

ARKANSAS STATE BANK DEPARTMENT (ASBD)

FY 2018 – FY 2019 STRATEGIC PLAN

MISSION:

The mission of ASBD is to maintain a legal and regulatory structure for Arkansas's financial industry. This structure provides the public with convenient, safe and competitive banking, which fosters economic development within this State. Our mission is accomplished through efficient allocation of available human and other resources existing in our Examination, Information Technology and Administrative Services Divisions.

VISION:

Provide an efficient structure for safe and sound economic stability in all financial institutions regulated by ASBD.

**CORE VALUES: RATE
REGULATION – ACCESSIBILITY – TECHNOLOGY – EDUCATION**

GOAL 1 REGULATION - Foster a regulatory environment that creates and maintains economic opportunities within our communities and results in a safe, sound and growing banking sector in Arkansas.

ASBD Goal 1 aligns with State of Arkansas Goals: Grow, Quality of Life, Safe and Efficient and Responsive

Measurable Objective 1: Maintain and strengthen the examination/regulatory program

Strategy 1: Maintain our examination schedule according to law and in compliance with Cooperative Agreements which will be monitored by Assistant Deputy Bank Commissioners

Continue our efficient examination protocol to ensure sound banking policies and procedures effectively address risk and help ensure sound financial performance which assists communities with financial growth and stability. Examination schedules are monitored quarterly. ASBD bank supervision ensures a safe and sound banking industry which creates jobs and fosters economic growth and development in Arkansas communities and is consistent with the Governor's goal for growth. ASBD provides a structure for safe

and sound banking operations in Arkansas and although it is not a direct alignment of public physical safety and soundness, it is in alignment with the spirit of the Governor's goal for financial safety and security.

Strategy 2: Coordinate different types of examinations to improve efficiency including commercial, information systems and trust examinations when applicable

ASBD efficiently and successfully controls and manages resources and expenditures in the execution of its duties. We have implemented an automated examination tool to conduct required examination procedures in a responsive and efficient manner in conjunction with the Governor's goal of efficiency and responsiveness. Cooperation with our institutions and our federal partners continues to ensure efficient use of human and financial resources in coordinating different types of examinations. Monitoring continues with communication with our institutions and bi-monthly meetings with our federal partners.

Strategy 3: Maintain various examination tools

The primary examination tool utilized by ASBD is a software application titled Examination Tools Suite (ETS), developed by the Federal Deposit Insurance Corporation (FDIC) and Conference of State Bank Supervisors (CSBS). ETS has become the de facto standard across the nation for this purpose. ETS is a resource/information sharing application, designed to utilize a Central Peer "clearinghouse" that is accessed via the internet.

Strategy 4: Maintain access to FDIC Extranet programs including Vision, SCOR, PRO and IRRSA for appropriate personnel

Examination staff maintains access to these examination databases to assist in off-site review and examination planning to properly scope institution risk and ensure efficient use of staff.

Strategy 5: Utilize FDIC Connect and Federal Reserve Intralinks to coordinate sharing of information between ASBD and financial institutions

FDIC Connect and Intralinks continue an efficient and safe transfer of examination data to prepare for examination and implement our off-site examination protocol to improve efficiency and reduce burden of examination process on our institutions.

Measurable Objective 2: Maintain effective off-site monitoring

Strategy 1: Utilize the self-examination program to monitor bank performance

Monthly supervisory reports outlining financial trends are produced and distributed to appropriate personnel for analysis.

Strategy 2: Assign off-site monitoring to senior examiners

Efficiency is enhanced by experienced staff reviewing reports, contacting institutions if necessary and updating self-examination program. Significant trends are discussed at bi-monthly supervisors meetings with action plans being discussed and implemented when appropriate.

Strategy 3: Maintain problem bank and watch list bank databases

Problem Institution and Watch List Databases are updated as needed with significant issues being discussed at weekly Executive Committee Meetings or at bi-monthly supervisory meetings.

Strategy 4: Maintain access to NED (National Examination Database), BOND access and FinGen database for appropriate personnel

Monthly monitoring ensures current federal examination data is evaluated.

Measurable Objective 3: Fully develop and implement our Large Bank (>\$10 Billion in total assets) examination program

Strategy 1: Create a written in-house Large Bank Policy and Protocol document

Prior to December 31, 2017, senior staff will develop a written Large Bank protocol which describes and details the ASBD's individual and joint practices and procedures with regard to the supervision of all banks over \$10 Billion in total assets.

Strategy 2: Develop Joint Supervisory Plan annually for each large bank by October 31 of each year

On an annual basis, ASBD senior staff works jointly and efficiently with FDIC or Federal Reserve Bank (FRB) senior staff to develop a comprehensive, written supervisory plan for each of our institutions over \$10 Billion in total assets. The supervisory plan includes a synopsis of the overall condition of the institution, the supervisory strategy and risk profile for the institution.

Strategy 3: Staff all required target and regularly scheduled examinations throughout the year

Staffing of all target reviews and examinations for institutions over \$10 Billion in total assets is coordinated jointly with the FDIC and FRB. Although each examination group is assigned a large bank, staffing for each target and examination is efficiently managed between supervisory personnel and resources are utilized throughout ASBD.

Strategy 4: Assign Central Point of Contact to coordinate all examination planning, off- site monitoring, report completion and bank communication

Assistant Deputy Commissioners are specifically assigned to each institution over \$10 Billion in total assets. They serve as the Central Point of Contact for all examination matters. The process provides for an effective and efficient supervisory strategy that allows for continual flow of information to ASBD senior staff.

Strategy 5: Produce quarterly reports outlining performance, current issues and status of current supervisory plan

Assistant Deputy Commissioners prepare a quarterly, internal memorandum to provide ASBD senior staff with a summary of the current condition of each institution over \$10 Billion in total assets.

Measurable Objective 4: Develop and review policies, regulations and legislation

Strategy 1: Identifying necessary changes by reviewing existing polices regulations and legislation on an ongoing basis

ASBD chief counsel and deputy commissioners will review existing regulations, polices and statutes to determine if changes should be made or if new regulations, polices or legislation are needed to strengthen Arkansas's banking sector. Special attention will be given to changes in federal legislation and regulations and industry practices.

Strategy 2: Implement final policy, regulation or legislation

ASBD chief counsel and deputy commissioners, with the Governor's prior approval, will draft and file policy and regulation changes for adoption. For legislation, ASBD will work with members of the General Assembly to have ASBD legislative changes drafted, filed and adopted by the legislature.

Strategy 3: Review existing policies/regulations on an as needed basis due to legal, regulatory and industry changes

Regulations, policies and statutes will be reviewed and discussed during bi-monthly supervisor meetings and annual strategic planning meetings. ASBD also relies on

Arkansas state chartered banks and other regulated entities to propose changes. Additionally, from 2017-2019, ASBD will conduct a comprehensive regulation review as mandated by Act 781 of 2017.

GOAL 2 ACCESSIBILITY - Maintain an open environment and transparency which promotes access for the banking industry, citizens and taxpayers.

ASBD Goal 2 aligns with State of Arkansas Goals: Grow, Quality of Life, Safe and Educate

Measurable Objective 1: Maintain effective communication with regulated entities

Strategy 1 Hold an annual “Day with The Commissioner” program to address current banking issues

This annual event gives the ASBD an opportunity to discuss significant economic and regulatory issues confronting our industry in person.

Strategy 2: Through our pre-examination information to banks, encourage directors to see the examination progress, attend exit meetings and talk informally with examination personnel

Our regulatory program becomes more transparent and open when opportunities are created to meet face-to-face with the board of directors of our institutions.

Strategy 3: Department personnel will attend Arkansas Bankers Association group meetings, conventions and seminars

These interactions allow ASBD personnel to continue to build the relationships needed between ourselves and our regulated entities.

Strategy 4: Commissioner, Deputy Bank Commissioners and Assistant Deputy Bank Commissioners visit regulated entities

This monthly interaction between senior ASBD personnel and management of regulated entities continues to build strong relationships and shared goals of sound financial institutions which fosters economic development within our state.

Strategy 5: Utilize internet for online in-flow of data

The regulated entities use our online input forms for submission of self-examination and assessment data and use encrypted e-mail for secure communication.

Measurable Objective 2: Maintain effective communication with other regulators

Strategy 1: Confer and schedule regular meetings with federal regulatory agencies concerning examination schedules, enforcement actions and economic and industry trends

Bi-monthly cooperative meetings held with local offices of our federal regulatory counterparts ensure the continual flow of information, collaboration of resources, schedules and emerging issues which leads to an overall efficient and seamless examination process for our regulated entities.

Strategy 2: Invite other regulators to in-house training sessions

These joint training sessions ensure better transfer of knowledge and improve application of regulatory guidance to assist the banking industry in implementing guidance.

Strategy 3: Attend annual meetings with Federal Reserve Bank of St. Louis, CSBS District 3 and FDIC Dallas Region

Regional annual meetings with our collaborators help identify trends and risks facing the banking industry, coordinate joint regulatory issues and discuss regional and state economic issues.

Measurable Objective 3: Maintain effective communication with department employees

Strategy 1: Stress the role of the Advisory Committee

Promotes cohesiveness of the different examination teams and the field and office staff with Chairman of committee to report to supervisors after each meeting (verbal report or copy of minutes).

Strategy 2: Assistant Deputy Bank Commissioners work with each group

This allows for more open communication between ASBD staff in the field working directly with our regulated entities and senior ASBD staff. Assistant Deputy Bank Commissioners are an essential bridge between the examination staff and ASBD senior management.

Strategy 3: Commissioner, Deputy Bank Commissioners or Assistant Deputy Bank Commissioners visit examination groups on a monthly basis

This enhances two way communications between ASBD staff and senior management and promotes transparency.

Strategy 4: Maintain open lines of communication throughout the organization

Lines of communication remain open and efforts to improve are always evaluated. Annual full staff meetings, bi-monthly supervisors meetings, weekly executive committee meetings, advisory committee meetings, full staff training sessions and open discussions about strategic planning are current methods employed to promote transparency.

Strategy 5: Encourage the use of the Employee Suggestion System and MyIdea for Arkansas

Actively encourage use of the Employee Suggestion System to develop ideas for improving the efficiency of the State Bank Department and state government. Notify all staff by e-mail of the policy and any updates. Include the policy in the ASBD Employee Personnel Handbook. During staff meetings and annual Strategic Planning Meetings have open discussions about MyIdea for Arkansas and the Employee Suggestion System.

Measureable Objective 4: Maintain effective and open communication with the general public

Strategy 1: Actively participate in workshops and schools

Senior staff regularly participates in outreach sessions and presentation opportunities with stakeholders such as Arkansas Bankers Association and others such as American Institute of Certified Public Accountants and Independent Community Bankers of America. ASBD staff is also actively engaged with various Arkansas colleges and universities to participate in career fairs, banking courses and programs.

Strategy 2: Maintain use of internet to efficiently disseminate information

ASBD provides information regarding financial literacy to the citizens of Arkansas which is consistent with the Governor's goal for education. Our website is used to publicize critical financial and banking topics to promote financial literacy and transparency. Email is a means by which the general public can rapidly communicate needs and concerns to ASBD.

Strategy 3: Commissioner and other senior ASBD staff speak to civic organizations

ASBD's mission of ensuring a safe and sound banking sector promotes a strong quality of life and financial stability for Arkansans and the entire banking industry in the state as noted in the Governor's goal for quality of life. The Commissioner and other senior ASBD staff speak to civic organizations throughout the state which fosters economic and financial information within our state.

Measureable Objective 5: Maintain effective communication with public entities

Strategy 1: Engage Governor's liaison with ASBD agency activities

Invite Governor's liaison to the department to observe its functions and attend ASBD board meetings. Maintain regular contact with Governor's liaison to ensure he or she is fully apprised of all significant issues and events impacting the agency.

Strategy 2: Communicate with our state legislature and federal congressional delegation on current banking issues

Monitor issues affecting banking industry and maintain good working relationships with our state and federal legislative representatives to act as a resource for lawmakers and advocate for the state's banking industry.

Strategy 3: Participate in College Career Days and participate in the active recruitment of students from colleges and universities

The relationship with various universities within our state promotes the work of ASBD and helps recruit the brightest prospects and continues to build our relationships with universities and financial institutions working together to develop future financial professionals. On an annual basis, staff will attend and participate in at least one College Career Day.

GOAL 3 TECHNOLOGY - Leverage the use of Tech.

ASBD Goal 3 aligns with State of Arkansas Goals: Efficient and Responsive and Safe

Measurable Objective 1: Information Technology (IT) and business alignment

Strategy 1: Approve, review and implement annual IT Plans to support ASBD's mission, vision, objectives and strategies

In addition to the annual and biennial IT plans required for budgeting purposes, an Information Technology Strategic Plan is prepared, reviewed by the IT Committee and upper management and implemented to guide ASBD's efforts to leverage IT to better meet its mission.

Measurable Objective 2: Efficient and effective IT Resource Management

Strategy 1: Align infrastructure/end-user technology to directly support strategic goals

ASBD continually evaluates the infrastructure as it pertains to networking, storage systems and virtualization systems in order to provide a functional and efficient environment for existing and future applications, information and business goals.

Strategy 2: Maintain a robust information security management program

ASBD must safeguard the data it collects, maintains and transmits. All parties in electronic communications must have the confidence that using electronic means to carry out confidential communications will be conducted in a manner that ensures information is protected. ASBD maintains firewall solutions that protect this information by giving IT better insight into the inbound/outbound traffic to the network.

Strategy 3: Hardware upgrade/replacement

ASBD replaces at least one-third of its IT hardware each fiscal year. Exceptions to this policy are items such as printers, scanners and some servers which are replaced every five years or as needed.

Strategy 4: Software upgrade/replacement

It is vital that ASBD synchronize version levels of the operating systems of our desktop/laptop equipment with our federal counterparts for successful operation of shared IT solutions. Upgrades and patches are implemented as soon as possible.

Strategy 5: Integration of non-Windows devices and Bring Your Own Device (BYOD)

ASBD has made a commitment to utilize iOS (Apple) tablets and smartphone technology for members of upper management and Examination section supervisory staff. ASBD utilizes Mobile Device Management (MDM) systems and containerized encryption to ensure the security of confidential data on these devices. BYOD is allowed by those employees mentioned above, subject to the same MDM and containerized encryption systems used on department-owned devices.

Measurable Objective 3: Develop and maintain IT applications to directly support strategic goals

Strategy 1: Develop new IT applications

ASBD is aware that adequate time is required to react and prepare for new and upcoming business directives. As these changes come to light, ASBD seeks enterprise solutions to ensure ASBD's assets, information and reputation are protected. In order to determine vendor and/or product selection, ASBD gathers data for solution vetting. ASBD also relies on our state and federal counterparts' experience that pertains to the solutions being vetted.

Strategy 2: Maintain existing IT applications

ASBD relies heavily upon IT applications for the efficient and effective pursuit of its mission. Key applications are the Self-Examination Program, the Examination Tools Suite, electronic workflow through use of IBM's Domino/Notes application and the Assessment Program, among others. ASBD is committed to maintenance and on-going updates to these programs to ensure their continued reliability and usefulness.

Measurable Objective 4: Secure the continuity of operation

Strategy 1: Off-site disaster recovery (DR)

ASBD has designated its Springdale office as its off-site DR location. IT equipment will be acquired and maintained at that location to meet this function.

Measurable Objective 5: Reduce inefficient paper processes

Strategy 1: Evaluate IT solutions to replace paper processes

ASBD has invested significant amounts of time and money to develop and maintain its electronic workflow system in IBM's Domino/Notes platform. Elements of this system include, but are not limited to, electronic versions of: Hotel Overage Requests, School/Conference Evaluation Questionnaires, monthly Vehicle Reports, Supply Requests, Inventory Transfer Forms and Change of Address Notification Forms. This effort has produced increased time-efficiency and reduced paper document use. ASBD will maintain the current electronic workflow system and expand it whenever it is determined that doing so will increase efficiency and cost savings.

Strategy 2: Electronic Work Papers (EWP)

ASBD has made a commitment to move toward electronic storage of work papers from the examination process. ASBD's IT and Examination sections will work to streamline and organize the process for storage of electronic work papers. ASBD will ensure that sufficient online storage space is available and that the stored documents are available for easy retrieval.

Strategy 3: Utilize document imaging

ASBD has benefitted from document imaging over the past 15+ years. This system provides an efficient and effective means of ensuring all staff across all regions have quick and easy access to all documents of regulated entities. ASBD will maintain the current document imaging system and expand it whenever it is determined that doing so will increase efficiency and cost savings.

Measurable Objective 6: Secure electronic communication

Strategy 1: Firewalls and encryption

ASBD utilizes the Fortigate Security platform. This includes Web and Email content filtering. For email encryption ASBD utilizes Zix Corporation's Zix Server technology.

Strategy 2: Virtual Private Network (VPN) solutions

To provide access to network resources for its staff while they are working outside the three offices, ASBD will maintain a highly reliable VPN solution. This solution utilizes two- factor authentication.

Strategy 3: Wide Area Network (WAN) solutions

Secure electronic communications among the Little Rock, Jonesboro and Springdale offices is critical to the efficient and effective operation of ASBD. ASBD will maintain sufficient internet bandwidth to ensure this communication. VPN technology is utilized to secure this communication among the offices.

Measurable Objective 7: Data Security

Strategy 1: Physical security

ASBD restricts access to its servers to authorized personnel only.

Strategy 2: Electronic security

At the user level, complex passwords and, in some cases, two-factor authentication will continue to be required. Firewalls will be maintained on each office's connection to the internet. VPN solutions will be maintained to provide secure connectivity. Automatic email encryption will be utilized on communications with our federal counterpart agencies and can be used for any email communication.

GOAL 4 EDUCATION - Develop financial professionals and leaders through a robust, diversified and continuing education program.

ASBD Goal 4 aligns with State of Arkansas Goals: Educate and Grow

Measurable Objective 1: Maintain a continuous and effective in-house training program

Strategy 1: Conduct internal training in accordance with Examiner Task Form timeframes

The Examiner Task Form ensures all job tasks are assigned, performed and evaluated for each examiner for the first three years of service covering all aspects of financial analysis and credit evaluation which ensures core training is successfully performed. Work is reviewed after each assignment to ensure progress as well as bi-annual reviews conducted with senior supervisory personnel. Follow up training is held quarterly through ASBD University sessions.

Strategy 2: Continue to use all qualified instructors (ASBD, State, Federal and Private/Academic Sector) available to ensure training is timely and productive

This pool of instructors ensures training is timely and relevant to the current level of experience of each examiner and using ASBD senior examiners, when possible, improves efficiency through cost reduction by eliminating travel expenses.

Strategy 3: Conduct in-house training annually or as necessary

Annual in-house training includes education of Rules and Regulations, ASBD University, Loan Analysis, as well as various current economic or banking topics that arise. Appropriate topics are selected based on need and input from the staff and evaluated by all attendees.

Strategy 4: Effectively use on-line avenues of training to supplement in house and external training

Various on-line training programs such as CSBS's Regulatory University, Risk Management & Associates, The Federal Reserve Rapid Response and Ask the Fed sessions maximize training on specific topics or issues. On-line training programs maximize cost savings by reducing travel expenses.

Measurable Objective 2: Maintain a robust internal education program that includes both a curriculum through federal and state regulatory schools to ensure core training for our staff

Strategy 1: Examination staff will attend five required core schools which provide for extensive hands on training with other examiners that run parallel with our Examination Task Form. These five schools include Intro to Examination Management School, Financial Institution Analysis School, Asset Liability Management School, Loan Analysis School and Examination Management School

These schools include significant off-site pre-work as well as on-site work for up to three weeks. Performance is measured by formal feedback on class participation and work product from the school as well as internal feedback from examiners to ensure training meets the needs of each member of our staff.

Strategy 2: Attendance and completion of the core schools also forms the basis for our career path which advances each examiner to a level of Senior Bank Examiner and allows examination staff to achieve a proficient level

Achieving the level of Senior Bank Examiner is the required level to serve as Examiner- In-Charge for larger and more complex financial institutions. This is the core job requirement for each examiner. Our robust education/training program maximizes efficiencies to ensure this level is reached in the prescribed time frame outlined in our career path.

Strategy 3: Maintain the use of federal and CSBS training initiatives to ensure examination staff continues to receive adequate information and specialty training. These schools are divided into two parts. The first consists of several schools that are considered required additional training. The second group consists of more specialized training on specific topics creating the opportunity for members of our staff to be more proficient in different areas of regulation

Continuous training on regulatory and current economic issues is required. This training is primarily offered by the Federal Financial Institutions Examination Council (FFIEC), the FRB and CSBS.

Measurable Objective 3: Maintain advanced training options for our most senior staff to incentivize retention and further develop our financial professionals

Strategy 1: Continue to provide a “Commissioned Examiner” program to further develop financial knowledge of our senior staff

Completion of this vigorous program demonstrates in-depth regulatory and financial industry knowledge by completion of testing for both knowledge and skill level and improves financial and regulatory knowledge of our staff.

Strategy 2: Continue to provide opportunity to attend Graduate Banking School provided by several national universities

This program is offered by various national universities requiring a three year commitment with both on-site and off-site work requirements in a class room setting working with other banking professionals. This advanced training improves our senior staff’s banking knowledge and the ability to apply this knowledge.

Strategy 3: Continue to provide opportunity to obtain various Certifications in several areas of financial knowledge

These intensive on-site and required continuous education hours provide the ASBD with senior staff that are experts in various specific areas of regulatory and financial subject matters. These currently include Certified Fraud Examiner, Certified Examination Manager, Certified Information Systems Auditor, Certified Senior Trust Examiner, Certified Anti-Money Laundering Specialist and Certified Large Institution Examiner.

Strategy 4: Continue to offer various college level classes on financial topics

University level classes specific to the banking industry are accessible at different times and provided to our staff on a case-by-case basis.

APPENDIX: AGENCY PROFILE AND ORGANIZATIONAL CHART

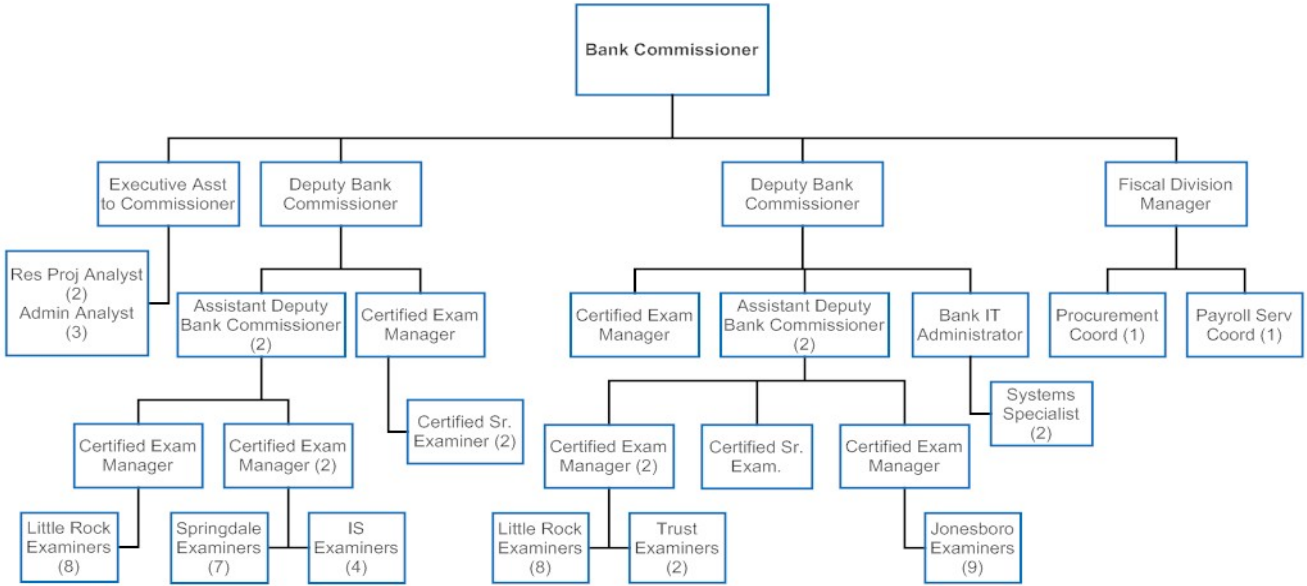
- Key stakeholders
- Primary services (and products, if applicable)
- Profile of the workforce
- Strategic challenges and advantages
- Other relevant information

ADDITIONAL PLAN INFORMATION:

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**Arkansas State Bank Department
AGENCY 0405
Organizational Chart**



Effective September 28, 2017