



FINANCIAL INSTITUTIONS TODAY

News and topics of interest to financial institutions regulated by the Department of Banking and Finance

March 2016

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Georgia Banks' Help Needed with National Survey

State bank supervisors in coordination with the Federal Reserve are planning the fourth annual Community Banking in the 21st Century research and policy conference. See <https://www.communitybanking.org/>. The goal of the conference is to provide a venue and encourage research on community banking. This research is a critical component to improving public policy as it relates to community banks and local communities.

For last year's conference, state regulators conducted a nationwide survey of community banks with approximately 1,000 banks participating. The results of the survey and the town hall meetings are highlighted in a publication released during the conference. The 2015 report can be downloaded at <https://www.communitybanking.org/documents/Community-Banking-in-the-21st-Century-2015.pdf>.

The survey for 2016 is now live. The purpose of the survey is to give researchers and policy makers an opportunity to hear directly from community banks on a range of important topics. Please take the time to complete the 2016 survey, available at <https://sri.cornell.edu/CB21/2016/>. Completion should take no longer than 30 minutes. Thank you for your engagement.

Asset/Liability Management Models

A continuing regulatory hot topic is non-maturity deposits and the impact that these deposits may have for managing interest rate risk, particularly if rates increase as more of a shock than a ramp. For example, prior to the extended, flat-rate environment when the banking industry was not as impacted by technological advances, certain community banks may not have experienced significant competition for low or no cost funding. The impact of consumer optionality may be difficult to model and historical data may not adequately predict future behavior. Consumer choices may include moving from noninterest bearing accounts to interest bearing accounts within your institution, moving to a competing institution, or even exiting the system altogether.

In both 2010 and 2016, there was limited industry talk about the (unlikely) possibility of negative interest rates. The Federal Reserve Bank hinted at possibly charging for maintaining correspondent deposits. Some may consider a +/- 200 basis point movement to be manageable and that change may be manageable for your institution. However, remember that the Federal Funds rate dropped from 4.24 percent to 2.61 percent, or 163 basis points, from December 1, 2007 to March 1, 2008. By December 1, 2008, this rate fell to 0.16 percent, or another 2.45 basis points. This drastic change was unexpected and created a challenge to manage, particularly for loan pricing. Some institutions also experienced a corresponding disconnect with deposit pricing, which exacerbated the situation.

Stress testing model results with varying assumption criteria (such as non-maturity decay rates) may be appropriate for the bank's level of risk. Also, many bankers have inquired about which shock/ramp scenarios should be used to stress test the model results. The interagency guidance provides, by way of example, up to a +/- 400 basis point shock. Another approach is

that a bank stress its model until it breaks, i.e., until the bank finds the point that the result is intolerable to the Directors' established risk limits and/or to the point that the impact becomes problematic to manage. For example, if the bank tests outside the Directors' established risk limits, then the bank may determine that the results vary materially and frequently outside the acceptable range. The Directors may find this information to be valuable for capital and earnings planning. In establishing management's approach to stress testing, some factors to consider are the bank's current level of capital, earnings pressures, liquidity needs, debt requirements, concentration risk, and asset quality. The bank's asset/liability model may also be a dynamic tool for modeling strategic planning goals and proposed changes to the bank's business model.

FDIC Issues Updated Videos on Interest Rate Risk

In February 2016, the FDIC updated its videos on interest rate risk. These videos are for both directors and management. The video for directors provides an overview of the interest rate risk process and an overview of the board's responsibilities within that process. The videos for management include an overview, recent trends, types of interest rate risk, measurement systems, rate changes, prepayment assumptions, deposit assumptions, risk limits and mitigations, and internal controls.

Depository institutions are reminded that appropriate processes and systems should be in place commensurate with the complexity, business model, risk profile, and scope of operation of the institution. The federal regulators have issued guidance over the years to assist management in establishing appropriate policies and systems. The guidance emphasizes the importance of effective corporate governance, policies and procedures, risk measuring and monitoring systems, stress testing, and internal controls related to the interest rate risk exposures.

In addition, financial regulators expect management to understand at what point key business assumptions and model parameters break down or when IRR may be exacerbated by other risks or earnings pressures. These results and any mitigating strategies should be reviewed and/or approved by the board. In doing so, management is better positioned to manage the institution when challenging interest rate risk environments arise.

View the updated videos at: <https://www.fdic.gov/regulations/resources/director/virtual/irr.html> and <https://www.fdic.gov/regulations/resources/director/technical/irr.html>.

Read the Joint Policy Statement on Interest Rate Risk at: <https://www.fdic.gov/regulations/laws/rules/5000-4200.html#fdic5000jointps3>.

Read the Advisory on Interest Rate Risk Management at: <https://www.fdic.gov/news/news/press/2010/pr1002.pdf>.

Read the Interagency Advisory on Interest Rate Risk Management: Frequently Asked Questions at: <https://www.fdic.gov/news/news/financial/2012/fil12002a.pdf>.

Read the Advisory on Managing Sensitivity to Market Risk in a Challenging Interest Rate Environment at: <https://www.fdic.gov/news/news/financial/2013/fil13046.html>.

In Memoriam:

Mary Virginia “Ginny” Riddick



It is with the greatest sadness that the Department delivers the heartbreaking news of the death of our friend and colleague, Mrs. Mary Virginia “Ginny” Riddick. Ginny passed away on Tuesday, March 15, 2016, after a short illness in Jacksonville, Florida.

Ginny was a native of Valdosta, Georgia, and a product of the Valdosta City School System. In 1995, she graduated from Valdosta State University, Valdosta, Georgia, with a Bachelor's degree in Accounting. She furthered her education in 2008, when she graduated from the Graduate School of Banking at Louisiana State University, Baton Rouge, Louisiana.

Ginny faithfully served the Department for more than 20 years. During her tenure at the Department, her job titles included: Senior Financial Examiner, Supervisory Examiner, and District Director. Everyone who had the privilege of working with Ginny found her to be a pleasure.

Ginny was an extraordinary person. Ginny's passing is a great loss to the Department and to the State's banking community. She will be profoundly missed by everyone whose lives she touched.

Franklin Gray III

The banking community recently lost a friend as well as a distinguished regulator at the FDIC. After a short illness, Franklin “Frank” Gray III passed away on March 30, 2016. He is survived by his wife, Courtney, and his sons: William (20 months) and a son expected in September.

The Department extends its deepest sympathies and condolences to Frank's family and friends as well as all of his colleagues at the FDIC.

DBF Outreach AND UPCOMING SPEAKING ENGAGEMENTS

- *Community Bankers Association of Georgia Banker Regulatory Forum* – Deputy Commissioner for Legal Affairs Oscar B. “Bo” Fears, III will be speaking at the CBA's Banker Regulatory Forum at the CBA's headquarters in Atlanta, Georgia, on May 5, 2016. For more information about this event, visit <http://www.cbaofga.com/banker-regulatory-forum.html>.
- *Georgia Credit Union Affiliates 2016 Annual Convention* – Commissioner Kevin Hagler will be speaking at the GCUA 2016 Annual Convention in Savannah, Georgia, on May 13, 2016. For more information about this event, visit <http://www.gcuaforum.org/AnnualConvention16/#home>.

Action on Applications for the Month:

The following is a summary of official action taken on applications by State Financial Institutions under Title 7, Chapter 1 of the O.C.G.A. and petitions for Certificate of Incorporation of Financial Institutions and other matters of interest during the month of March 2016.

APPLICATIONS TO ESTABLISH A BRANCH OFFICE

<u>FINANCIAL INSTITUTION</u>	<u>BRANCH OFFICE</u>	<u>APPROVAL DATE</u>	<u>BEGIN BUSINESS DATE</u>
Synovus Bank Columbus	Jacksonville Main Branch Office 7768 Ozark Drive, Suite 100 Jacksonville, FL 32256 Duval County	01-28-2016	03-07-2016
First Bank Dalton	Calhoun Branch Office 401 South Wall Street, Suite 102 Calhoun, GA 30701 Gordon County	03-31-2016	
Robins Financial Credit Union Warner Robins	Dublin Branch Office Hillcrest Parkway @ Darsa Drive Dublin, GA 31021 Laurens County	03-01-2016	

NOTICE OF CHANGE IN NAME

<u>PREVIOUS NAME</u>	<u>NEW NAME</u>	<u>APPROVAL DATE</u>	<u>EFFECTIVE DATE</u>
Alma Exchange Bank & Trust Alma	Pineland Bank	Pending	
Fulton Teachers Credit Union Hapeville	Family First Credit Union	12-16-2015	03-01-2016

FINANCIAL INSTITUTION MERGERS

<u>FINANCIAL INSTITUTION (SURVIVOR)</u>	<u>MERGED INSTITUTION</u>	<u>APPROVAL DATE</u>	<u>EFFECTIVE DATE</u>
Alma Exchange Bank & Trust Alma, GA	Peoples State Bank & Trust Baxley, GA	Pending	
Alma Exchange Bank & Trust Alma, GA	Citizens State Bank Kingsland, GA	Pending	
Alma Exchange Bank & Trust Alma, GA	Pineland State Bank Metter, GA	Pending	
Bank of the Ozarks Little Rock, AR	Community & Southern Bank Atlanta, GA	Pending	
Ameris Bank Moultrie, GA	The Jacksonville Bank Jacksonville, FL	01-20-2016	03-11-2016

Fidelity Bank Norcross, GA	American Enterprise Bank of Florida Jacksonville, FL	02-17-2016	03-01-2016
Coosa Valley Federal Credit Union Rome, GA	Northwest Georgia Credit Union Rome, GA	Pending	
Renasant Bank Tupelo, MS	KeyWorth Bank Johns Creek, GA	03-23-2016	
Robins Financial Credit Union Warner Robins, GA	Jeff Davis Credit Union Hazlehurst, GA	03-02-2016	
CharterBank West Point, GA	Community Bank of the South Smyrna, GA	03-09-2016	

**APPLICATIONS TO BECOME A BANK HOLDING COMPANY
AND/OR TO ACQUIRE VOTING STOCK OF A FINANCIAL INSTITUTION**

BANK HOLDING COMPANY

Southeast, LLC
Atlanta, GA

TO ACQUIRE

Barwick Banking Company
Barwick, GA

APPROVAL DATE

Pending

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The Department is the state agency that regulates and examines Georgia state-chartered banks, state-chartered credit unions, and state-chartered trust companies. The Department also has responsibility for the supervision, regulation, and examination of Merchant Acquirer Limited Purpose Banks (MALPBs) chartered in Georgia.

In addition, the Department has regulatory and/or licensing authority over mortgage brokers, lenders and processors, mortgage loan originators, check cashers, sellers-issuers of payment instruments, money transmitters, international banking organizations, and bank holding companies conducting business in Georgia.

Our **Mission** is to promote safe, sound, competitive financial services in Georgia through innovative, responsive regulation and supervision.

Our **Vision** is to be a willing and able partner with our regulated entities in order to support vibrant economic growth and prosperity in Georgia.

Department of Banking and Finance
2990 Brandywine Road
Suite 200
Atlanta, Georgia 30341-5565

Phone: (770) 986-1633
Fax: (770) 986-1654 or 1655

<http://dbf.georgia.gov/>
Email: dbfpress@dbf.state.ga.us