Code (15 U.S.C. §§ 1601-1693r);
 - (D) Chapters 45 and 50 of Title 42, United States Code (42 U.S.C. §§ 3601-3631 and §§ 4001-4129);
- (ii) All federal criminal law provisions relating to the businesses of banking or financial services, including without limitation:
 - (A) The provisions of Titles 12, 15, 18, and 42 referenced above;
 - (B) Section 1001 of Title 18 of the United States Code as it relates to information, statements, omissions, writings, or reports to a federal banking authority;
 - (C) Sections 1003 through 1007 of Title 18 of the United States Code, or any other provisions of Title 18 of the United States Code applicable to the ownership, control, operation or activities of a bank, bank holding company or subsidiary thereof, or to the activities of any IAP with respect to such bank, bank holding company or subsidiary; and
 - (D) The Bank Secrecy Act, or the Currency and Foreign Transactions Reporting Act; and

- (iii) Any order or written agreement issued by any federal banking authority or an administrative law judge acting under authority delegated by any federal banking authority or federal court of competent jurisdiction pursuant to a federal banking law against or with directors, officers, or other IAPs, or affiliates or shareholders, of banks or bank holding companies.

Enforceable Conditions under 12 USC 1818

The Consolidation of Blackfeet National Bank (BNB), Browning, Montana with Native American Interim Bank, National Association (In Organization), Browning, Montana, under the charter number of BNB with the title of Native American National Bank (NANB) to Facilitate the Acquisition of BNB by Native American Bancorporation (NABC), Denver, Colorado

OCC Control Number: 2001-WE-02-0010

The OCC's approval of the above referenced application is subject to the following special conditions that are conditions "imposed in writing by the agency in connection with the granting of any application or other request" within the meaning of 12 USC 1818. As such, the conditions that follow are enforceable under 12 USC 1818.

1. The OCC and the Board of Directors of BNB, Browning, Montana executed a Formal Agreement on July 24, 2001. That Formal Agreement will continue to be effective and apply to NANB, the resulting bank, in the same manner as though the OCC had executed the Formal Agreement initially with the board of directors of NANB.
2. The OCC expects NABC and NANB to comply with the commitments contained in the bank holding company (BHC) commitment letter executed by NABC dated September 17, 2001.
3. This approval is subject to the condition that during the first three (3) years of the bank's operations under its operating plan, the bank:
 - (a) Shall give the OCC's Salt Lake City Field Office, 2795 E. Cottonwood Parkway, Suite 390, Salt Lake City, Utah 84121, at least sixty (60) days prior notice of the bank's intent to significantly deviate from its operating plan, and
 - (b) Shall obtain the OCC's written determination of no supervisory objection before the bank engages in any significant deviation or change from the operating plan.
4. During the first three (3) years following consummation, NANB is required to maintain capital-to-assets ratios that exceed the OCC's requirements for "well-capitalized" banks as defined in 12 CFR Part 6, and must maintain a minimum Tier 1 capital to average-total-assets ratio of not less than eight percent (8%).
5. For a period of two years after consummation of the transaction, the OCC must review and have no objection to any new executive officer or director prior to that person assuming such position. The proposed person may not assume the position until the OCC has issued a letter of no objection. Since this condition is imposed pursuant to the OCC's licensing authority, the OCC is not subject to the 30-day review period imposed by 12 USC 1831i. However, the

OCC will process all such notices in a timely manner using the procedures in the "Change in Directors and Senior Executive Officers" booklet.

6. The directors of NANB must sign the directors' oath required by 12 USC 73, in the format prescribed by the OCC in Attachments B and B-1 of its letter of conditional approval on this application.
7. If the bank implements an electronic banking operation within the first three years following consummation of the transaction, it is considered a significant change in the business plan. Prior to implementing such an operation, the bank must follow the requirements of Condition No. 2 as well as:

The bank must submit to the OCC for review and approval a complete description of the bank's final information systems and operations architecture as well as the information systems risk assessment and management plan. This should include a schematic drawing and discussion of the following items:

- Vendor due diligence and contracts; electronic banking security mechanisms and policies; information systems personnel; internal controls; audit plans; and operating policies and procedures, including, but not limited to, vendor management, web linking, customer authentication and verification, and business resumption contingency plans.
- The bank must have performed an independent security review and test of its electronic banking platform. The bank must have this review performed regardless of whether the platform is operated in-house or by one or more third-party service providers. If the bank outsources the technology platform, it can rely on testing performed for the service provider to the extent that it satisfies the scope and requirements listed herein. The review must be conducted by an objective, qualified independent source (Reviewer). The scope should cover:
 - All access points, including the Internet, Intranet, or remote access.
 - The adequacy of physical and logical protection against unauthorized access including individual penetration attempts, computer viruses, denial of service, and other forms of electronic access.
 - By written report, the Reviewer must confirm that the security measures, including the firewall, have been satisfactorily implemented and tested. For additional guidance, see "The Internet and the National Bank Charter" booklet (enclosed) of the Comptroller's Corporate Manual, pages 37-38, 74-75.
- The bank must have a security program in place that complies with the "Interagency Guidelines Establishing Standards for Safeguarding Customer Information" specified at 12 C.F.R. 30, Appendix B.

8. The bank must notify all potential technology-related vendors in writing of the OCC's examination and regulatory authority under 12 U.S.C. 1867(c).² All final technology-related vendor contracts must stipulate that the performance of services provided by the vendors to the bank is subject to the OCC's examination and regulatory authority.
9. The bank must comply with all the "Standard Requirements" included in Attachment C-1. In addition, the board of directors must develop written policies and procedures that will guide the bank's operations in a safe and sound manner. The bank's policies and procedures must meet or exceed those set forth in the Minimum Policies and Procedures (see Attachment C-2) as applicable to the bank's activities. For the first three years of operations, the board of directors should not expand the significantly expand its operations from those of addressed in BNB's current policies until, and unless, it obtains prior approval of the policies and procedures from the OCC's Salt Lake City Field Office. The OCC will review all policies and procedures submitted in a timely manner.

²The OCC has the authority to assess the bank for the cost of examining a service provider. See 12 C.F.R. 8.6.

Standard Requirements

The OCC imposes the following “standard requirements” as conditions on your consolidation request. As stipulated in the conditional approval letter, these conditions are conditions “imposed in writing by the agency in connection with the granting of any application or other request” within the meaning of 12 USC 1818. As such, the following requirements are conditions enforceable under 12 USC 1818.

- The OCC requires that the bank engage an independent, external auditor to perform an audit according to generally accepted auditing standards of sufficient scope to enable the auditor to render an opinion on the financial statements of the bank (or consolidated holding company), taken as a whole. The OCC expects that such audits will be performed annually for at least three years following consummation.

If the external audit is conducted at the bank holding company level, the bank’s financial statements must be included in the consolidated financial statements **and** the bank must maintain adequate audit coverage at the bank level.

- The bank’s financial statements must be prepared on an accrual basis according to generally accepted accounting principles.
- The president must serve as a member of the board of directors.
- The bank must purchase adequate fidelity bond coverage in accordance with 12 CFR 7.2013, which lists four factors the directors should consider to determine adequacy.
- The board of directors must develop written policies and procedures that will guide the bank’s operations in a safe and sound manner. (See “Minimum Policies and Procedures.”) The board of directors is responsible for regular review and modification of policies and procedures and for assuring continuous compliance with them.
- Any services performed by affiliates for the bank and payments to said affiliates by the bank will be rendered pursuant to contracts that: comply with federal law and regulation, reflect safe and sound practices, and are at costs similar to those the bank would pay an independent third party for the same services. The contracts are subject to review by the Salt Lake City Field Office during our normal examination process.

Minimum Policies and Procedures

The OCC imposes the following “Minimum Policies and Procedures” as conditions on your consolidation request. As stipulated in the conditional approval letter, these conditions are conditions “imposed in writing by the agency in connection with the granting of any application or other request” within the meaning of 12 USC 1818. As such, the following Minimum Policies and Procedures are conditions enforceable under 12 USC 1818.

Some of these policies and procedures may not be applicable to special purpose banks. The board must adopt and monitor those policies and procedures applicable to the bank’s activities.

1. Lending policy, including:
 - a. Fundamental elements of a sound loan policy as described in the “Loan Portfolio Management” booklet of the *Comptroller’s Handbook*.
 - b. Loan administration procedures designed to ensure that no extensions of credit are granted without first obtaining and analyzing current and satisfactory credit information as well as satisfactory and, in the case of secured loans, perfected collateral documentation.
 - c. Internal loan review procedures to review periodically the loan portfolio to identify and categorize problem credits.
 - d. Board approval of management’s review of the adequacy of the bank's allowance for possible loan losses and maintenance of an adequate allowance consistent with the comments in the “Allowance for Loan and Lease Losses” booklet of the *Comptroller’s Handbook*.
 - e. Procedures to ensure that the bank:
 - Takes immediate and continuing action to protect its interest in any and all assets displaying any evidence of weakness.
 - Monitors concentrations of credit and safeguards against unsound concentrations of credit.
 - Prices its credits properly.
 - f. Procedures to ensure compliance with *all* applicable laws and regulations, including, for example, lending limits and loans to insiders.

2. Funds management, investment securities, and interest rate risk policies, including:
 - a. A funds management policy and strategies consistent with the comments in the “Funds Management” section 405 of the *Comptroller’s Handbook*.
 - b. Procedures to enable the board and management to monitor liquidity and interest rate risk.
 - c. Guidelines for the bank’s use of brokered and other volatile funds with a specific description of the nature, extent, and purpose of their use. The policy should comply with 12 CFR 337.6 - Brokered Deposits.
 - d. An investment securities policy consistent with the comments in the “Investment Securities” section 203 of the *Comptroller’s Handbook*; OCC Bulletin 96-69: Investment Securities: 12 CFR 1 - Final Rule dated 12/11/96; and OCC Bulletin 98-20: Investment Securities - Policy Statement dated 4/27/98, within which the bank must operate when purchasing and selling investment securities. The policy should specifically define the bank’s investment strategies.
 - e. A borrowed funds policy consistent with the comments in the “Borrowed Funds” section 302 of the *Comptroller’s Handbook*.
 - f. An interest rate risk policy and strategy consistent with comments in the “Interest Rate Risk” booklet of the *Comptroller’s Handbook* and OCC Bulletin 96-36: Interest Rate Risk - Final Policy Statement dated 7/12/96.
3. Fiduciary policies and procedures for banks with trust powers and for trust companies, including:
 - a. Fiduciary policies and procedures that promote sound risk management and compliance with applicable law. These policies and procedures should be adopted by the board, or its designated committee. Applicable law includes, but is not limited to, 12 CFR 9 - Fiduciary Activities of National Banks and 12 CFR 12 - Recordkeeping and Confirmation Requirements for Securities Transactions. Separate policy statements and operating procedures for individual fiduciary lines of business should be established, if appropriate.
 - b. Policies that address the bank’s fiduciary goals and objectives, ethical culture, risk tolerance standards, and risk management strategies, including:
 - Board of directors, committee, and senior management supervisory responsibilities.
 - Organizational structures and lines of authority.
 - Strategic and financial planning.

- A code of ethics.
 - Internal control systems.
 - Information processing, security, and contingency planning.
 - Audit and compliance programs.
- c. Policies covering all significant fiduciary products and services. Provide guidelines, as appropriate, including:
- Account administration, record keeping, and custody of assets.
 - Investment management processes.
 - Securities trading, including brokerage placement practices.
 - The use of material inside information with securities transactions.
 - Managing conflicts of interest and self-dealing.
 - The selection and use of legal counsel.
- d. Policy guidelines that address:
- Communicating policies and subsequent policy changes.
 - Monitoring policy compliance and reporting exceptions.
 - Policy review and approval by the board, or its designated committee, at least annually.
4. Capital policy, including:
- a. Specific plans to maintain capital at a level consistent with the requirements of 12 CFR 3.
 - b. Procedures to develop and maintain a three-year capital plan, with projections for growth and capital requirements based on a detailed analysis of the bank's assets, liabilities, earnings, fixed asset expansion, and dividends.
 - c. A dividend policy consistent with the three-year capital plan and the bank's plans to maintain capital at or above the level required by 12 CFR 3 (or an otherwise adequate level as approved by the OCC).

- d. Procedures to develop annual profit plans that contain realistic and comprehensive budgets (with projected balance sheets and year-end income statements) and to describe the operating assumptions that form the basis of the projections.
 - e. A process whereby the bank periodically reviews the policy to ensure it reflects any changes in laws, rules, or regulations pertaining to capital and dividends.
5. Internal and external audit policies, including:
- a. The development and implementation of an internal control system, including internal and external audit functions, that provides for effective risk assessment, timely and accurate reports, safeguarding and management of assets, and compliance with applicable laws and regulations. The audit functions and control systems should be consistent with the “Internal and External Audit” and “Internal Controls” booklets of the *Comptroller’s Handbook*.
- For additional reference, see the OCC’s *The Directors Book: The Role of the National Bank Director*; OCC Bulletin 98-1: Interagency Policy Statement -- Internal Audit/Outsourcing dated 1/7/98; and OCC Bulletin 99-37: Interagency Policy Statement on External Audit Programs dated 10/7/99.
- b. Procedures to ensure that the bank maintains minimum security devices and procedures as required by 12 CFR 21.
 - c. Internal control systems to ensure ongoing compliance with the currency reporting and record keeping requirements of the Bank Secrecy Act (BSA). Personnel should be trained in BSA procedures and one or more persons designated to monitor day-to-day compliance.
6. Insider policies, including:
- a. The development and implementation of a written policy according to the “Insiders Activities” booklet of the *Comptroller’s Handbook*.
 - b. [Applicable to trust banks] Written policies and procedures, as required by 12 CFR 9.5 to prohibit the use of material inside information in investment decisions or recommendations.
7. Compliance policies, including, if applicable:
- a. A compliance program covering consumer, fair lending, and community laws and regulations, approved by the board and management, that includes (see the Compliance Handbook):
 - Delegation of compliance responsibilities to specific bank personnel.

- Written guidance for, and training of, employees covering applicable laws and regulations.
 - A mechanism to report deficiencies and ensure corrective action.
- b. Branch closing policy (applicable to national banks with branches), including:
- Procedures for determining objectively which branch or branches to close and which customers to notify.
 - Procedures and methods for providing the notices required by 12 USC 1831r-1.
- c. A BSA program to fulfill the requirements of 12 CFR 21.21. The board of directors for each national bank must approve written procedures designed to monitor the bank's compliance with the requirements of the Bank Secrecy Act regulations, 31 CFR 103. The compliance program must provide for a system of internal controls to ensure ongoing compliance; provide independent testing for compliance; designate a person responsible for coordinating and monitoring day-to-day compliance; and provide training for appropriate personnel. The BSA compliance program must be approved by the board of directors.
- d. Development and implementation of procedures for the preparation, review for accuracy, and submission of required regulatory reports. The procedures should address:
- The requirements that the bank prepare all financial statements on an accrual basis according to generally accepted accounting principles.
 - Regular financial report filings (such as Quarterly Reports of Condition and Income, Annual Report of Trust Assets and Special Report of Trust Activities, as applicable, annual financial disclosures (12 CFR 18), and annual minimum security devices and procedures report).
 - Operations reports (such as bank robbery notification reports).
 - SEC reports (for covered banks).
 - Reports to shareholders.
 - Other reports as detailed in the *Comptroller's Handbook*.
8. Board supervision policy consistent with the "Duties and Responsibilities" booklet of the *Comptroller's Handbook* and *The Directors Book*, including:
- a. A method for periodically reviewing and revising, as necessary, the aforementioned policies.

- b. Procedures to assess management's performance.
 - c. A method to assess whether board members are receiving adequate information on the bank's operation to enable them to fulfill their fiduciary responsibilities.
 - d. A method to evaluate whether board members are acting responsibly and expeditiously in fulfilling their duties as directors.
9. Disaster recovery plan.
10. Policies and procedures for maintaining the privacy and security of consumer information, including:
- a. Establishing privacy policies and opt out mechanisms (if appropriate) in accordance with 12 CFR 40. This includes:
 - Developing privacy notices.
 - Delivering initial and annual notices on a timely basis.
 - Revising privacy notices as necessary.
 - Developing acceptable methods of delivery.
 - Implementing consumer opt out elections where appropriate.
 - Limiting disclosure of account numbers for marketing purposes.
 - Limiting use and disclosure of information received from nonaffiliated financial institutions.
 - Developing confidentiality contract clauses where applicable.
 - b. Implementing training programs for employees about privacy policies and procedures.
 - c. Adopting internal controls, policies, and audit procedures to ensure continued compliance with privacy regulations.
 - d. Implementing a written information security program to safeguard customer information pursuant to the guidelines in 12 CFR 30. This includes:
 - Board approval and oversight of program.
 - Assessing risks to security of customer information.

- Designing information security program to control identified risks.
- Overseeing arrangements with service providers.
- Adjusting program in light of changes in technology, threats to information, sensitivity of customer information, or changing business arrangements.