

STATE BANKING BOARD OF ILLINOIS
Meeting of Monday, May 14, 2012
1:00 p.m. – 2:00 p.m.
Via Videoconference

Illinois Department of Financial and Professional Regulation
Division of Banking
122 South Michigan Avenue, Suite 1900
Chicago, IL 60603

and

Illinois Department of Financial and Professional Regulation
Division of Banking
320 West Washington Street, Room 258
Springfield, IL 62786

AGENDA

- I. Call to Order
- II. Approval of the Minutes of the Meeting of March 5, 2012
- III. Old Business
- IV. New Business:
 - Approval of investment of \$1 million of the Illinois Bank Examiners' Education Foundation
 - Investment of \$200,000.00
 - Consideration of Board Resolution 2012-3 concerning public participation in meetings of the Board
 - Meeting schedule for 2012
- V. Open Comment Period for Members of the Public
- VI. Adjourn

MINUTES

**STATE BANKING BOARD OF ILLINOIS
Meeting of Monday, March 5, 2012
12:30 p.m. – 2:00 p.m.**

**Illinois Department of Financial and Professional Regulation
Division of Banking
122 South Michigan Avenue, Suite 1900
Chicago, IL 60603**

MEMBERS PRESENT

Manuel Flores
Director of Banking
Department of Financial and Professional Regulation
Springfield, Illinois 62786

Joy French Becker
President
Farmers State Bank & Trust Company
Jacksonville, Illinois 61651-1127

Lisa M. Derezinski
Public Member
Chicago, Illinois 60604

Mark G. Field
President
The Farmers Bank of Liberty
Liberty, Illinois 62347-0196

Walter E. Grady
President
Seaway Bank and Trust Company
Chicago, Illinois 60619

James B. Jurgens
President
State Bank of Arthur
Arthur, Illinois 61911

S. Michael Polanski
Chairman of the Board
Village Bank & Trust
Arlington Heights, Illinois 60004

Dory M. Rand
Public Member
Chicago, Illinois 60602

STAFF PRESENT

Elba Acevedo, Manager
Fiduciary Activities Section

Scott D. Clarke, Assistant Director
Division of Banking

Reginald Clay, Training Coordinator
Division of Banking

Belinda Daugherty, Administrative Assistant
Division of Banking

Michael Diaz, Legal Counsel
Division of Banking

Marc A. Edwards, Manager
Bank and Thrift Supervision – Springfield

Joseph Gomez, Manager
Bank and Thrift Supervision – Chicago

Thomas Kaufmann, Manager
Information Technology Section

Chairman Flores called the meeting to order at 12:35 pm with the presence of a quorum and thanked everyone for attending. Members of the board and staff introduced themselves.

Chairman Flores stated that he is hopeful that the Board would meet at least four times a year, and that the Board would develop some subcommittees as needed to address particular issues of interest as we move forward as a Board. Chairman Flores further stated that one issue that he has been working on is how to analyze trouble debt restructuring and how to approach that topic from two big policy areas, where we try to encourage banks and lenders to work with their borrowers on troubled loans while making sure the agency upholds the safety and soundness of the banks. Chairman Flores stated that this is just one example of topics that the Board can analyze and hold meetings and hearings on. Chairman Flores stated that the Division of Banking has a Residential Finance Board and what we have started to do with that Board is to bring in subject matter experts to provide testimony to the Board on particular areas so that we are better informed as a Board when we provide our counsel and advice to the Governor, General Assembly, Secretary and other people who may be interested and follow the work that we undertake through this Board. Chairman Flores encouraged the Board to reach out to him in the event that they have any questions or matters that they might like to discuss with him.

Proposed Board Resolution 2012-1

Chairman Flores stated that Resolution 2012-1 concerns electronic attendance at meetings of the Board. Chairman Flores further stated that there may be times when a member cannot attend a meeting in person; this resolution will allow a member to participate through the use of audio and video conference.

Chairman Flores made a motion to approve Resolution 2012-1 as submitted. Ms. Rand seconded the motion. *The motion was unanimously approved.*

Duties and Responsibilities of Members of the Board

Mr. Clarke directed the members to the memo included in their packet from the Director Flores. Mr. Clarke stated that the memo outlines the duties of the Board and its powers; specifically it is to advise the Department generally on the operations of a safe and sound banking system and protection of consumers in Illinois. Mr. Clarke further stated that in addition the Board has specific duties of management of funds for the Illinois Bank Examiners' Education Foundation. Mr. Clarke stated that the Board is required to meet once a year but may meet as often as the Board deems necessary. Mr. Clarke informed the Board that they do have immunity in the statute and protection from civil liability. Mr. Clarke stated that the Open Meetings Act requires each member of the Board to take an Open Meetings Act training course, which is online and free. Mr. Clarke informed the Board that they are entitled to reimbursement of expenses that fall within accordance with the Rules of the Governor's Travel Control Board and that a travel voucher was included in their packet.

Ms. Rand pointed out that within the paragraph which states the Board members are subject to the Illinois Governmental Ethics Act, it states that if you receive communication from a state legislator as a Board member you are required to disclose it as an ex-parte communication. Ms. Rand asked is there any special format and who should you disclose it to. Mr. Diaz, Legal Counsel stated that the Board member should contact him and that he would walk them through the process.

State of the Industry

Mr. Clarke stated that included in the board meeting packet is a list of all the banks that failed since 2008, if you go back in history the only failure prior to that time was in 1993. Mr. Clarke further stated that the agency went from 1993 to 2008 without a single bank failure. Mr. Clarke stated that fortunately in all of these bank failures no depositors lost money. Mr. Clarke further stated at the time of failure the FDIC and the agency were able to arrange for another institution to assume all of the deposits or the agency made sure that there were no uninsured deposits at institution at the time of failure. Mr. Clarke stated that also included in the packet is a map with stars placed within the counties where all of the bank failures occurred and that the number twenty five (25) listed above Cook County represents 25 bank failures. Mr. Clarke stated that the next chart tells you the current state of the industry, of our institutions 29.43% are rated 3, 4, or 5. Mr. Clarke explained that 1 represents the very best and 5 means the viability of the institution is in question. Mr. Clarke stated that if you narrow that down to Cook County and the Chicago metropolitan area 55.65% are rated 3, 4, or 5. Mr. Clarke pointed out that from the chart you can see that the number of banks is shrinking but the assets are not due to merger activity. Mr. Edwards stated that overall the banks are improving but we still have work ahead of us. Mr. Gomez stated that in Chicago there seems to be some stabilization but the big problem is the raising of capital for the banks that are 4 and 5 rated.

Mr. Kaufmann reported that the agency has fourteen banks with a Information Technology examination rating of 3, the rest are rated 1 and 2. Mr. Kaufmann stated that this tells us that our banks from an information technology stand point are in better shape than they are on the safety and soundness side. Mr. Kaufmann stated that we are seeing new technology within the banks, virtualization, cloud computing, mobile banking, voiceover internet protocol, deposit capture, social media and wireless technology. Mr. Kaufmann touched on some technology issues such as ATM skimming and bank employees bringing their own electronic device to work accessing the banks systems and not securing that device.

Mr. Clarke stated that one of the areas that the agency has experienced a large growth in responsibility is the wealth management and trust area, which currently has \$5 Trillion in assets under management. Mr. Clarke stated that Ms Acevedo, Manager, Fiduciary Activities Section has the responsibility of examining and regulating trust companies.

Ms. Acevedo gave an overview of the Fiduciary Activities Section which has responsibility for supervision of 148 Trust Departments and Independent Trust Companies.

Legislative Update

Mr. Michael Diaz gave an overview of the 2011 Legislative Summary report highlighting the Crimes Against the Elderly Penalties, P.A. 97-0482 (HB 1689) and Amendments to Section 13-12-125 of the Municipal Code of Chicago.

Chairman Flores stated that there are many Bills that impact the banking industry; if the Board has any questions they should feel free to communicate to Mr. Scott Clarke, Assistant Director and he will provide them with the material.

Pending Administrative Rules

Mr. Clarke stated that in the packets are copies of purposed changes of Administrative Rules, about a year and half ago the Bureau inherited the responsibility of supervision of Thrifts (Savings Banks and Savings and Loan Institutions). Mr. Clarke further stated that there are 37 state chartered thrifts in state and that instead of them having their own separate rules, these rules have been incorporated for appeals, hearings, and for reconsideration of examination findings, incorporating the Thrifts to have the same set of standards that the banks have to follow. Mr. Clarke stated that the purposed changes in Part 305 reduce the requirements for banks to file Notices of Intent to Establish a Bank Branch with the agency if they are a well operated institution. Mr. Clarke further stated that if a bank is going to file and own a subsidiary solely for the purpose of holding other real estate owned foreclosed property; it will eliminate the requirement for them to file with us and pay a fee. Mr. Clarke stated for Independent Trust Companies because they do not accept deposit, they are not insured by the FDIC therefore we would become the receiver. Mr. Clarke further stated the agency increased the amount of securities that they have to pledge to the Department in the statute, there is a corresponding rule.

Bank Examiners' Education Foundation

Mr. Clarke stated early in the 1980's a Foundation which is a 501(c) 3 organization was created and funded by the banking industry solely for the purpose of continuous education of bank examiners. Mr. Clarke further stated that the State Banking Board of Illinois is charged with the responsibility to invest

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State Banking Board of Illinois

the money of the Foundation and to approve expenses paid out of the Foundation. Mr. Clarke stated that included in the meeting packet are copies of the 990 tax return, Investment Policy and By-Laws of the Foundation, and an investment summary sheet. Mr. Clarke further stated that at the last meeting of the Foundation Board, they had approved an operating budget and a resolution that would allow us to substitute training courses as long as the agency did not exceed the operating dollar amount. Mr. Clarke stated that in the packet there is a chart that shows the approved funding and actual cost, which also shows that the agency did not exceed the budget approved by the Board.

Mr. Clarke stated going forward for 2012 the agency has put together a purpose listed of training courses for the Boards review and approval. Mr. Clarke further stated that the list provides the name of the course, course description, proposed dates and locations, number of attendees and proposed cost, the total purposed 2012 training budget is \$171,419.00.

Mr. Grady stated that he noticed on the purposed training sheet, two sessions that purposed a large number of attendees and asked whether a webinar could be accessed instead of sending 120 attendees to the Annual Examiners' Conference and 90 attendees for the Introduction to Public Finance training.

Mr. Clarke stated that in some cases like the Introduction to Public Finance we could see if the vendor could make a webinar available but the agency accreditation standards require that there be an annual in person meeting once a year.

Mr. Jurgens commented that the purposed budget of \$171,419.00 requested and estimating the amount of income earned would be substantially lower than the purposed budget. Mr. Jurgens ask is there an explanation on why we would purpose to spend that amount based on his estimate of income earned.

Mr. Clarke stated that in all the budgets previously approved the agency asked for more funds than we actually spent. Mr. Clarke further stated that with this budget the agency is looking at spending a little of the principal. Mr. Clarke stated that one of the accreditation standards require a certain number of hours, which is 28 per year for each employee and we have failed to meet that in the past two years because we did not have examiners available to attend training; they were in banks that had problems. Mr. Clarke further stated that the agency is trying to meet the Conference of State Bank Supervisors accreditation training requirements; the agency is up for accreditation this year.

Mr. Fields ask about the Fund transfers that took place in 2010.

Mr. Clarke stated that the Fund transfer was a legislative directive; a bill was passed that directed funds to be transferred from the Foundation to other Funds in state government that needed assistance.

Chairman Flores stated that this Fund is an important Fund because it allows the Division of Banking to fulfill the requirement of having a skilled work force; keeping the examiners up to date on examinations, procedures, rules and regulations in this area.

Ms. Derezinski asked who decides where the funds are invested, and stated that it seems that there has been a concentration in a couple of banks.

Mr. Clarke stated that the Board makes the decision on where to invest. Mr. Clarke further stated that the agency solicits certificate of deposit rate quotes from all Illinois State Chartered Banks and Savings Institutions that have a composite 1 or 2 CAMELS rating; the rates are presented to the Board. Mr. Clarke

stated than in general the Board selected the highest rate of interest but in some cases where the rates have been close, the Board opt to place the funds in a county that had not received funds before.

Ms. Rand asked when the rates are presented to the board is there any other information provided such as CRA rating or criteria presented to consider.

Mr. Clarke stated that currently the investment policy just says investment rate however when the rates are presented to the board the agency indicates whether the institution is a minority institution, whether they are a current or previously holder of funds and whether the agency has ever invested in the county before. Mr. Clarke stated that at the direction of the Board the agency could include other information for example the CRA rating.

Mr. Polanski made a motion to approve the budget of \$171,419.00 as submitted. Ms. Rand seconded the motion. *The motion was unanimously approved.*

Proposed Board Resolution 2012-2

Mr. Clarke stated that the Foundation has a checking account for paying expenses. Mr. Clarke further stated that the Board had previously appointed agents that were authorized to sign checks, these employees are no longer with the agency. Mr. Clarke stated that the agency sent letters to the institutions letting them know that the individual was no longer with the agency and therefore no longer authorized to sign on the account. Mr. Clarke stated that the agency is requesting the Board to officially remove their designation as agents and appoint new employees not only within the banking area but also within our fiscal operations area that would be able to sign checks. Mr. Clarke further stated that all checks require two signatures.

Mr. Jurgens made a motion to approve Resolution 2012-2, Mr. Grady seconded the motion. *The motion was unanimously approved.*

Open Comment Period for Board Members

Chairman Flores answered questions and listened to comments of the Board.

Open Comment Period for Members of the Public

Mr. Clarke stated that there was one member of the public present, but she stated that she had no comment.

Meeting Schedule for 2012

Ms. Rand suggested using the website Doodle.com for polling the Board members as to their availability to attend a meeting. Ms. Rand further stated that she has found the website to be very useful and easy to use.

Mr. Clarke asked if there was a day of the week that would be best for holding future meetings; the consensus of the Board was that Mondays would work best.

There being no further business before the board, Ms. Derezinski made a motion to adjourn. Mr. Polanski seconded the motion. *The motion was unanimously approved.* The meeting adjourned at 2:45 PM.

ILLINOIS BANK EXAMINERS' EDUCATION FOUNDATION					
Investment Summary					
April 30, 2012					
BANK NAME	COUNTY	INVESTMENT AMOUNT	TERM	RATE	DATE OF MATURITY
South Side Trust & Savings Bank 2199 SW Adams Street Peoria, IL 61602	Peoria	\$1,000,000.00	36 Months	2.75%	5/7/2012
North County Savings Bank 411 West Market Red Bud, IL 62278	Randolph	\$100,000.00	24 Months	2.00%	5/17/2012
Pan American Bank 2627 West Cermak Road Chicago, IL 60608	Cook	\$100,000.00	36 Months	3.00%	5/18/2012
Middletown State Bank Box 245 Middletown, IL 62666	Logan	\$100,000.00	36 Months	3.00%	8/4/2012
Goodfield State Bank 201 S. Eureka Street PO Box 105 Goodfield, IL 61742	Woodford	\$100,000.00	36 Months	2.967%	8/4/2012
Morton Community Bank 721 W. Jackson Street Morton, IL 61550	Tazewell	\$100,000.00	36 Months	2.94%	8/4/2012
South Side Trust & Savings Bank 2199 SW Adams Street Peoria, IL 61602	Peoria	\$75,000.00	36 Months	2.75%	3/1/2013
The Iuka State Bank 303 N. Main Street Iuka, IL 62849	Marion	\$100,000.00	36 Months	1.75%	2/28/2014
The Iuka State Bank 303 N. Main Street Iuka, IL 62849	Marion	\$100,000.00	36 Months	1.75%	2/28/2014
Marshall County State Bank 510 Main Street Varna, IL 61375	Varna	\$100,000.00	36 Months	2.00%	3/1/2014
The Iuka State Bank 303 N. Main Street Iuka, IL 62849	Marion	\$1,000,000.00	36 Months	1.75%	5/24/2014
The Iuka State Bank 303 N. Main Street Iuka, IL 62849	Marion	\$100,000.00	36 Months	1.56%	9/15/2014
The Iuka State Bank 303 N. Main Street Iuka, IL 62849	Marion	\$100,000.00	36 Months	1.56%	9/16/2014
First Collinsville Bank 800 Beltline Road, P O Box 809 Collinsville, IL 62234	Madison	\$100,000.00	36 Months	4.70%	Matured
First County Bank 14-22 East Hanover Street, P O Box 49 New Baden, IL 62265	Clinton	\$100,000.00	36 Months	4.70%	Matured
SUBTOTAL		\$3,075,000.00			
Marine Bank 3050 West Wabash Springfield, IL 62701	Sangamon	\$172,023.34		A.P.Y. 0.50%	
Marine Bank 3050 West Wabash Springfield, IL 62701	Sangamon	\$12,872.77		N/A	
TOTAL		\$3,259,896.11			

**ILLINOIS BANK EXAMINERS' EDUCATION FOUNDATION
BALANCE SHEET (As of April 30, 2012)**

ASSETS:	Money Market Passbook	172,023.34
	Certificates of Deposit	3,075,000.00
	Checking	12,872.77
	Accrued Interest Receivable	8,257.65
	Total Assets	3,268,153.76
LIABILITIES:	Accounts Payable	0.00
FUND EQUITY:	Retained Earnings As of 6/30/11	3,231,374.37
	Income less Expenses for 7/1/11 - 04/30/12	36,779.39
	Total Liabilities and Fund Equity	3,268,153.76

**FISCAL YEAR 2012 STATEMENT OF REVENUES AND EXPENSES
July 1, 2011 Through April 30, 2012**

REVENUES:	Interest from Investments	54,094.21
	Contributions	0.00
	Total Revenues	54,094.21
EXPENSES:	Training Programs	16,589.82
	Fund Transfer	0.00
	Miscellaneous	725.00
	Total Expenses	17,314.82
NET INCOME:		36,779.39

**ILLINOIS BANK EXAMINERS' EDUCATION FUND ACTIVITY
July 1, 2011 Through April 30, 2012**

BEGINNING BALANCE, JULY 1, 2011		3,222,693.91
ADDITIONS:	FY11 Interest Received in FY12	8,680.46
	FY12 Interest Received	45,836.56
	FY12 Contributions	0.00
	Total Additions	54,517.02
REDUCTIONS:	FY11 Training Programs Paid in FY12	0.00
	FY12 Training Programs	16,589.82
	FY11 Fund Transfer Paid in FY12	0.00
	FY12 Fund Transfer	0.00
	FY11 Miscellaneous Paid in FY12	0.00
	FY12 Miscellaneous	725.00
	Total Reductions	17,314.82
ENDING BALANCE, April 30, 2012		3,259,896.11

State Banking Board of Illinois

Resolution 2012-03

Participation by Members of the General Public at
Meetings of the State Banking Board of Illinois

WHEREAS, the State Banking Board of Illinois is a public body that is subject to the Open Meetings Act [5 ILCS 120/1 et seq.]; and,

WHEREAS, the Board recognizes that the Open Meetings Act impresses upon the Board a statutory obligation to allow members of the public to speak before the Board about matters it is considering; and,

WEHREAS, the Board further recognizes that comments from the public are welcomed and serve an important purpose in that they may assist the Board as it carries out its functions; and,

WHEREAS, adopting guidelines for public comments will facilitate productive dialog between members of the general public and the Board in a way that is in the best interest of all parties:

THEREFORE, the following pronouncements and guidelines, which relate to participation by members of the general public, are established:

- Members of the public will have an opportunity to speak at each public meeting held by the Board
- Each speaker is authorized to speak no more than five (5) minutes unless otherwise approved by the Board
- All public comments shall be limited to subjects related to the Board's powers and duties
- The Board in its own discretion may limit comments from a speaker if they are deemed irrelevant, repetitious, or disruptive
- Since meetings of the Board may be recorded and posted on the Division of Banking's website to facilitate transparency and better disseminate information about the Board's activities, members of the public who speak before the Board are provided notice that they may be recorded