

# Trends in Technology

## Top Technology Concerns for Community Banks

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**Presented by:**

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**ProBank**  
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# PRESENTER

**Darla Brogan**  
**Senior Consultant**  
**Information Technology**  
**ProBank Austin**

- **Senior Consultant at Professional Bank Services for 20 years**
- **Certified Information Systems Auditor**
- **Certified in Risk and Information Systems Control**
- **Accredited ACH Professional**
- **Over 40 years in bank operations and technology**



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# PRESENTER

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Information Technology  
ProBank Austin

- **Managing Director of Technology Solutions at Austin Associates for over seven years**
- **Associated with Austin Associates for over eight years**
- **Over 35 years of experience in financial technology**



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# TIPS FOR TODAY

- All participants are muted.
- Participants' names and institutions are confidential and will not be shared.
- We encourage questions and comments. Please submit in the *Go to Webinar* participant control panel.
- Time may limit our ability to address all questions, but we will get back to you as soon as possible.
- We are recording this webinar for your convenience. It will be posted on [www.austinassociates.com](http://www.austinassociates.com) and on the YouTube channel.
- A complete recording with PowerPoint slides will be posted on [www.austinassociates.com](http://www.austinassociates.com) within one hour after this session.
- Technical difficulties? Contact Lisa Cordier at 419-517-1763



# ProBank Austin

## Trusted Advisor to Financial Institutions

**In January 2017, Professional Bank Services, Louisville, and Austin Associates, LLC, Toledo, completed a strategic merger to form ProBank Austin.**

- **We are one of the nation's largest financial institution consulting firms.**
- **We have a depth of experience serving community banks for five decades.**
- **We are ranked *fifth* nationally in Whole Bank Deals since 2005 by S&P Global Market Intelligence.**



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Trusted Advisor to Financial Institutions

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- **Financial Management**
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# TOP TECHNOLOGY CONCERNS

## FOR COMMUNITY BANKERS

### Technology for Financial Institutions

- Critical
- Complex
- Costly
- Ever-changing



# TOP TECHNOLOGY CONCERNS

## FOR COMMUNITY BANKERS

- **Fintech** - A brief overview of the status quo.
- **Cybersecurity** - An update on the hottest topic in technology.
- **Outsourced Services** - Core processing and beyond.
- **Branch Transformation** - How emerging technologies are affecting branches.
- **Vendor Management** - A discussion on best practices and future regulations.





# TOP TECHNOLOGY CONCERNS

## FOR COMMUNITY BANKERS

### Fintech

- A huge umbrella covering all facets of banking.
- Friend or Foe? It is both!
- Over \$8 billion invested worldwide in 2017\*

\*Source: *Funding for Fintech Startups Poised to Hit a Record in 2017 – Bloomberg – July 2017*

<https://www.bloomberg.com/news/articles/2017-07-25/funding-for-fintech-startups-poised-to-hit-a-record-in-2017>



# TOP TECHNOLOGY CONCERNS

## FOR COMMUNITY BANKERS

### Fintech

- Lending
  - Online direct lenders: Kabbage, OnDeck, SoFi, etc.
    - Alternatives lenders originated \$29.1 billion in US in 2015
  - Rocket Mortgage and lookalikes
    - Quicken Loans originated \$79 billion in home loans in 2015



# TOP TECHNOLOGY CONCERNS

## FOR COMMUNITY BANKERS

### Fintech

- Lending
  - Realtime decisioning
  - Setting customer expectations?



# TOP TECHNOLOGY CONCERNS

## FOR COMMUNITY BANKERS

### Fintech

- Digital Payments
  - Contactless payments
    - Fitbit and Garmin
    - Amazon Pay
    - Apple Pay



# TOP TECHNOLOGY CONCERNS

## FOR COMMUNITY BANKERS

### Fintech

- Digital Payments
  - P2P Payments
    - Venmo
    - Zelle
    - Apple Pay Cash



# TOP TECHNOLOGY CONCERNS

## FOR COMMUNITY BANKERS

### Fintech

- Pay attention to developments
  - <http://www.tearsheet.co/subscribe>
  - <https://www.mx.com/resources/2015/7/15/mx-content-repository>
  - <https://letstalkpayments.com/>
  - <https://banknxt.com/>



# TOP TECHNOLOGY CONCERNS

## FOR COMMUNITY BANKERS

### Fintech

- World Economic Forum

*Beyond Fintech: A Pragmatic Assessment Of Disruptive Potential In Financial Services – August 2017*

[http://www3.weforum.org/docs/Beyond\\_Fintech -  
\\_A Pragmatic Assessment of Disruptive Potential in Financial Services.p  
df](http://www3.weforum.org/docs/Beyond_Fintech_-_A_Pragmatic_Assessment_of_Disruptive_Potential_in_Financial_Services.pdf)

- ProBank Austin *Trends in Technology* – Fintech Blogs

*Be Current and Cognizant!* – April 2017

<http://www.austinassociates.com/news/blog/fintech-be-current-and-cognizant>



# TOP TECHNOLOGY CONCERNS

## FOR COMMUNITY BANKERS

### Cybersecurity

- Board of Directors Risk Appetite Statement-example:

The Bank will follow regulatory guidelines and maintain reasonable security measures and controls designed to minimize the threat of cyber-attacks on the Bank and customers. The goal of the Bank is to promote assurance that inherent risks are appropriately identified, measured, monitored and controlled to achieve a low residual risk level. Industry standard controls are implemented to mitigate risk associated with high risk service lines and technology threats. Oversight and monitoring processes are implemented in order track and respond to threats to the Bank's customer information and customer information systems. The Bank maintains appropriate legal contracts and cyber insurance to protect its interest in the event of a cyber-attack.

- Policy and Risk Assessment Documentation
  - Consistent, Comprehensive, Completed





# TOP TECHNOLOGY CONCERNS

## FOR COMMUNITY BANKERS

### Cybersecurity

- Four basic cybersecurity controls effective in preventing 85% of cyber intrusions:
  1. Restricting user installation of applications (“whitelisting”)
  2. Ensuring that the operating system is pushed current updates
  3. Ensuring software apps are regularly updated
  4. Restricting administrative privileges
- Equifax Breach announced 9/7/17- Application Vulnerability



# TOP TECHNOLOGY CONCERNS

## FOR COMMUNITY BANKERS

### Cybersecurity

- Monitoring
- Monthly status reports to your Board of Directors
  - Cybersecurity Key Risk Indicators for Board Reporting
    - Network / Firewall Monitoring Management Reports
    - Patch Management Metrics
    - Phishing Metrics
    - Incident Management Reporting



# TOP TECHNOLOGY CONCERNS

## FOR COMMUNITY BANKERS

### Cybersecurity

- Additional Resources
  - Center for Internet Security <https://www.cisecurity.org>
  - NIST Cybersecurity Framework <https://www.nist.gov/programs-projects/cybersecurity-framework>
  - FFIEC Cybersecurity Awareness Tool (CAT) [www.cytegic.com/review-of-the-new-ffiec-cybersecurity-assessment-tool](http://www.cytegic.com/review-of-the-new-ffiec-cybersecurity-assessment-tool)



# TOP TECHNOLOGY CONCERNS

## FOR COMMUNITY BANKERS

### Outsourced Services

- In-house core processing migration to outsourced  
ProBank Austin webinar

*Is Outsourced Processing Right for Your Bank? – October 2015*

[https://youtu.be/1\\_joEaUKWDo](https://youtu.be/1_joEaUKWDo)

- Outsourced network management



# TOP TECHNOLOGY CONCERNS

## FOR COMMUNITY BANKERS

### Outsourced Services

- Hosted server solutions
  - Data Center
  - Cloud
    - The Cloud Security Alliance (CSA) – The CSA is a member-driven organization, chartered with promoting the use of best practices for providing security assurance within Cloud Computing.  
[https://cloudsecurityalliance.org/group/cloud-controls-matrix/#\\_overview](https://cloudsecurityalliance.org/group/cloud-controls-matrix/#_overview)



# TOP TECHNOLOGY CONCERNS

## FOR COMMUNITY BANKERS

### Outsourced Services

- Contractual considerations
  - Performance standards with remedy
  - Database portability
  - Non-restrictive access for core and ancillary systems



# TOP TECHNOLOGY CONCERNS

## FOR COMMUNITY BANKERS

### Branch Transformation

- A serious concern at many community banks

*Omni-Channels: The Effects of New Technologies on Bank and Branch Profitability* – November 2016

<https://youtu.be/nGeAgSxAawQ>

- Repurpose existing branches
- Redesign architecture



# TOP TECHNOLOGY CONCERNS

## FOR COMMUNITY BANKERS

### Branch Transformation

- Leverage new technology
  - Tablet interfaces to core and deposit origination systems
  - Interactive Teller Machines (ITMs)
    - Free standing
    - Drive thru
    - LPOs
    - Varying levels of core support





# TOP TECHNOLOGY CONCERNS

## FOR COMMUNITY BANKERS

### Vendor Management

- Examiner expectations
- Contract due diligence - Understand the details of your contracts. Contracts may be as long as 200 pages. Get counsel to help navigate.
- All services should be coterminous with core.



# TOP TECHNOLOGY CONCERNS

## FOR COMMUNITY BANKERS

### Vendor Management

- Begin renewal negotiation at least *one year* in advance of expiration. Do not lose your power to make modifications!
- Begin core evaluations at least *18 months* in advance of expiration – *Two years* is best.



# TOP TECHNOLOGY CONCERNS

## FOR COMMUNITY BANKERS

### Vendor Management

#### ***FDIC Office of the Inspector General Technology Service Provider Contracts with FDIC-Supervised Institutions – February 2017***

<https://www.fdicig.gov/publications/technology-service-provider-contracts-fdic-supervised-institutions>

Based on a review of 48 contracts between financial institutions and technology service providers, the OIG Report made the following findings:

- Financial institutions' analyses do not fully consider business continuity and incident response risk presented by TSPs.
- Key contractual provisions provide limited coverage of TSPs' business continuity planning and incident response and reporting responsibilities.



# TOP TECHNOLOGY CONCERNS

## FOR COMMUNITY BANKERS

### Vendor Management

Based on a review of 48 contracts between financial institutions and TSPs, the OIG Report made the following findings:

- Key contract terms lack clear and specific definition.
- The FDIC has implemented numerous initiatives to address cybersecurity risks.
- FI third party relationship risks remain and will require continued supervisory attention.



# TOP TECHNOLOGY CONCERNS

## FOR COMMUNITY BANKERS

# QUESTIONS?

**For instructions on how your customers can deal with the recent Equifax breach, banks may wish to direct its customers to the below website.**

**<https://www.consumer.ftc.gov/articles/0497-credit-freeze-faqs>**



# TOP TECHNOLOGY CONCERNS

## FOR COMMUNITY BANKERS

### Thank you!

If you have questions or comments regarding today's presentation, please contact us.

For your convenience, this presentation and Power Point deck will be posted today on [austinassociates.com](http://austinassociates.com).

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