

FINANCIAL INSTITUTIONS TODAY

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

October 2022

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SUPERVISION DIVISION PERSONNEL CHANGES



Natalie Lovingood was promoted to Supervisory Manager effective November 1, 2022, following the departure of former Supervisory Manager Victoria Williams. The Department would like to thank Victoria for her many years of dedicated service.

Natalie has 13 years of experience with the Department, serving as Supervisory Examiner in the Woodstock district (District 1) for the last six years. She joined the Department during the economic downturn in October 2009 working first in Tifton (District 5) and later transferred to Woodstock. She is a trust specialist as well as credit union specialist. Her education includes a Bachelor of Business Administration in finance from Valdosta State University. As Supervisory Manager, Natalie's portfolio will consist of District 1 banks, credit unions, bank holding companies, and trust companies as well as District 2 banks and bank holding companies.

Congratulations, Natalie!

CASH FLOW, LIQUIDITY, AND BALANCE SHEET MANAGEMENT

Insight of the recent rate environment, vigilant oversight of liquidity, cash flow analysis, and balance sheet management is essential. All institutions are encouraged to read DBF SUP 21-007 Assessing Liquidity in Community Financial Institutions, which is available on the Department's website: https://dbf.georgia.gov/banks-holding-companies/publications-and-guidance. Financial institutions should closely review Sources and Uses of Funds and Liquidity reports to ensure cash flow projections from all categories of assets, liabilities, and off-balance-sheet items are analyzed in totality over appropriate time horizons. Special consideration should be given to unrealized investment portfolio losses in assessing available liquidity sources and secondary funding. The Contingency Funding Plan (CFP), discussed in greater detail below, should stress test investment depreciation scenarios and the related impact on liquidity and funding. It is also prudent to review covenants in borrowing agreements to determine if pledged investments are in compliance with requirements of each agreement, at what level of interest rate movement the collateral is no longer conforming, and if the lines need increased oversight.

Institutions should evaluate asset/liability management modeling results to understand the potential impact of rate changes in relation to liquidity options that may only be available at a realized cost under certain conditions. Moreover, if realized losses result in capital levels falling below the Prompt Corrective Action (PCA) category of "Well Capitalized," certain balance sheet funding options may be no longer available and additional requirements become applicable.

Contingency Funding Plan

All financial institutions, regardless of size and complexity, should have a formal CFP that clearly defines strategies for addressing liquidity shortfalls in emergency situations. A CFP should delineate policies to manage a range of stress environments, establish clear lines of responsibility, and articulate clear implementation and escalation procedures.

Events that may trigger contingency funding needs are unexpected situations or business conditions that may increase liquidity risk. The events may be institution-specific or arise from external factors and may include:

- The institution's inability to fund asset growth;
- The institution's inability to renew or replace maturing funding liabilities;
- Changes in customer behavior, such as unexpectedly exercising options to withdraw deposits or exercise off-balance sheet commitments;
- Changes in economic conditions, market perception, or disruptions in the financial markets; and
- Disturbances in payment and settlement systems due to operational or local disasters.

When applicable, institutions should be prepared to address potential secondary funding limitations associated with negative tangible capital. Borrowing lines may be limited by legislation or contractual terms of the issuer, and management should ensure that specific contingency funding plans address the impact of borrowing capacity reductions. Management should have a thorough understanding of all secondary funding line limitations and options to create a robust, transparent, and accurate balance sheet funding strategy.

UPDATE TO FFIEC CYBERSECURITY RESOURCE GUIDE FOR FINANCIAL INSTITUTIONS

On October 3, 2022, the Federal Financial Institutions Examination Council (FFIEC), on behalf of its members, released an update to the October 2018 Cybersecurity Resource Guide for Financial Institutions. The updated resource guide now includes ransomware-specific resources to address the ongoing threat of ransomware incidents. To access the Guide, as well as various other cybersecurity-related resources, visit https://www.ffiec.gov/cybersecurity.htm.

BENEFICIAL OWNERSHIP REPORTING TO SUPPORT LAW ENFORCEMENT EFFORTS, COUNTER ILLICIT FINANCE, AND INCREASE TRANSPARENCY

On September 29, 2022, the U.S. Treasury's Financial Crimes Enforcement Network (FinCEN) issued a final rule establishing a beneficial ownership information reporting requirement, pursuant to the bipartisan Corporate Transparency Act. The rule will require most corporations, limited liability companies, and other entities created in or registered to do business in the United States to report information about their beneficial owners—the persons who ultimately own or control the company to FinCEN. The final rule can be found here and a Fact Sheet can be reviewed here.

THIRD QUARTER 2022 COMMUNITY BANK SENTIMENT INDEX RELEASED

The Conference of State Bank Supervisors (CSBS) released the third quarter 2022 Community Bank Sentiment Index (CBSI) results on October 4, 2022, collecting data from community banks across the nation during the month of September. The results showed a sentiment index of 91 points, which is an increase from its all-time low of 84 experienced during the previous quarter.

The CBSI captures on a quarterly basis what community bankers nationwide think about the future. Participant answers are analyzed and compiled into a single number; an index reading of 100 indicates a neutral sentiment. Anything above 100 indicates a positive sentiment, and anything below 100 indicates a negative sentiment.

Key findings from the third quarter 2022 results include:

- The CBSI rose to 91 points but remains nine points lower than one year ago.
- Community bankers' ongoing concerns over high inflation, tepid economic growth, and a potentially more burdensome regulatory environment continue to weigh heavily on overall sentiment.
- Sentiment on the individual components increased from last quarter. At 121, the profitability component had the greatest quarterly improvement for the third straight survey, rising 20 points from Q2 2022 and 70 points higher than the Q4 2021 reading.

For more on the CBSI, visit https://www.csbs.org/cbindex.

Speaking Engagements

Commissioner Kevin B. Hagler will be speaking at the Georgia Bankers Association's Legislative and Economic Forum on January 11, 2023. Registration has not opened for this event; however, an event place-holder can be found here.

Supervisory Manager Kevin Vaughn will be part of the regulatory panel during the Community Bankers Association of Georgia's Innovation Exploration Conference on Thursday, November 3, 2022. Information on the Conference can be found here.

ACTION ON APPLICATIONS FOR THE MONTH

The following is a summary of official action taken by the Department on certain applications by Georgia state-chartered financial institutions, petitions for certificate of incorporation of financial institutions, and other matters of interest during the month of October 2022:

APPLICATIONS TO ESTABLISH A BRANCH OFFICE

FINANCIAL INSTITUTION	BRANCH OFFICE	APPROVAL DATE	EFFECTIVE DATE
Five Star Credit Union Dothan, AL	4637 GA HWY 370 Cedar Springs, GA 39832	10/31/2022	10/31/2022
Five Star Credit Union Dothan, AL	11189 Columbia Street Blakely, GA 39823	10/31/2022	10/31/2022
Five Star Credit Union Dothan, AL	1027 Shotwell St. Bainbridge, GA 39819	10/31/2022	10/31/2022
Five Star Credit Union Dothan, AL	305 West Third St. Donaldsonville, GA 39845	10/31/2022	10/31/2022
Barwick Banking Company Barwick, GA	105 SW 128th Street Newberry, FL 32669	08/17/2022	10/31/2022
Bank of Dudley Dudley, GA	48 North Jackson Street Forsyth, GA 31029	08/24/2022	10/03/2022

APPLICATONS TO ACQUIRE A FINANCIAL INSTITUTION

FINANCIAL INSTITUTION	TO ACQUIRE	APPROVAL DATE	EFFECTIVE DATE
Robins Financial Credit Union Warner Robins, GA	Persons Banking Company Forsyth, GA	08/10/2022	10/31/2022

FORM A BANK HOLDING COMPANY

BANK HOLDING COMPANY	TO ACQUIRE	APPROVAL DATE	EFFECTIVE DATE
GDW Bankshares, Inc. Sandersville, GA	The Geo. D. Warthen Bank Sandersville, GA	10/12/2022	
Craft Bancshares, Inc. Atlanta, GA	Craft Bank Atlanta, GA	Pending	
Barwick Bancorp, Inc. St. Augustine, FL	Barwick Banking Company Barwick, GA	10/20/2022	

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The Department is the state agency that regulates and examines Georgia state-chartered banks, state-chartered credit unions, state-chartered trust companies, international banking organizations, and bank holding companies that own Georgia state-chartered financial institutions. The Department also has responsibility for the supervision, regulation, and examination of Merchant Acquirer Limited Purpose Banks chartered in Georgia.

In addition, the Department has regulatory and/or licensing authority over mortgage brokers, lenders and processors, mortgage loan originators, consumer installment loan companies, check cashers, sellers-issuers of payment instruments, and money transmitters.

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