

**REGULAR STATE BANKING BOARD MEETING
OFFICE OF THE COMMISSIONER
DEPARTMENT OF FINANCIAL INSTITUTIONS
2000 SCHAFFER STREET, SUITE G
BISMARCK, NORTH DAKOTA**

September 18, 2015

The regular meeting of the State Banking Board was held in the Office of the Commissioner, Department of Financial Institutions, 2000 Schafer Street, Suite G, Bismarck, North Dakota. Chairman Entringer called the meeting to order at 9:00 a.m., Friday, September 18, 2015, by conference call.

MEMBERS PRESENT: Robert J. Entringer, Chairman (*Office*)
Nancy Baerwald, Member (*Cando*)
Linda Beall, Member (*Velva*)
Kim Larson, Member (*Casselton*)
John Schmid, Member (*Carson*)
Tom Stennes, Member (*Harwood*)
Cheryl Thompson, Member (*Fargo*)

MEMBERS ABSENT: None

ALSO PRESENT: Aaron Webb, Secretary (*Office*)
Suzette Richardson, Administrative Staff Officer (*Office*)
Jan Murtha, Assistant Attorney General (*Office*)
Lise Kruse, Chief Examiner – Banks (*Fargo*)
John Docken, First International Bank (*Fargo*)
Anita Quale, First International Bank (*Watford City*)

APPROVAL OF MINUTES

Chairman Entringer indicated the Board received copies of the minutes of the regular meeting held on July 15, 2015.

Member Thompson noted a grammar correction on page 10 of the minutes.

It was moved by Member Beall, seconded by Member Schmid, and unanimously carried, to approve the minutes of the regular meeting held July 15, 2015, as corrected.

REQUEST TO INVEST IN A SUBSIDIARY – DAKOTA WESTERN BANK, BOWMAN

Chairman Entringer stated as indicated in the letter received by EVP Magnus Meier this is a revenue bond, which the Department considers a loan during an examination. Chairman Entringer explained that Crossroads College defaulted on this revenue bond; therefore, the investors are foreclosing and will likely own the property. Chairman Entringer indicated that Dakota Western Bank is requesting permission to invest in a subsidiary which will own the foreclosed property known as Crossroads Acquisitions, LLC; this will be accomplished by transferring the bank's revenue bond from Crossroads College which was purchased on October 1, 2008.

Chairman Entringer reviewed the criteria the Board has previously included as part of an approval for this type of request.

In response to Member Schmid, Chairman Entringer indicated the total outstanding balance for Dakota Western Bank's bond is \$425,800.48.

It was moved by Member Schmid, seconded by Member Baerwald, and unanimously carried, to approve the request by Dakota Western Bank, Bowman, to invest in a subsidiary known as Crossroads Acquisitions, LLC, by transferring the bank's revenue bond from Crossroads College which was purchased on October 1, 2008. The approval is conditioned on the bank complying with the five criteria outlined by Chairman Entringer.

BANK BUDGET UPDATE

Chairman Entringer indicated the Board received the July 31, 2015, Organizational Status Report by Summary Account for the bank division.

EXECUTIVE LEADERSHIP OF CYBER SECURITY

Chairman Entringer explained the Conference of State Bank Supervisors (CSBS) is offering a high level cyber-security training program in April 2016. Chairman Entringer indicated this is a full day program; however, is not designed for IT personnel, but rather for upper level management and Board members.

Chairman Entringer asked for the Board's input as to whether the Department should offer this program, as well as thoughts to conducting the program jointly for bank and credit union personnel.

After discussion it was concluded this would be a valuable program; therefore, Chairman Entringer indicated he would provide information for the Board to consider during the next regularly scheduled meeting.

John Docken and Anita Quale joined the conference call at 9:15 a.m.

The Board went into closed session at 9:16 a.m. to review the Supervisory Reports of Examination pursuant to North Dakota Century Code 6-01-07.1, and to discuss any confidential records pursuant to North Dakota Century Code 44-04-19.2., and returned to open session at 9:25 a.m.

FIRST INTERNATIONAL BANK & TRUST, WATFORD CITY – REQUEST FOR WAIVER TO HOLD A LIFE INSURANCE POLICY

It was moved by Member Larson, seconded by Member Schmid, and unanimously carried, to approve the request by First International Bank & Trust, Watford City, for a waiver to retain a life insurance policy on an identified borrower, remit any excess over and above what the bank is owed to the borrower's estate, and that the bank keep the Department apprised of the status of this matter.

SVP Quale and Mr. Docken left the conference call at 9:26 a.m.

The Board returned to closed session at 9:27 a.m. to review the Supervisory Reports of Examination pursuant to North Dakota Century Code

6-01-07.1, and to discuss any confidential records pursuant to North Dakota Century Code 44-04-19.2., and returned to open session at 9:44 a.m.

APPROVAL OF EXECUTIVE SESSION MINUTES

It was moved by Member Baerwald, seconded by Member Beall, and unanimously carried, to approve the executive session minutes of the regular meeting held July 15, 2015, as presented.

THIRD PARTY BREACHES (CYBER SECURITY)

There was considerable discussion regarding different scenarios of third party breaches.

CSBS DIGITAL CURRENCY POLICY

In response to Member Stennes, Chairman Entringer indicated the Department is receiving requests for individuals to be licensed as money transmitters because they are selling Bitcoin or different virtual currencies. Chairman Entringer continued that staff is trying to determine whether these individuals should be licensed by the Department.

There was further discussion on various companies involved in digital currency and what type of license they should be required to obtain.

BANKERS ROUND TABLE

Assistant Commissioner Webb and Chief Examiner Kruse reported on the Federal Deposit Insurance Corporation Bankers Round Table they attended, as well as the oil field tour of Williston and Watford City.

There was discussion on whether the state-chartered institutions in the oil field areas are being affected by the decrease in oil activity; the conclusion is those institutions are monitoring conditions very closely.

The meeting adjourned at 9:57 a.m.

Robert J. Entringer, Chairman

Aaron Webb, Secretary