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Oklahoma Bank Faces FDIC Consent Order

Article By:

A.J. S. Dhaliwal

Mehul N. Madia

Maxwell Earp-Thomas

An Oklahoma-based bank has been hit with a consent order from the FDIC after posting significant losses in its first year of operation. On June 28, the FDIC announced that it took an enforcement action against the bank mandating it to increase its capital reserves, revise its business strategy, and implement technology-based audit policies.

Among other things, the consent order requires the bank to:

- Increase Capital. The bank must raise its common equity tier 1 capital ratio to 14% from its current 9.2% as of March 31, which will require a significant capital infusion.
- Update Business Strategy. The bank is required to revise its business strategy projections. This includes adjusting its revenue models and financial forecasts to reflect more realistic and sustainable growth targets.
- Implement Technology Audit Policies. The bank must develop and implement comprehensive technology-based audit policies to ensure that the bank's IT systems are secure, efficient, and compliant with regulatory standards.

Putting it into Practice: The Oklahoma bank had a fintech-based business model that was viewed skeptically by regulators. The consent order marks a continuation in a trend of federal regulators cracking down on banks that leverage fintech business models or fintech partnerships (previously discussed here, here, and here). This order once again underscores the need for banks to proactively reassess their fintech partnerships and business model to ensure they align with current risk management practices and safety and soundness recommendations.

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