



Issue No. 17 SPRING 2002

# THE VIRGINIA STATE BANKER

Regulatory News for Virginia State-chartered Banks

## State Corporation Commission - Bureau of Financial Institutions

E.J. Face, Jr., Commissioner

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The Virginia State Banker is published quarterly by the Virginia Bureau of Financial Institutions to provide useful information to the banks and savings institutions that it regulates, and any of their related interests. Reader comments and suggestions are welcome and should be addressed to:

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Commissioner Face  
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Commissioner Face (R) and Federal Reserve Board Chairman Alan Greenspan take a moment to pose for the camera at the Conference of State Bank Supervisors' annual Washington fly-in.

## CSBS LEGISLATIVE COMMITTEE ANNUAL FLY-IN

The Conference of State Bank Supervisors' (CSBS) Legislative Committee held its annual Washington fly-in March 20 and 21 meeting with members of Congress and Federal regulators to defend the state banking system and its ability to be innovative.

Delegates kept to a full schedule of policy briefings and visits with members of Congress from noon Wednesday to noon Thursday. CSBS Legislative Committee Chairman E.J. Face, Jr., Virginia's Commissioner of Financial Institutions, chaired the program. It was designed as a way for CSBS to communicate its position on current legislative issues on Capitol Hill as well as for commissioners to receive first-hand information from key members of Congress who deal with banking issues on a day-to-day basis.

*See CSBS Committee, page 3*

# NIGERIA RELATED SCAMS CONTINUE

Several Bureau employees have received e-mails about various attempts to spirit money out of Nigeria. Most banks got wise to these petitions years ago, so the perpetrators started trying to find individuals to prey upon. The Internet has made sending the solicitations much cheaper. We recently had a communication from an individual in Central Virginia who received ten different e-mails on this topic between November 2001 and February 2002 involving oil profits, mineral rights, or gold.

As a service to depositors, bankers may want to make customers aware of these attempts at fraud. While most people will dismiss these e-mails for what they are, the Bureau has heard from one of our banks about a customer falling for one of these schemes. For further information, refer to Allan Lengel's article in the Washington Post (Monday, April 29, 2002; Page B01) entitled "E-mail Opens New Door For Familiar Scam Tactic."

## NEW STATE BANK

On April 15, 2002, Peoples Bank of Virginia opened for business at 2702 North Parham Road, Henrico County, Virginia with \$11.7 million in capital. Peoples Bank of Virginia received a certificate of authority to commence banking business from the State Corporation Commission on March 12, 2002, and notice of insurance of accounts from the Federal Deposit Insurance Corporation on April 11, 2002. The new bank also received approval to establish a branch at 5734 Hopkins Road, Chesterfield County. Peoples Bank of Virginia will be directed by 12 residents of the Richmond area. The Chairman of the Board of Directors is W.S. Carnes; the Chief Executive Officer is James H. Atkinson, Jr.; and the President is Quentin L. Corbett.

## NEW BANKERS COMPARE NOTES AT VACB MEETING

On April 4, 2002, the Virginia Association of Community Banks (VACB) held a dinner meeting at the Commonwealth Club for executives of new community banks organized in Virginia since 1999. The purpose of the meeting was to provide an opportunity for exchanging information, networking, and discussing the challenges faced by new banks. More than 30 bankers, regulators, and invited guests attended, representing seven new banks and four banks in organization. Patricia G. Satterfield, Executive Director of the VACB, introduced the newly elected Chairman of the Independent Community Bankers Association of America, Pierce Stone, who addressed the group reminiscing on his experiences in organizing the Bank of Louisa in the mid 1970s. Leon Moore, President of the VACB, also addressed the group praising the positive regulatory environment in Virginia. Deputy Commissioner Nicholas C. Kyrus, representing the Bureau of Financial Institutions, spoke of the success of new State banks in Virginia citing the banking experience of directors, strong management, and a healthy economy as the main factors for the success. The dinner meeting was sponsored by the law office of Williams Mullen.

## CSBS COMMITTEE

Continued from page 1

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Wednesday afternoon featured presentations by House Financial Services Committee Counsel Carter McDowell and Senate Banking Committee Counsel Naomi Camper on deposit insurance reform. In addition, Ruben Barrales, Deputy Assistant to the President and Director of Intergovernmental Affairs, discussed the Administration's views on federalism. Wednesday evening, Commissioner Face introduced Federal Reserve Board Chairman Alan Greenspan who welcomed the CSBS delegation prior to dinner in the conservatory of the U.S. Botanic Garden. He spoke on the importance of dual banking.

Keynoting the dinner was Senator Jon Corzine (D-NJ), who serves on the Senate Banking Committee. He discussed the legislative response to Enron and the importance of reliable financial information to our economy. Thursday morning, House Financial Services Committee Chairman Michael Oxley (R-Ohio) and Committee Ranking Member John J. LaFalce (D-NY) briefed the CSBS delegates on legislation now pending in the House. Delegates then met on the Senate side of Capitol Hill for a Senate Legislative Overview from key Senate Banking Committee staff, Jonathan Miller and Wayne Abernathy.

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## CEO FORUM

On April 17, 2002, Commissioner Face held the biennial Bank CEO Forum in Abingdon, Virginia. The forum is designed to be an open dialogue on issues of mutual interest. The half-day meeting was held at the Southwest Virginia Higher Education Center on the Virginia Highlands Community College campus. The schedule included presentations by senior Bureau staff including Commissioner Face; Nicholas C. Kyrus; Charles R. Dickerson; James A. Russell, Jr.; Gerald E. Fallen; and George H. Latham.

The Bureau will host the next regional meeting at the Lord Fairfax Community College in Middletown, Virginia on June 11, 2002 for all Northern, North Central, and Western Virginia bank CEOs. The Bureau would like to know of any topic our bankers would like discussed. For information or registration, call Mary Lou Kelly or Betty Hicks at 804-371-9657, or e-mail [mlkelly@scc.state.va.us](mailto:mlkelly@scc.state.va.us) or [bhicks@scc.state.va.us](mailto:bhicks@scc.state.va.us).

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## BANK OWNED LIFE INSURANCE

This investment vehicle is becoming more popular with our banks. The Bureau is currently working on an Administrative Ruling to cover the subject. Boards should be sure that they understand the advantages and disadvantages of the proposed investment before they commit to the product. As a general rule, a bank should not invest more than 15% of equity in Bank Owned Life Insurance (BOLI) from any one insurer. Total purchases of BOLI in excess of 25% of equity will be cited as a concentration of assets.

# SPRING 2002 DIRECTORS' COLLEGE

Bankers and regulators engaged in useful discussions at the spring 2002 Directors' College as they reviewed case study examination reports for fictitious institutions and assigned CAMELS ratings. At times, the discussions were rather lively, as bankers and regulators reviewed the same examination report and arrived at different CAMELS ratings. On several occasions, the bankers gave lower ratings than the regulators!

Held at the Virginia Crossings Resort Center in Glen Allen, Virginia, the spring 2002 session was declared a success, as evidenced by comments from some of the 23 bankers attending:

*Case studies were good exercise - - made me think about weighing the various aspects of the business.*

*Good information. Interesting and fast-moving presentations.*

*Regulators and banks go hand in hand, so the communication between the two is vital.*

*All of the presentations have been extremely enlightening and educational. I look forward to future sessions.*

Presenters included regulators from the Bureau of Financial Institutions, the Federal Reserve Bank of Richmond, and the Federal Deposit Insurance Corporation. A presentation by David H. Baris, Esquire, Executive Director of the American Association of Bank Directors, provided valuable insight into the responsibilities of a bank director.

A delicious dinner and a talk by Senator John C. Watkins (Rep., District 10) rounded out the first day of the College. Senator Watkins addressed current issues and recently passed legislation. His candor and willingness to discuss issues relative to the banking industry were greatly appreciated by those in attendance.

We would like to express our sincere thanks to Pat Satterfield, Katharine Garner, and Kelli Mallinger of the VACB for handling administrative aspects of the College, including registration and meeting activities.

The Virginia Bank Directors' College began in 1998 under the direction of Commissioner Face to provide education opportunities for new bank directors. Several more experienced directors attended, and requested additional topic coverage to help them remain informed and current on industry and bank-specific issues. The American Association of Bank Directors certifies the Bank Directors' Colleges for continuing education credits.

In 2002, the spring and fall sessions were revamped. The spring session has been restructured to include essential elements of the banking industry geared toward the newer bank directors. Topics include CAMELS ratings, Audits, Responding to Exam Findings, and Directors' Responsibilities. Of course, this information may also provide a significant learning experience for the more experienced director as well.

The fall session is being formatted to highlight emerging issues and information applicable to all bank directors. Mark your calendars—the fall 2002 session will be held at the Boar's Head in Charlottesville on October 30 and 31, immediately followed by the VACB's Annual Fall Directors' Conference on October 31 and November 1.

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## NEW BANK IN ORGANIZATION IN COVINGTON/ CLIFTON FORGE AREA

Highlands Community Bank (In Organization) filed an application for a certificate of authority to begin banking business at 293 West Main Street, Covington, Virginia as a State bank. It proposes to begin business with \$8.26 million in capital, subscribed by 1,350 individuals and businesses. The proposed Chief Executive Officer is H.C. Rhodes, Jr.

Highlands Community Bank will be directed by an 11-member board of directors: H.C. Rhodes, Jr.; Lewis D. Kemper; Carole T. Gibson; William T. Withrow; John H. Williams; John L. Wynne; Wayne L. Barksdale; James L. Oliver; Nicholas J. Moga; Robert M. Drewry; and William M. Dressler, Jr.

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**Joint Release**

**Office of the Comptroller of the Currency  
Board of Governors of the Federal Reserve System  
Federal Deposit Insurance Corporation  
Conference of State Bank Supervisors**

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For Immediate Release

March 11, 2002

### **Interagency Loan Data Request to Improve the Bank Examination Process**

The federal bank supervisory agencies and the Conference of State Bank Supervisors announced today an interagency effort to improve the efficiency of the examination process by standardizing the request for electronic loan information. This information is used primarily to conduct community and mid-size bank safety and soundness examinations and is currently provided in a variety of formats that can be time consuming and costly for regulators, banks, and service providers to administer. The new standard provides improved data definitions and prescribes a standard format for the presentation of loan information. The new data format will improve the efficiency of the bank examination process and reduce the burden on banks, service providers, and vendors. Participation is voluntary, but the agencies encourage all institutions to participate when contacted as part of the pre-examination planning process. Examiners will begin asking for the new file in the second quarter of 2002. Today's initiative was a cooperative effort among the bank regulatory agencies, and a number of service providers and software vendors. The agencies will host meetings in April to acquaint additional vendors with the new format.

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# ACSSS AWARDS JOHN CROCKETT

At a recent education forum sponsored by the Institute for Supervisory Education, John M. Crockett, Deputy Commissioner of Banks and Savings Institutions, was given a plaque to commemorate his service as a director of the American Council of State Savings Supervisors. He served as a director for nine years. The inscription reads as follows:

*"With sincere appreciation for the generous gift of your time and talent to the ACSSS Board of Directors and the members they served throughout the years  
Thank You"*

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