



Comptroller of the Currency
Administrator of National Banks

Southeastern District
Marquis One Tower, Suite 600
245 Peachtree Center Avenue, N. E.
Atlanta, Georgia 30303

September 16, 2002

**Conditional Approval #590
June 2003**

Larry A. Heaton
President & Chief Executive Officer
Franklin Community Bank, National Association
400 Old Franklin Turnpike, Suite 108
Rocky Mount, Virginia 24151

Re: 2001-SE-01-005

Dear Mr. Heaton:

The Comptroller of the Currency (OCC) has found that you have met all requirements it imposed and completed all steps necessary to commence the business of banking.

You are authorized to open **Franklin Community Bank, National Association on September 16, 2002**. We will forward you a Charter Certificate under separate cover.

This final approval is subject to the condition that the Bank: (i) shall give the OCC's Virginia Field Office at least sixty (60) days prior notice of the Bank's intent to significantly deviate or change from its business plan or operations and (ii) shall obtain the OCC's written determination of no objection before the Bank engages in any significant deviation or change from its business plan or operations. This condition is enforceable under 12 U.S.C. 1818.

You are also reminded that several of the standard requirements contained in the preliminary approval letter dated *October 24, 2001*, will continue to apply once the bank opens and by opening, you agree to subject your association to these conditions of operation. Some of the requirements bear reiteration here:

1. Regardless of the association's FDIC insurance status, the association is subject to the Change in Bank Control Act [*12 USC 1817(j)*] by virtue of its national bank charter.

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2. The board of directors is responsible for regular review and update of policies and procedures and for assuring ongoing compliance with them. This includes maintaining an internal control system that ensures compliance with the currency reporting and recordkeeping requirements of the Bank Secrecy Act (*BSA*). The board must train its personnel in *BSA* procedures and designate one person or a group to monitor day-to-day compliance.

In addition, prior to establishing the bank's internet/electronic banking activities, the bank must comply with the conditions in attachment B of this letter.

On behalf of the OCC, welcome to the national banking system. Should you have any questions, please contact Assistant Deputy Comptroller, Alan Young of the Virginia Field Office, 3800 Electric Road, Suite 204, Roanoke, Virginia 24018-0503, telephone at (540) 776-7611, who will be responsible for the ongoing supervision of your institution.

Sincerely,

/s/ John O. Stein

John O. Stein
Licensing Manager

Charter No. 24260

Attachment:

ATTACHMENT B

FINAL APPROVAL LETTER

This approval is subject to the following conditions:

1. If the bank implements a transactional web site within the first three years of operation, 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. (1) contained in our preliminary approval letter dated October 24, 2001.

- The bank must submit to the Virginia Field Office 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, weblinking, 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 below. An objective, qualified independent source (Reviewer) must conduct the review. 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 of the Comptroller's Corporate Manual, pages 37-38, 74-75. This booklet may be found on the OCC's web site at www.occ.treas.gov/netbank/letters.htm.

2. 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).¹ 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.

¹The OCC has the authority to assess the bank for the cost of examining a service provider. See 12 C.F.R. 8.6.