

BANKING DEPARTMENT



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Chuck O'Connor Retires

By Robert A. Fleury, Deputy Bank Commissioner

On behalf of the Banking Department, it is my pleasure to thank Chuck O'Connor for many years of faithful service and wish him "all the best" in retirement. I would also like to thank all those who joined us to honor Chuck at the reception in February - it was a great night for a great guy.

Although Chuck has left us for greener fairways, his leadership, experience, and generosity will be greatly missed. He set the example for hard, honest work and helped an expanding division through many growing pains.

Prior to the Banking Department, Chuck served honorably in the U.S. Army. Throughout his 20 years of service as a Senior Enlisted Advisor, Chuck provided leadership and support for two armor battalions, and was accountable for 500+ men at 16 locations throughout NE, and 500 pieces of equipment valued at \$700 million.

Chuck began his career at the NH Banking Department in 1994 as a Bank Examiner Trainee. He was promoted to a Bank Examiner I, II, III, and IV during his career at the Department and in 2002 he became the Chief Bank Examiner, where he served until his retirement. Mr. O'Connor led a team of 13 examiners that was charged with supervising banking institutions totaling more than \$11 billion in assets.

Chuck is a great friend and was a mentor to me and many others in the Department and his leadership, knowledge, and sense of humor will be greatly missed.



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Escrow Rate

The escrow rate for the period February 1, 2008 through July 31, 2008 is 0.04%.

New State-Chartered Entities

The Bank Commissioner authorized Perspecta Trust LLC, a new non-depository trust company located in Hampton, New Hampshire, to commence business on September 19, 2007.

Two new depository banks have been authorized to transact business; The Nashua Bank - Nashua, New Hampshire, effective October 1, 2007 and Optima Bank & Trust Company - Portsmouth, New Hampshire, effective January 1, 2008.

DEPARTMENT NEWS

Personnel Changes

We are pleased to announce that three new employees have joined the Banking Department. Matthew Duddy, a Program Specialist, and Ellen Keniston, an Examiner, have joined the Banking Division, and Kathleen Sheehan is a new Examiner in the Consumer Credit Division. All can be reached at 603-271-3561.

Examiner Vincent Cacciola accepted a position at the FDIC.

Todd A. Wells becomes the Chief Bank Examiner

Todd Wells has become the new Chief Bank Examiner. Todd worked at the FDIC for several years before joining the Banking Department in 2004. He can be reached at 603-271-3561.



Left to right: Matt Duddy, Kathleen Sheehan, and Ellen Keniston

BANKING DIVISION NEWS

BSA Reminder: Risk Assessments

By Kristina Dore, Bank Examiner

When was the last time you updated your risk assessment? Most, if not all, financial institutions have been examined under the Federal Financial Institution Examination Council's (FFIEC) BSA/AML Examination Manual. This means, among other things, that you have developed a BSA Risk Assessment for your institution. This is a friendly reminder that those risk assessments are active documents which need to be reviewed and updated, at a minimum, every 12 to 18 months. Examples of other appropriate times to re-visit the risk assessment include: offering new products and/or services, new branch locations, information system changes that affect BSA compliance, changes in customer base, and

mergers and acquisitions. The risks associated with changes in these areas can be mitigated effectively if they are identified and addressed prior to the implementation of said changes.

An additional item for consideration: the examination manual emphasizes the use of a two-step risk assessment process. First, management should identify the risk categories that are unique to their financial institution. Second, management should conduct a detailed analysis of this data to evaluate the specific risks in each category. For further guidance on this process, the FFIEC BSA/AML Examination Manual can be found on the FFIEC's website at <http://www.ffiec.gov>.

BANKING DIVISION NEWS

New FASB Statements

By Margaret Tetu

The Financial Accounting Standard Board ("FASB") issued Statement No. 157 Fair Value Measurements in September 2006, and Statement No. 159, The Fair Value Option for Financial Assets and Financial Liabilities in February 2007. These Statements take effect for companies with a fiscal year beginning after November 15, 2007. Early application is encouraged, provided that the entity has yet to issue interim and annual financial statements for that fiscal year. If the reporting entity elects FASB 159, it must concurrently adopt FASB 157.

FASB 157 is a conceptual framework for measuring fair value under generally accepted accounting principles. The objective is to increase the consistency and comparability of fair value measurements. The fair value measurements apply to financial assets and liabilities, in conjunction with other assets and liabilities that are carried at fair value on a recurring basis. When this statement is initially applied, the difference between the carrying amounts and the fair value should be recognized as a cumulative-effect adjustment to the beginning retained earnings.

FASB 159 may be applied instrument-by-instrument. It is an irrevocable election and applied to an entire instrument, not to a portion of an instrument. The reporting entity's opportunities for fair value election fall into two categories: 1) At initial adoption of the Statement, the entity may reclassify any existing eligible asset or liability to fair value. Any gain or loss resulting from reclassification is reported as a cumulative adjustment to beginning retained earnings, 2) Subsequent to initial adoption, the

entity may elect fair value at the initial recognition of any eligible financial asset or liability, or upon any event that gives rise to a new accounting for that item.

The FDIC issued a new schedule RC-Q-Financial Assets and Liabilities Measured at Fair Value. This schedule is to be completed by banks that have adopted FASB 157, and (1) have elected to account for financial instruments or servicing assets and liabilities at fair value under a fair value option or (2) are required to complete Schedule RC-D-Trading Assets and Liabilities. Also, the FDIC has amended the existing schedules RI-E and RC-R by incorporating a line item for the adjustments resulting from initial adoption of these Statements.

The following are the links to the full text of the FASB 157 and 159. You may want to consult with your independent auditor or certified public accountant to determine applicability.

<http://www.fasb.org/pdf/fas157.pdf>

<http://www.fasb.org/pdf/fas159.pdf>

CONSUMER CREDIT DIVISION NEWS

Financial Statement Filing Requirement

By Celeste Couture, Licensing Supervisor

The beginning of a new year is a good time to remind licensees of their statutory requirement to file their company's financial statement for their fiscal year just ended. The Banking Department requires submission of audited financial statements if prepared; otherwise, internally-generated financials prepared in accordance with generally accepted accounting principles appropriate to the type of business conducted must be submitted.

A debt adjuster, money transmitter, mortgage banker, sales finance company or small loan lender shall file a financial statement that includes a balance sheet, income statement, statement of changes in owners' equity and a cash flow statement. A mortgage broker's financial statement shall include a balance sheet or a statement of net worth.

The timeline has not changed – filings must be received in the Banking Department within 90 days of the end of your fiscal year. The late penalty is \$25 per day until the statement is received. There is no statutory authority for granting a waiver if the financial statement has not been prepared within the time it is due. If you are awaiting receipt of an audited statement, you are required to submit an internally-prepared filing in the interim.

It is still often overlooked that if the financial statement is not audited, a certification signed by a duly authorized officer of the licensee confirming that the figures provided are true and accurate to the best of the officer's belief and knowledge must be attached. This is a

requirement not only for internally-prepared documents, but also statements prepared by an accountant that rely on representations of management, such as compilation and reviewed reports. A signature and a date on each page or a notarization do not meet this requirement.

Examples of upcoming filings are as follows, and as always, reminders have been or will be sent:

<u>FISCAL YEAR ENDING</u>	<u>FILING DUE</u>
December 31, 2007	March 31, 2008
January 31, 2008	April 30, 2008