



Correspondent Views

BANKERS' BANK OF THE WEST newsletter for community banks

PRESIDENT'S MESSAGE

Issue 5 • 2018

A rational take on cybersecurity: maintain awareness, connections, and a cool head

In early October, I attended the Conference on Cybersecurity in Community Banking along with a diverse and intelligent group of 70 community bankers from Idaho, Kansas, Nebraska, New Mexico, Oklahoma, and Wyoming as well as Colorado.

The participants held a variety of professional roles: cashier, head of information security, technology administrator, chief operating officer, and bank president, to name a few. The asset size of banks represented ran the gamut, from \$110 million to more than \$3 billion.

Judging by the turnout at the dual-track educational sessions—one track focused on technical detail, the other on administrative concerns—the attendees specializing in information technology and security outnumbered those in management by a small margin.

It's been widely reported that most community banks say their single biggest hurdle is staying informed, safe and compliant in all aspects of technology. Knowing this, I was impressed by the dedication and wealth of talent the conference participants brought to the topic of cybersecurity. The fact that so many banks sent key people to the two-day event reflects their serious commitment to safeguarding their banks and the customers they serve. I also took it as an indication of levelheaded confidence in the future of community banking itself.

One initiative Bankers' Bank of the West has promoted and facilitated for several years is peer-to-peer discussions involving community bankers. Time for networking was also built into our cybersecurity conference. Why? Because the best mentors and sounding boards are often our counterparts at other community banks. Many participants say that discussing challenges and best practices with their peers has been valuable in ways they couldn't have anticipated.

With this in mind, I'll share the approach BBW uses to keep this organization in the loop on information technology and security:

- 1.** First thing every morning, **Anne Benigsen**, head of IS/IT, meets with CFO **Chris Hill** (who oversees those functions) to discuss relevant developments. These normally high-level briefings can go in-depth if extra attention is needed.
- 2.** The agenda for our weekly senior management team meetings includes a summary by Anne on IS/IT projects, anomalies, incidents, and other news. Generally, about half the meeting is devoted to cybersecurity.
- 3.** During each BBW monthly board meeting, our directors receive a report on all cybersecurity matters.
- 4.** BBW has an IT/IS steering committee with staff representation from all areas of our organization that perform critical functions. Anne meets and works with that committee six times a year. She reports to our board of directors' Information Security Committee, which in turn keeps the full board informed.
- 5.** We conduct frequent and extensive social media training and testing to maintain a high level of awareness and defensive posture against attacks.

This system is effective for BBW, but different approaches work equally well for other banks.

Technology has advanced exponentially. And the tools, resources and expertise available for managing cybersecurity have evolved, too. I find that looking back on technological change puts things in perspective. It amazes me to think that ten years ago, I didn't own a smart phone—and didn't know the difference between "cyber" and "cyborg." The devices community bankers use on the job today are modern and more powerful, but you and I are still in control—and on course.



Bill Mitchell
President & CEO

TAKING NOTE

FURTHER EDUCATION ON CATO

It was the ever-present, escalating threat of corporate account takeover that prompted the Federal Financial Institutions Examination Council to issue its 2005 guidance, “Authentication in an Internet Banking Environment,” and to follow it in 2011 with a supplement to that guidance.

CATO attempts have not let up in recent years; in fact, criminals have broadened their targets to include consumers and adopted more sophisticated tactics such as social engineering. Banks are advised to follow best practices, use mechanisms for preventing and mitigating risk, and proactive education for their customers and employees. In staying proactive, banks build strong barriers against cybercriminals.

Also relevant to CATO education: The final 2018 WesPay-led webinar for BBW customer banks is entitled **FFIEC and Corporate Account Takeover**. The 90-minute course will start at 1 pm Mountain Time (2 pm Central) on **Nov. 30**. Email operations@bbwest.com if you need a sign-up form.

INFORMATIVE AND ENGAGING IN 70 WORDS

The presenter lineup for the 2018 **Symposium for Community Bank Directors** (Oct. 28-30) includes **Elliot Eisenberg**, Ph.D., an economist with a national following and a gift for making economics understandable, relevant, and fun.

Popularly known as the Bowtie Economist, Dr. Eisenberg has spoken at hundreds of business group meetings; his opinions and research have been featured in *Forbes*, *Business Week*, and other publications. He has been asked to comment on proposed legislation and invited to testify before lawmakers. He is frequently a guest on radio and cable news programs.

In 2010, the Bowtie Economist challenged himself to explain an economic idea or question in 70 words or less—a daunting task. This was the start of his 70-word blog on the economy, which he writes and posts each weekday except holidays. To subscribe free to the blog, visit econ70.com.

To read about the Western States Director Education Foundation Symposium, visit wsdef.org.

ABOUT

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Strategic planning today — more critical (and more advantageous) than ever

Jim Swanson, Senior Vice President—Bank Strategies ■ a Division of Bankers' Bank of the West

One challenge most of us face in our personal and business lives is managing our day-to-day workload. Out of necessity, we often find ourselves in head-down mode trying to get through the tasks at hand. It's easy to get stuck in this pattern day after day, month after month.

Yet given the dynamic world we live in, it's more important than ever to periodically pull yourself out of the weeds and climb to a higher vantage point where you can evaluate where you are and where you're heading as an organization.

Most of us know this but allow the detail of our lives to take control and displace higher priorities. As John F. Kennedy once aptly observed, "Efforts and courage are not enough without purpose and direction."

The fourth quarter of the year, when you're already thinking to the future and creating a budget for the next year, is an ideal time to sit down with the key players in your organization and go through a strategic planning exercise.

Whether your bank's goals are ambitious and growth-oriented, focused on maintaining your existing success, or simply aimed at doing what you're already doing (only better), a full commitment to strategic planning can help tip the scales in favor of long-term organizational success, and away from failure.

An effective strategic planning process—one that incorporates both ongoing monitoring and follow-up—can produce a multitude of benefits.

Common outcomes include, among other things:

READINESS. Strategic planning gives your team an opportunity to react to the threats and capitalize on the opportunities emerging on the evolving landscape—changes in social and economic behaviors, demographics, technology, and delivery platforms.

CONCENTRATED EFFORT. It is an ideal forum for getting everyone in the organization apprised of, committed to, and doing their part to achieve initiatives and objectives that are critical to the bank's success.

STEWARDSHIP. The process is a means of ensuring the leadership is fulfilling its fiduciary duties and meeting expectations and needs of stakeholders — shareholders, employees, customers, and regulators.

COHESIVE COMMUNICATION. A long-lasting byproduct of sound strategic planning is the assurance that all key contributors, including the board, will be kept regularly informed of the progress on goal achievement, the plan's strategic initiatives, and its action steps.

Bank Strategies, a division of Bankers' Bank of the West, has been assisting community banks with strategic planning for many years. Reach us at jim@bankstrategiesllc.com or **303-903-9369** to discuss how we can help facilitate or provide consultation to further the success of your next strategic planning session.

Snapshots from BBW's 2018 Conference on Cybersecurity in Community Banking

The conference held Oct. 4-5 drew 70 community bankers from seven states, with 10 banks sending two or more representatives. A few of the many memorable moments are captured here. 1) Peter Evans (Optiv) discusses the transformation of cybersecurity.

2) Melissa Larkin, Solera National Bank, makes a point during a management breakout session. 3) Jamie Yancy, Native American Bank, engages in a peer roundtable discussion. 4) Presenters Steve Sanders, Jeff Story and Sara Nielsen weigh in on questions from technical specialists. 5) Charles Adams, Venminder, describes solutions at a sponsor breakout. 6) The social event held on the first day of the conference featured a dinner buffet, live music, and virtual reality entertainment.



Photos courtesy of Lee Anderberg

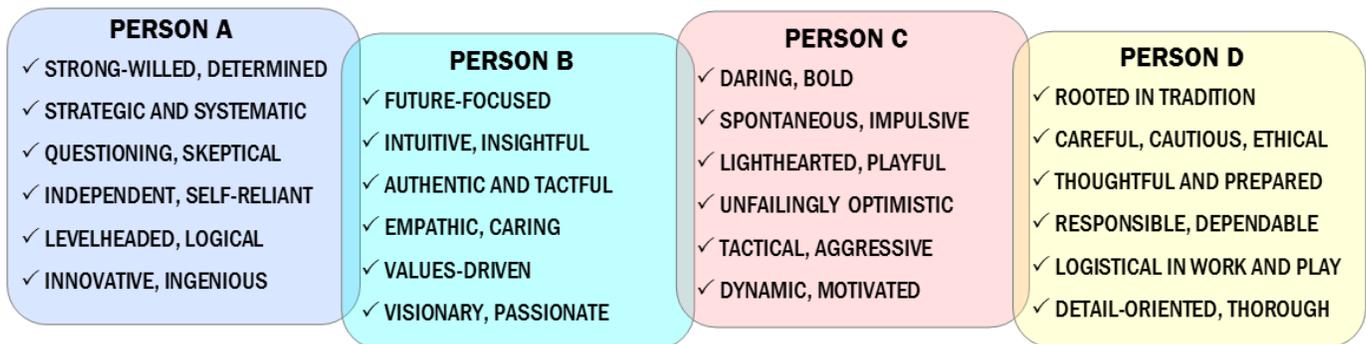
Finding the optimal fit for a compliance role entails more than skills and tools

Jill Emerson, Owner • Integrity One Consulting, LLC

Here's a thought-provoking question for compliance professionals: What is your greatest asset? Is it the customized tool set you've developed to perform your duties efficiently and effectively? I would challenge you to consider your greatest asset to be yourself or your team: in other words, your people.

Have you ever wondered what talents or strengths are needed to do a compliance job? The optimal mix of attributes will vary from case to case, depending on the type of compliance position. For a job that entails managing or leading others, the essential talents or strengths will surely look different from those needed for a heavily analytical function.

The following four hypothetical profiles suggest some questions for assessing varied temperaments in light of the demands of a specific compliance position. Is the applicant likely to find fulfillment in the role? How effective would this person be in the position? Are the candidate's strengths and disposition well-matched to this position in particular?



When you attach a high value on your greatest asset—and believe that asset is people—you could find this matchmaking process is more consequential than you'd imagined. It's food for thought.

Comments or questions? Reach Integrity One Consulting at integrityoneconsulting@outlook.com.

October is National Cybersecurity Awareness month ... 15 years and counting

BBW's Information Security and Technology team is always eager to promote online security and safe behavior online. And with this newsletter coinciding with National Cybersecurity Awareness month, we've put together ten bullet-point best practices that deserve top-of-mind attention.

1. Your parents were wise to warn you not to take candy from strangers. The same advice applies to your digital life, too.
 2. Treat your personal information like a credit card: Be choosy about who you share it with.
 3. Put a password on your mobile device.
 4. Have backup plan: If all your data—pictures, email, documents, applications—were gone, how would you restore what you need?
 5. Clicking has become a behavioral pattern, but realize that every click is like walking through a door. Make sure you know whose house you're entering. Stop. Think. Click.
 6. Before getting rid of old electronics, wipe your data.
 7. Patch. Regularly check for patches for your computer, your programs on that computer, your mobile device, and the applications on your mobile device.
 8. Don't use "important" when labeling folders or storing vital data like tax information, passwords, Social Security number, credit cards, and passport details. "Important" just calls attention to the private information you want to secure, so nix it.
 9. Be as private as possible on social media. You don't have to stop posting; just use strict settings that enable only the people you choose to see what you do.
 10. Don't believe everything you read on the internet.
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Relationships and strategic alliances: a foundation for fighting fraud

Fraud awareness and mitigation has become a high-priority discussion topic at peer-to-peer meetings of operations professionals across BBW's service area. One peer-to-peer group has asked BBW for some assistance in compiling strategies and resources for combatting and responding to fraud.

Today's criminals are plotting their attacks well in advance. Bankers must think ahead, too. The strategic alliances you form now could someday shorten your reaction time in a crisis—say, upon discovery of a fraudulent wire—when every minute counts. So let's start with relationships.

LAW ENFORCEMENT CLOSE TO HOME.

You've likely made many contacts and friends in local law enforcement. To work effectively, the police need to know what's going on in the community. Keep them in the information loop; they can help file a complaint and provide guidance for you and your customers.

LAW ENFORCEMENT ON THE FEDERAL LEVEL.

If you haven't also reached out to the FBI field office covering your area, visit fbi.gov and click "field offices" at the bottom of the home page to bring up a map along with an alphabetical listing of offices.

Clicking on the name of any city (beneath its field office photo) will take you to a page specific

to that office. It lists resident agencies, links to news on area investigations, feature stories, and instructions on submitting a tip.

Call your FBI field office to introduce yourself to an agent in the white-collar crime area. Your mutual interest in stopping fraud and theft will give you plenty to talk about. By sharing what you're seeing at your bank, you'll help the Bureau stay on top of the latest crime trends.

According to Denver-based Supervisory Special Agent Brian Blauser, the FBI is interested in hearing about financial crimes that seem out of the ordinary in some way—ones that might signal a change in tactics, a new crime ring, or other anomalies. He explained that an FBI field office could receive many hundreds of Suspicious Activity Reports to review each month. For this reason, he recommends phoning your FBI field office to alert them to any SAR that you think may warrant further investigation.

MORE AVENUES TO PURSUE.

Some district attorney's offices do educational outreach; many have a "helpful links" section on their website. Your FBI field office may be able to provide educational suggestions as well—or perhaps even arrange for an agent to speak to a group you're involved with. There are many ways to keep the communication pipeline flowing. And someday it could become a lifeline.

A refresher on safekeeping with convenient and timely access to user-friendly reports

Sandy Gerk, VP-Safekeeping ■ Bankers' Bank of the West

The BBW Safekeeping Department settles bank security trade transactions and handles maintenance of securities after settlement.

Our community bank clients often describe our reliable customer service and attention to detail as exceptional. They also appreciate having access to the many report features on BIDS.

BBW Safekeeping currently has \$4.5 billion under management. Trades settle promptly, and payment of securities occurs early in the morning on the payment date. Reports are available via BIDS when activity occurs. The summary and detailed portions of the reports are very popular with our clients, as are the benefits and convenience of record retention. To inquire about safekeeping services, request a proposal or schedule a demo, contact your BBW

correspondent officer or email safekeeping@bbwest.com.

Sandy Gerk, one of BBW's longest-tenured employees, has overseen safekeeping functions since 1997. Her focus on accuracy and customer service has helped drive growth in BBW's safekeeping business.



Sandy enjoys mountain biking, going to car shows, and taking road trips. Her passion is restoring classic autos—a 1970 Super Sport El Camino and a 1971 Rally Sport Camaro, among others—a hobby she shares with extended family. Sandy and her husband have two grown sons, a grandson, and a granddaughter.

Community bank considerations for faster payments

Chris Hill, SVP & Chief Financial Officer ▪ Bankers' Bank of the West

From 2015 through 2017, the Federal Reserve System's Faster Payments Task Force engaged a diverse array of stakeholders following the "Strategies for Improving the U.S. Payment System," published January 2015. The mission of the Faster Payments Task Force was to identify and assess alternative approaches for implementing safe, ubiquitous, faster payments capabilities in the U.S., with the Federal Reserve acting as a process facilitator, not an operator or service provider. The aim was not to select a "winner" but to develop the framework and standards by which faster payments might successfully operate in the U.S. The final paper, published July 2017, included 16 faster payment solutions proposals that met the defined criteria.

Recognizing the potential of shaping faster payments as an alternative to systems like check, ACH, card, and wire transfer, a few providers have moved toward implementation. Some—including The ClearingHouse, which is owned by the largest commercial banks—are reaching out directly to community banks.

To help community banks in this process, Bankers' Bank of the West became involved in the faster payments movement in 2015 through active representation on the FedPayment Improvement Task Forces. We've stayed proactive, currently by collaborating with like-minded bankers' banks toward the goal of ensuring good options and outcomes for banks like yours.

However, there's no need for you to make decisions now—or soon. We recommend that you

give yourself time to weigh the options and evaluate products that haven't yet come to market. In the interim, build a use case for your service area based on your local economy, demographics, consumer habits, and product preferences. Your use case will help you make intelligent decisions suited to your market.

Access for community banks recently expanded with the October issuance of a Federal Register Notice and press release describing potential actions the Federal Reserve Board could take to foster ubiquitous access to safe and efficient faster payments. The FRB is **seeking public comments through December 14** on which, if any, of the actions it should pursue further.

The two potential actions under consideration in support of faster payments and increasing the resiliency and security of services offered are:

- development of a real-time interbank settlement service for faster payments 24 hours a day, seven days a week, 365 days a year (24x7x365); and
- creation of a liquidity management tool to enable transfers between Federal Reserve accounts on a 24x7x365 basis for real-time interbank settlement regardless of service provider.

This is thoroughly explained in the Faster Payments Settlement Assessment by Fed Governor Lael Brainard (<https://youtu.be/UFV2hn8CQpI>). BBW is developing its own responses in favor of both of these actions; we intend to share more information on this in November.

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