

**FEDERAL DEPOSIT INSURANCE CORPORATION**

**WASHINGTON, D.C.**

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<b>In the Matter of</b>	)	<b>CONSENT ORDER, ORDER</b>
	)	<b>FOR RESTITUTION, AND</b>
	)	<b>ORDER TO PAY</b>
<b>WORLD’S FOREMOST BANK</b>	)	<b>CIVIL MONEY PENALTY</b>
<b>SIDNEY, NEBRASKA</b>	)	
	)	
<b>(INSURED STATE NONMEMBER BANK)</b>	)	<b>FDIC-13- 0387b</b>
	)	<b>FDIC-13- 0388k</b>
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The Federal Deposit Insurance Corporation (“FDIC”) has jurisdiction over World’s Foremost Bank (“Bank” or “WFB”) under section 3(q) of the Federal Deposit Insurance Act (“FDI Act”), 12 U.S.C. § 1813(q).

The Bank has been advised of its right to receive a NOTICE OF CHARGES AND OF HEARING under section 8(b) of the Federal Deposit Insurance Act (“Act”), 12 U.S.C. § 1818(b), and a NOTICE OF ASSESSMENT OF CIVIL MONEY PENALTY, FINDINGS OF FACT AND CONCLUSIONS OF LAW, ORDER TO PAY, AND NOTICE OF HEARING (collectively, “NOTICE”) under section 8(i)(2) of the Act, 12 U.S.C. § 1818(i)(2), detailing violations of Section 5 of the Federal Trade Commission Act, 15 U.S.C. § 45(a) (“Section 5”), alleged to have been committed by the Bank, and of its right to a hearing with respect to the foregoing. The Bank, by and through its duly elected and acting Board of Directors (“Board”), having waived those rights, entered into a STIPULATION AND CONSENT TO THE ISSUANCE OF A CONSENT ORDER, ORDER FOR RESTITUTION, AND ORDER TO PAY CIVIL MONEY PENALTY (“CONSENT AGREEMENT”) with counsel for the FDIC dated February 28, 2014, whereby, solely for the purpose of this proceeding and without admitting or

denying any violations of law or regulation, the Bank consented to the issuance of this CONSENT ORDER, ORDER FOR RESTITUTION, AND ORDER TO PAY CIVIL MONEY PENALTY (collectively, "ORDER") by the FDIC.

The FDIC considered the matter and determined that the Bank has engaged in deceptive and unfair acts and practices in or affecting commerce in violation of Section 5 in connection with marketing, promotion and administration of its consumer credit cards and related add-on products.

The FDIC accepts the CONSENT AGREEMENT and issues the following:

## **I. CONSENT ORDER**

### DEFINITIONS

For purposes of this ORDER, the following definitions shall apply:

- A. "Board" shall mean WFB's duly elected and acting Board of Directors.
- B. "Cabela's" refers to Cabela's, Inc., a publicly-traded retail seller of sporting goods and the parent company of WFB.
- C. "Card" shall mean any Cabela's consumer credit card issued by WFB.
- D. "Card Member" shall mean any consumer who has applied or applies for, and received or receives a Cabela's consumer credit card issued by WFB.
- E. "Effective Date" shall mean the date on which the ORDER is issued.
- F. "Regional Director" shall mean the FDIC Regional Director for the Kansas City Region.
- G. "Report of Examination" shall mean the Report of Examination concerning WFB dated February 19, 2013.

IT IS HEREBY ORDERED that the Bank, its institution-affiliated parties (“IAPs”), as that term is defined in 12 U.S.C. § 1813(u), and its successors and assigns, cease and desist from engaging in unsafe or unsound banking practices and violations of laws and/or regulations, as more fully set forth in the Report of Examination, and from operating in violation of Section 5 by engaging in deceptive and unfair practices related to the marketing, promotion and administration of its consumer credit cards and related add-on products.

IT IS FURTHER ORDERED that the Bank, its IAPs, successors and assigns, shall take the following affirmative action:

CORRECTIVE ACTION

1. Within 90 days of the Effective Date, the Bank shall correct all violations as described in the Report of Examination, and implement procedures to prevent their recurrence, or explain in writing to the Regional Office why a violation has not been corrected. The Bank’s actions as required by this paragraph must be satisfactory to the Regional Director as determined at subsequent examinations and/or visitations.

2. The Bank, whether acting directly or through third parties, shall cease all unfair and deceptive acts or practices and ensure compliance with the guidance set forth in *Unfair or Deceptive Acts or Practices by State-Chartered Banks* (FIL-26-2004, issued March 11, 2004).

Without limiting the foregoing:

(a) The Bank shall evaluate the structure of the Compliance Management System and make changes, as needed, designed to effect and ensure the Bank’s compliance with Section 5.

(b) The Board shall increase oversight of the Bank's Compliance Management System, and in particular, those portions of the Bank's Compliance Management System designed to ensure compliance with Section 5.

(c) The Bank shall evaluate its training program and make changes, as needed, designed to ensure that all appropriate Bank and Cabela's personnel, including but not limited to customer service and Card enrollment representatives, receive training, on an on-going basis, to understand and comply with Section 5.

(d) The Bank shall evaluate its internal compliance reviews and make changes, as needed, designed to ensure that potential Section 5 violations are identified and that such internal compliance reviews are conducted from the perspective of the reasonable consumer. The Bank will ensure that appropriate and full corrective action is implemented if any violations of Section 5 are identified.

3. The Bank shall maintain open, transparent and continuing discussion with the FDIC when internal findings are identified that will result in consumer harm or require restitution, including consultation regarding proposed corrective action. Within 60 days of the Effective Date, the Bank shall create, and submit to the FDIC for non-objection, written procedures setting forth a communication plan with the FDIC in satisfaction of this paragraph.

4. The Bank shall increase its oversight of any third party vendors that provide third party products or services which the Bank offers to its cardholders. It will review on a regular basis, not to exceed 60 days, all complaints that such third-party vendors receive and record to identify potential compliance concerns. Further, the Bank will conduct reviews of third party product offerings designed to mitigate compliance risk associated with such offerings, and shall

require third party vendors to maintain sufficient documentation regarding such third party product offerings to allow Bank personnel to conduct appropriate reviews.

5. The Bank shall increase monitoring of advertisements, promotions and marketing of Bank products designed to ensure the advertisements clearly and accurately reflect the terms and conditions of products being promoted. Internal reviews of advertising, promotions and marketing shall be conducted from the perspective of a reasonable consumer.

6. (a) Within 60 days of the Effective Date, the Bank shall create, and submit to the FDIC for non-objection, written procedures for independent reviews of its compliance with Section 5. The Bank shall implement the written procedures upon receipt of a statement of non-objection to them from the Regional Director. Independent reviews shall be conducted by qualified personnel independent from the Bank, with experience in conducting independent reviews of Section 5 compliance programs of banks of a comparable size.

(b) Independent reviews shall occur at least annually, with the first independent review to be completed within 120 days of the Regional Director's non-objection of the written review procedures, and at a minimum shall:

- (i) Define a comprehensive scope;
- (ii) Identify the number of transactions to be sampled by category or product type;
- (iii) Identify deficiencies in the Bank's compliance with Section 5 and/or its Compliance Management System as it relates to Section 5;
- (iv) Provide descriptions of or suggestions for corrective actions and timeframes for correction of any deficiencies; and

(v) Establish follow-up procedures to verify that corrective actions are implemented and effective.

(c) Independent review findings, deficiencies, and recommendations must be documented in a written report and provided to the Board. In addition, the independent review reports should be thoroughly reviewed by the Board and fully documented in the Board's minutes. Within 90 days of the receipt of the independent reviewer's written report, or such additional timeframe agreed upon by the Regional Office, the Board shall take action to address review findings, correct any deficiencies noted, and implement any recommendations or explain in writing signed by the Board why a particular recommendation has not been implemented.

## **II. ORDER FOR RESTITUTION**

7. Within 30 days from the Effective Date, the Bank shall prepare a comprehensive Restitution Plan for all Card Members who were injured by the Bank's violations of Section 5.

8. The Bank shall submit the Restitution Plan, including samples of letters to consumers, to the Regional Director for his review, comment and non-objection prior to implementation.

9. The Restitution Plan shall, at a minimum, require the Bank to:

(a) Refund all interest paid before the end of the 12 month interest-free period by Card Members who participated in Zero Percent Interest for 12 Month Promotional Offers.

(b) Refund the LifeLock premiums paid by the 905 Card Members who were enrolled for LifeLock services at the Fort Worth Cabela's store between October 3 and December 17, 2012 ("Eligible Customers"). Additionally, WFB will send a letter to Eligible Customers who are still enrolled in LifeLock informing the Card Members that LifeLock is a voluntary product and is not required to obtain or maintain a Cabela's CLUB Visa card. The

refund provided to those Eligible Customers with active LifeLock enrollments will also include an amount equal to 2 additional months of LifeLock premiums. The letter shall provide an opportunity for Card Members who enrolled based upon misinformation or who were enrolled without their knowledge to terminate their participation in the product.

(c) Provide Cabela's CLUB Points to all Card Members with active accounts and to all Card Members whose accounts were in good standing when closed for all Payment Assurance product payments made from program inception in 2006.

10. Within 90 days of receipt of non-objection from the Regional Director, the Bank shall implement the Restitution Plan. Any required cash restitution amount shall be provided to each eligible Card Member in the form of a statement credit if the account remains open or is closed in a charged off status; and a certified or bank check if the account is closed in good standing. Any required restitution in the form of Cabela's CLUB Points shall be provided via statement credit if the account remains open or in the form of a Cabela's gift card or a certified or bank check if the account is closed and in good standing.

11. The Bank shall retain for seven years all records pertaining to the Restitution Plan, including but not limited to: documentation of the processes and procedures used to determine the eligible Card Members; the names, contact, and account information of the eligible Card Members; any mailing records; and documentation that the appropriate restitution was made.

### **III. ORDER TO PAY CIVIL MONEY PENALTY**

IT IS FURTHER ORDERED that, by reason of the violation(s) of law and regulations set forth herein, and after taking into account the appropriateness of the penalty with respect to the size of financial resources and good faith of the Bank, the gravity of the violations, the history of

previous violations by the Bank, and such other matters as justice may require, pursuant to 12 U.S.C. § 1818(i)(2):

12. A penalty of \$1,000,000 is assessed against the Bank. The Bank shall pay such amount to the Treasury of the United States. The Bank is prohibited from seeking or accepting indemnification from any third party for the civil money penalty assessed and paid in this matter.

#### **IV. NOTIFICATION AND REPORTING REQUIREMENTS**

##### **PROGRESS REPORTS AND CERTIFICATIONS OF COMPLIANCE**

13. Within 30 days from the end of each calendar quarter following the Effective Date, the Bank shall provide a written progress report addressing each provision of the ORDER and detailing the form, manner, results and dates of any actions taken to secure compliance with the provisions of the ORDER to the Regional Director. All progress reports and other written responses to the ORDER shall be reviewed by the Board and made a part of the Board minutes. The progress reports shall be true and accurate and accompanied by a certification of compliance signed by the Chairman of the Board and the Bank President. The certification of compliance shall include the following:

(a) A statement confirming that the Bank is in compliance with all provisions of the ORDER; or

(b) If the Bank is not in compliance with all provisions of the ORDER, the Bank must provide:

(i) A list of the provisions with which the Bank is not yet in compliance, an explanation of why the Bank is not yet in compliance with each specific provision, and a description of the actions the Bank has taken to comply with the provision; and

(ii) A statement as to when the Bank will be in full compliance with the ORDER.

#### SHAREHOLDER NOTIFICATION

14. The Bank shall either provide a copy of the ORDER to its sole shareholder, or otherwise furnish a description of the ORDER in conjunction with the next meeting of its shareholder, in which case such description shall fully describe the ORDER in all material respects. This description shall be disseminated in conjunction with the Bank's next shareholder communication and in conjunction with its notice or proxy statement preceding the Bank's next shareholder meeting. The terms "next shareholder communication" and "next shareholder meeting" mean the next shareholder communication and next shareholder meeting immediately after the FDIC provides the Bank with either non-objection to or comments about the description.

#### **V. MISCELLANEOUS**

15. Except for an action under Section 8(i) of the FDI Act, 12 U.S.C. § 1818(i), to enforce compliance with this Order by the FDIC, the FDIC shall not commence any action under 12 U.S.C. § 1818, Section 5, or any other statute or regulation, against the Bank and its institution-affiliated parties ("IAPs"), as that term is defined in 12 U.S.C. § 1813(u), and its successors and assigns (collectively, "Bank Parties"), arising out of or relating in any manner to the violations of laws or regulations which are the subject of this Order, as more fully set forth in the Report of Examination.

16. The provisions of the ORDER shall not bar, estop, or otherwise prevent the FDIC or any other federal or state agency or department from taking any other action against the Bank and Bank Parties for violations of any laws or regulations, including federal and state consumer

