



# Correspondent Views

BANKERS' BANK OF THE WEST newsletter for community banks

Issue 1 • 2018

## PRESIDENT'S MESSAGE

### Fusing talent, strategy and purpose to achieve long-term success

I've had the privilege of serving as president of Bankers' Bank of the West for nearly 11 years. I'm proud to be a part of a team that's devoted to community banking and passionate about doing the right thing for the customers we serve.

Maintaining a first-rate team requires bench strength: in other words, talent ready to take on new roles as opportunities arise. With that in mind, I want to share with you how our "bench strength" will benefit your bankers' bank going forward.

**Dallas Kiburz** has been a prominent part of BBW since June 2000, when he opened our Lincoln office. Dallas became instrumental in growing correspondent relationships throughout Nebraska. His responsibilities multiplied when he took on the role as the bank's chief credit officer in 2009, and again in 2012 when he became the correspondent loan officer for Utah. After 40-plus years in banking, Dallas will scale down to a part-time role on July 1, at which point he'll act as a consultant to BBW, serve on the loan committee, provide ag lending expertise, and occasionally call on Nebraska banks. This arrangement will enable BBW to draw on his wisdom and expertise, albeit in a lesser role.

The chief credit officer responsibilities will at that time be assumed by **Paul Harrison**, who has overseen credit administration at BBW since joining us nine years ago. With a lending background of more than three decades and an outstanding track record as a senior vice president at BBW, Paul is thoroughly prepared to take the helm of the bank's loan function. In fact, he has been groomed since his hiring in 2009 with this eventual succession in mind.

You might also recall reading about an addition to BBW's correspondent team in a previous newsletter. Here's the crux of the story: In August 2017, BBW hired **Karen Maydick** as a vice president—correspondent services. She had been highly recommended to me by the CEO of

her previous employer. With a work history spanning 30 years in lending, experience in community banking and a strong track record in correspondent banking, Karen quickly became an asset to our team. Assigned to call on community banks in parts of Colorado as well as the entire states of New Mexico and Utah, she has already logged more than a dozen trips and 54 in-person bank calls—an indication of her interest in forming strong relationships.

Related to this shift in territory coverage, another element of BBW's succession plan has been set in motion: Next January 1, **Scott Wintenburg** will assume the position of senior vice president of our bank card division, coinciding with the retirement of **Mary Ann Supples** from full-time status. Our transition strategy for this change involves Mary Ann remaining with BBW part-time in a consulting

and business development support role when Scott, a 12-year veteran correspondent officer for BBW, steps into departmental leadership. With the goal of sustaining high levels of customer service as well as continuity within the department, Scott and Mary Ann have been working side by side for five months now—a collaboration that will continue through 2018. They, along with the card support team, are committed to ensuring BBW remains a leader in the bank card arena for many years to come.

This is an exciting time for BBW and the banks we serve. While it's true that industry consolidation will likely reduce the number of independent banks in the near term, there are still great opportunities ahead. Community banks remain vital to so many sectors and regions in our country—and BBW is here to assist you.

It was with that future in mind that we recently streamlined BBW's mission statement. With a clear focus and the bench strength we've developed over the past decade, we're very well-positioned to pursue that mission, which is this: **to champion community banking.**



Bill Mitchell  
BBW President & CEO

## TAKING NOTE

### 2018 ... COMING SOON

#### PAYMENTS CONFERENCE ▪ MAY 15-17

Ameristar Resort & Spa ▪ Black Hawk, Colo.

*Community banks operate in an atmosphere of quickening technology advances, morphing payment channels, and regulatory attention. Banks with a solid base of knowledge and a holistic understanding of the payments world will be best equipped to succeed.*

*For these reasons, BBW will present **a single 2018 conference on payments** — rather than separate events for operations and bank card staff — to educate community bankers in any payments spectrum. So whether your duties are centered on bank card, mobile payments, ACH, online banking, back-office support, or other payments specialty, this education-rich conference will give you a broader perspectives of the trends, issues, and innovations shaping tomorrow's payments landscape.*

*In addition to a robust educational program, this conference offers registrants the opportunity to participate in a roundtable discussion with community bank peers, take pre-conference ATM/debit or merchant processing training, and network with presenters and exhibitors.*

*Download registration info at [bbwest.com](http://bbwest.com) and register soon: **reduced registration pricing applies through February.***

### 2018 ... LATER THIS YEAR

#### CYBERSECURITY IN COMMUNITY BANKING CONFERENCE ▪ OCT 4-5

Denver Marriott Westminster ▪ Westminster, Colo.

*Plan to attend this dual-track conference created by community bankers for community bank management and IT staff. Details will be posted to our website as they become available.*

#### BUSINESS LENDER TRAINING ▪ OCT 10-11 BBW Headquarters ▪ Denver, Colo.

*Kyle Enger will return to lead the skill-based two-day interactive seminar for commercial loan officers looking to master the tools and techniques needed to bank today's business clients.*

## ABOUT

*Correspondent Views* is published by Bankers' Bank of the West for independent community banks in our service area. Downloadable versions are posted to our website. To add others at your bank to our newsletter email list, send your request to [info@bbwest.com](mailto:info@bbwest.com).



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## RECOLLECTIONS FROM THE FORMER CEO AND PRESIDENT OF BANKERS' BANK OF THE WEST

*I am honored to have spent 30 years of my life with such a great organization. If I were to describe all the wonderful (and challenging) times we had, I'd probably take up this entire newsletter.*

*I started at the bank—at that time known as Independent State Bank of Colorado—in May 1987. We were a bank of just under \$20 million with capital of just under \$2 million, and most likely faced with charge-offs of more than \$1 million.*

*Thanks to some loyal shareholders, we were able to raise \$2.7 million in new capital—enough to get us into the 90s, when we changed our name to Bankers' Bank of the West.*



**Roger R. Reiling** retired from the board of BBW's holding company in December 2017

*Because of some very good economic times during the 90s and early 2000s, we were blessed with some very good years. We grew to just under \$400 million and had capital just under \$40 million.*

*I retired from my position as CEO in 2007, when Bill Mitchell, the current president and CEO, came on board. Unfortunately for BBW, a tough economic period followed from 2008 to 2011. Because of Bill's experienced team, a talented board of directors and an excellent staff, the bank has returned to its status as one of the premier bankers' banks in the United States. I will always realize how fortunate I was to have spent three decades with BBW.*

**Thank you, Roger, for your long service to community banking and your support of the work we do!**

## COMMENTARY ON COMPLIANCE

### Closing the gap – your customer due diligence program

*Jill Emerson, Owner ■ Integrity One Consulting, LLC*

As the May 11 deadline for compliance with the final rule on beneficial ownership draws near, it's prudent to focus attention on customer due diligence program elements. Financial institutions have followed "know your customer" requirements for years. With the new rule comes the need for some retraining.

Over the next few months, this column will focus on:

► **CUSTOMER DUE DILIGENCE POLICIES AND PROCEDURES.** We'll discuss how your customer due diligence policies and procedures should support your Bank Secrecy Act compliance program and BSA risk assessment. Taking this a step further, we'll stress the need for your policies and procedures to reflect what you actually practice.

► **CUSTOMER IDENTIFICATION PROGRAM (CIP) AND THE CUSTOMER RISK PROFILE.** We'll review CIP requirements and go over the process of measuring customer risks.

► **STANDARD DUE DILIGENCE.** We'll consider three important components of this process—

coverage, application and process—all of which are crucial to meeting regulators' expectations.

► **BENEFICIAL OWNERSHIP.** This is the newest element on the compliance screen. We'll discuss BSA program integration, definitions, coverage, timing, identification, certification, and verification. We'll also offer some thoughts on the complex question of when to involve your board.

► **ENHANCED DUE DILIGENCE AND DUE DILIGENCE MONITORING.** Enhanced due diligence, which is tied to the customer risk profile, is needed for certain transactions and customers presenting increased exposure risk to the bank. We'll discuss this topic from a risk-based perspective and emphasize the need to shore up and formalize the process in keeping with the beneficial ownership rule. In addition, it's important to note the ways in which your monitoring of customer activities relates to other BSA practices—for example, suspicious activity reporting.

We look forward to supporting you in maintaining an effective compliance program.

**Integrity One Consulting** provides expertise in BSA and consumer compliance testing, training and program development. Contact your BBW correspondent officer for information on the firm's **Compliance Help Desk** services, available through BBW via a monthly subscription.

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## Leadership training to be offered in partnership with DunamikosGroup

Debbie L. Meyers and David Nowling  
Dunamikos Group

It's finally here: Specialized leadership training designed expressly for community bank officers, managers and supervisors—provided by people with leadership and bank experience.

Although many leadership courses exist, very few explicitly address the unique challenges faced by community banks. This series of classes offers a full complement of leadership training experiences needed to succeed in today's environment.

The firsthand testimonial account at the bottom of this page illustrates the ways our professional trainers fostered skill development and achieved clear results for one community bank.

### PROGRAM DESIGN

Consisting of 10 courses, each approximately 8 to 12 hours long, the program engages candidates in strengthening a variety of leadership skills. In addition, participants have the opportunity, in discussion settings, to learn about best practices and share ideas with other bankers.

Participants who complete 7 of the 10 courses receive a certificate in leadership development.

In partnership with BBW—a longtime advocate and supporter of ongoing education for community bankers—we have arranged for the classes to be held at the bank's headquarters in Denver starting in March. What's more, BBW has offered to provide a stipend of \$100 for each first-time

student in this program, for up to two students per bank. student in the program, for up to two students per bank.

The instructors utilized for leading the training sessions, as well as for conducting the executive coaching, have more 30 years of collective experience in adult education specific to bank operations and regulatory perspectives—experience gained through the Graduate School of Banking at Colorado and the Executive Development Institute offered through the GSBC.

The cost is \$750 per participant per course—which includes all course materials, books, and lunch. A discount is available to banks sending more than two students to any session: 5% for 3 to 4 participants in a session, or 10% for 5 or more participants in a session.

The schedule for the six courses to be held soon at Bankers' Bank of the West follows:

<b>Communication Essentials</b> .....	<b>March 7</b>
<b>Creating a Culture of Accountability and Engagement</b> .....	<b>March 21</b>
<b>Understanding Your Personal Strengths and Leadership Style</b> .....	<b>April 11</b>
<b>Understanding Your Bank's Financials and the Regulatory Process</b> .....	<b>April 25</b>
<b>5 Dysfunctions of a Team</b> .....	<b>May 16</b>
<b>The Leadership Challenge (5 Practices of Exemplary Leaders)</b> .....	<b>May 23</b>

*“We recently completed a leadership-training program presented by RB Slade & Associates [now named DunamikosGroup]. This program has been, without a doubt, the best and most effective training dollars we have spent. Because this was internal training that occurred over a 14-month period, all of the participants were able to put their learning into action ... and then held accountable for actions. As a result, we have seen dramatic growth in the participants' teamwork skills, communication skills, and problem solving and presentation skills. I recommend RB Slade & Associates to any organization that wants to grow their future leaders from within and is focused on improving current productivity.”*

John A. Sneed ■ Chairman, President and CEO  
FMS Bank, Fort Morgan, Colo.

Knowing that staff composition and training needs can vary widely from bank to bank, the DunamikosGroup is open to customizing educational enrichment for your people. This might consist of holding one or more sessions on-site at your bank or designing a modified program to support your management succession plan. We have found on-site training provides the added benefit of building an intact management team using common language and skills learned in the coursework.

*See next page*



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## Key impacts of amended Reg CC on your bank's image processing

*Angie Smith, Senior Vice President of Professional Development Events  
WesPay*

An amended Regulation CC released by the Federal Reserve Board will take effect July 1, 2018. A number of significant changes will impact banks' image processing. They include:

■ New definitions to include electronic check, electronic return check, and electronically created items. The electronic check and electronic return check are paper checks that are truncated and imaged. The electronically created items are check-like items that never existed in the paper form.

■ Expeditious return requirement: Paper and electronic checks must be returned to the depository bank so they are received by the depository bank no later than 2 pm depository bank local time (previously 4 pm) on the second business day following the banking day on which the check was presented to the paying bank.

■ Notice of non-payment requirement: A notice of non-payment must be issued to the bank of first deposit if a check for \$5,000 or more (previously \$2,500 or more) is going to be returned. The rule changes the time for receipt by the depository bank to 2 pm (previously 4 pm), and certain content requirements for the notice.

■ Extension to cover electronic checks with warranties: Electronic checks (e.g., electronic images of an original paper check) are brought within the coverage of Regulation CC along with warranties. Warranties can be varied by agreement between the exchanging banks.

■ New indemnity for electronically created items (ECIs): The depository bank indemnifies others against any losses downstream caused by the fact that (i) the ECI was not derived from a paper check, (ii) the ECI was not authorized by the account holder, or (iii) a subsequent bank pays an item that has already been paid. ECIs are not "electronic checks" under the amended rule.

■ New indemnity for duplicate presentments arising from RDC: A new indemnity is added to protect a second depository bank that received a paper deposit and the check is returned unpaid because the check had been previously deposited at another depository bank using an RDC service. The second depository bank that received the paper check will be able to recover from the other depository bank that received the check using RDC services.

The amended regulation also includes recommendations when "refer to maker" cannot be used as a return reason code and the creation of substitute checks from rejected ATM deposits. Finally, a requested for comment was issued around the presumption of altered instead of forged in certain cases of doubt.

*Angie Smith, AAP, NCP, is currently responsible for member programs supporting AAP and NCP accreditations. A recognized industry expert in both paper and electronic payments regulation, she currently serves on the ECCHO Editorial Board for the NCPC Program.*

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## Leadership training by DunamikosGroup

*Continued from page 4*

Above and beyond classroom training, the DunamikosGroup can arrange for personal executive coaching services as well. Coaching, which supports the activation and practice of skills learned during the coursework, is available for an additional per-hour charge.

To enroll yourself or others in the program, or to discuss any aspects of the training in detail, contact **Dave Nowling**, president and partner of Dunamikos Group: email [dave@dunamikosgroup.com](mailto:dave@dunamikosgroup.com) or call 303-941-3966.

### LEADERSHIP TRAINING: THE TEN COURSES

- ▶ Dynamics of Trust
- ▶ 5 Dysfunctions of a Team
- ▶ Understanding and Strategically Aligning Your Organizational Culture
- ▶ Creating a Culture of Accountability and Engagement
- ▶ Principles of Influence and Persuasion
- ▶ Understanding Your Bank's Financials and the Regulatory Process
- ▶ Communication Essentials
- ▶ Understanding Your Personal Strengths and Leadership Style
- ▶ Leading Organizational Change
- ▶ The Leadership Challenge (Five Practices of Exemplary Leaders)

[www.DUNAMIKOSGROUP.com](http://www.DUNAMIKOSGROUP.com)

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## Real game changers: Spectre and Meltdown

Anne Benigsen, *First Vice President—Information Security and Information Technology*  
*Bankers' Bank of the West*

Conversations about Spectre and Meltdown have been buzzing in homes, workplaces, and the cybersphere. At first, they might have seemed just another couple of threats in the spotlight, quickly come and forgotten.

This incident was different. In the tech world, it was the equivalent of a bank being told its ROAA calculation was fundamentally flawed, and as a result, everyone would need to take a 20 percent hit on their original calculations.

In the case of Spectre and Meltdown, the technology of hardware assumed to be infallible was found to have major flaws for which there was no fix that would not partially cripple the machine as well. The rush to mitigate this first-of-its-kind vulnerability produced hastily released patches, causing compatibility issues. Manufacturers (Intel) then told customers to stop patching.

Steps you can take to protect against vulnerabilities:

- ▶ Ensure all browsers and operating systems have current patching.
- ▶ Given the greater difficulty of rolling back hardware versus software, base patching decisions on your risk acceptance. If you can, use test machines and take time to determine if there are problems with hardware updates. Of course the bank could also choose to accept the risk of putting off patching until any flaws have been discovered—generally about one or two weeks.

Patching for Spectre and Meltdown could continue for months, as manufacturers did not have adequate time to create fixes before the vulnerability was publicly leaked. In any case, keep abreast of the patching and possible patching problems. To stay informed, you might need to check a vendor's website occasionally or email your sales representative every couple of weeks to learn if there are problems.

Questions about this? Email [itsecurity@bbwest.com](mailto:itsecurity@bbwest.com).

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## A framework for selecting your next information technology and security auditor

Josh Clabo, *IT Administrator—Correspondent Services*  
*Bankers' Bank of the West*

Finding a new IT and security auditor can consume time and bank resources. These few steps can make the process more effective and easier to manage.

**Prioritize needs for the audit.** Before starting your search, talk with your audit committee and your IT or IS people to determine the needs and limitations of the audit. This will give you a roadmap for your search. If your top concern is service, require all auditing firms to provide multiple references within your business size and scope. If cost is a big issue, be upfront about your budget to prevent wasting time with a firm that can't provide the services for that price. Experience is always an important; make sure the auditors you evaluate have years of it as well as proper certifications. Ask each firm to share an example of what the final product will look like.

**Find out if they “get” community banking.** Many firms will talk about the Graham-Leach Bliley Act. Find out if

they can tell you about recent changes in the FFIEC IT Handbook, too. Perhaps the audit will include the Cybersecurity Assessment Tool; can prospective auditors demonstrate their understanding of it and explain how they'll apply it to your bank? Do they know about the different regulatory bodies?

**Take your time.** This isn't a race to the finish. Don't let any firm pressure you into something you don't want. Call and verify all references. Send the firm's sample template, with permission, to your regulator and ask whether it would be sufficient and appropriate for examinations. Ask an IT or IS professional what they think of the firm and their proposal.

The grass isn't always greener on the other side, but you **can** at least get a look at the next pasture before jumping fence. If you have questions about this article or want some sample questions to ask potential firms, contact us at [itsecurity@bbwest.com](mailto:itsecurity@bbwest.com).

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