

BBW News

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A MESSAGE FROM THE PRESIDENT

On your mark: Experience prepares us for what's ahead

While nowhere near the levels witnessed prior to the last recession, lending appears to be picking up in Bankers' Bank of the West's service area—the Rocky Mountains, the Great Plains, and the West.

For lending to pick up, local economies must hit their floors and then turn the corner; this appears to have occurred in our markets.

Certainly our customer banks in the agricultural sector prevailed, staying strong during the economic downturn and the subsequent slow recovery. What's different now is that we've noticed an uptick, albeit a conservative one, in real estate activity in our market area. Many bankers we've talked with this summer have mentioned similar trends in their own back yards.

I'm convinced we've all learned a thing or two about the importance of managing concentration levels relative to real estate lending. Not surprisingly, the government was quick to criticize—*after* the fact—the lending practices of community banks as applied to commercial real estate lending. Nonetheless, I feel we (community bankers) are now considerably wiser thanks to what we learned by working through the issues. That hard-earned experience and perspective has given us a better sense for how to manage loan business as it grows in the future.

I bring up lending as a reminder that Bankers' Bank of the West has partnered with banks on loan participations, and made direct loans to banks and bankers, for more than 30 years. In fact, a pressing need for loan correspondent services from a noncompeting partner was exactly what prompted a group of community bankers to found Bankers' Bank of the West in 1980. You can rest assured, then, that lending will remain a core function of our bank for decades to come.



Bill Mitchell
BBW President & CEO

As you prepare to support your own customer base with financing for local revitalization, remember that we can function as a flexible arm of your lending department. What we've learned through the downturn has prepared us all the better to help you with your lending needs going forward.

Finally, if your bank anticipates growth in commercial loan demand, consider enrolling one or more of your loan officers in the two-day seminar to be held in Denver in October (see p. 2). BBW has not only sponsored the program annually since 2008 but also sent our own lenders and loan analysts through the course. At the end of the day, your investment in ongoing training is really an investment in your bank's future.

It's always a pleasure to visit with you at summer conventions—and certainly a privilege to provide you with solutions that help you attain your loan objectives. Let us know how we can be of service.



THERE'S MORE ...

Checking our website often will help keep you up to date on time-sensitive deadlines and events, resources, product advancements, and changes that shape the course of our industry and your career.

Go to www.bbwest.com.

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Taking note

■ Industry partnership leveraged for you

The relationship between Bankers' Bank of the West and Viewpointe dates back to when the regional payments association was called Payments Resource One (PRO). Viewpointe today is made up of many former PRO staff in addition to some new faces. The foundation of the long-lived relationship between BBW and Viewpointe has been our shared commitment to providing financial institutions with exceptional service and support.

Expanding on this commitment, BBW and Viewpointe have teamed up to create extraordinary opportunities for BBW customers. Among them will be educational offerings including ACH and Check Certification preparation at rates discounted exclusively for BBW's customers; member pricing on ACH rules compliance audits and payments consulting services; targeted educational classes in ACH, check and risk; and pathways to certification in the Accredited ACH Professionals (AAP) or the new National Check Professional (NCP) accreditation program.

BBW's customer banks will receive details on the outstanding Viewpointe program to be rolled out over the next few months. So watch your postal mail, monitor BIDS news, check your email, and visit www.bbwest.com to learn how you can benefit from this exciting partnership.

■ Strong ties with business customers

Building the knowledge and skills that define an exceptional commercial lender is the focus of **Loan Officer Financial Management Training**, a seminar led by Kyle Enger of BBI Financial, on **October 10 and 11** in Denver. The course—geared toward seasoned loan officers with portfolio, underwriting or calling responsibilities—combines sales and credit training to develop essential skills that bankers can deploy immediately on behalf of their clients and their banks.

Download course brochure and registration form at www.bbwest.com (under Events and Classes) or call Jackie Tall at **303-313-8108**.

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How amendments to Regulation E will affect community banks—and steps you can take now to prepare for the change

As required by Section 1073 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, the Consumer Financial Protection Bureau (CFPB) has amended Regulation E as well as interpretation of Regulation E concerning consumers' electronic remittance transfers to foreign countries. The Final Rule will go into effect February 7, 2013.

The rules will set or amend standards for error resolution—including procedures pertaining to fee, tax and exchange rate disclosures, cancellation and refund policies, and liability standards pertaining to providers of international fund transfer services for consumers in the U.S. The proposed rules allow for a few extremely narrow exceptions.

The work being done by CFPB is likely to affect many community banks because entities that provide international electronic remittance transfer services to consumers—even those that act through agents—will be responsible for complying with the final rules. Therefore, in the case of a community bank that furnishes such services to consumers, the burden of compliance rests on that community bank. Notice, however, that the rules will pertain only to consumer-initiated international remittance transfers; they will not apply to business-to-consumer or to business-to-business transfers.

All concerned financial service entities are working in earnest to find solutions to the challenges presented by the proposed rule. Bankers' Bank of the West and all of its business partners involved in the international remittance chain are discussing ways in which rules compliance might be supported in the future. The suggestions and observations below are based on BBW's discussions with business partners and participation in briefings:

- ✓ Stay current as developments unfold. Reliable sources of information include the CFPB and other regulatory bodies, state and local trade associations, compliance experts, and established trade journals.
- ✓ Ask your international remittance transfer service providers how they are preparing for the changes.

- ✓ Start collecting and studying data that show how the changes will affect your bank. Share the findings with your executive team as well as your board, if appropriate.

- ✓ Be sure the highest levels of your organization are involved in the decision as to how your bank will handle consumer-initiated international remittances when the final rule takes effect.

- ✓ As the CFPB makes progress on rule-writing, watch for a steady stream of information and commentary from credible sources. This could help your bank adjust its strategy to the new reality.

- ✓ When evaluating your options, consider all the tools and resources available, including those in your business continuity plan. For instance, a customer who wires funds internationally each month might be willing to send drafts instead. The draft will reach its destination more slowly than a wire, but will also bypass the remittance chain while reducing the fee charged to the customer.

- ✓ Even though no major financial player can make accurate predictions about the Final Rule at this point, one idea has surfaced in almost every discussion of the topic—namely, the new rule will almost surely raise the cost of the wire because of the guarantees that need to be provided to the consumer.

Visit the relevant section of the CFPB website at: <http://www.consumerfinance.gov/regulations/final-remittance-rule-amendment-regulation-e/>

Stay in the know by going online

Banking is a dynamic industry. Opportunities and changes that directly affect your business could come to light at any time—quite often between newsletter deadlines. Therefore, we highly recommend that you check our website regularly for current postings and detailed articles.

Current examples include items in the **Newsroom** section under “Messages from the President” and “Archived News,” as well as a **Bulletin Board** story about a surprising new market for a consumer loan product. Visit www.bbwest.com.

What is EMV—and are you ready for it?

*Jack Hitt, Vice President-Bank Card Division
Bankers' Bank of the West*

The abbreviation EMV stands for Europay, MasterCard and Visa. Simply put, EMV is a global standard pertaining to credit and debit payment card transactions based on chip card technology.

A chip card contains a miniature computer, or microprocessor, with strong built-in security, storage capacity, and other features that are unavailable with traditional magnetic stripe cards.

Uniform EMV standards — which establish specifications and testing procedures for cards and card-accepting devices — make possible the development of chip cards, devices and payment terminals that are compatible and interoperable across the globe. An organization known as EMVCo, LLC (an entity jointly owned by American Express, JCB, MasterCard, and Visa) controls and maintains the EMV standard, its management, and its future development.

How EMV payment cards work

A chip—also known as a secure integrated circuit, or ICC—is embedded in a consumer payment application. A contactless chip can be incorporated in a smart card or a personal device like a smart phone.

The contactless chip activates an EMV Application Cryptogram (AC) at key transaction points. The AC is the equivalent of a signature with a card-unique data encryption standard (DES) key that indicates the status at the transaction point.

The transaction concludes with either a Transaction Certificate (TC) in the case of an approval, or an Application Authentication Cryptogram (AAC) in the case of a decline.

Risk management features allow the acquirer to control certain online approval factors, including floor limits, domestic or retailer criteria, and random transaction selection. These controls, when combined with issuer chip card controls, can curb the use of lost, stolen and counterfeit cards that might otherwise manage to escape detection if they are beneath the floor limit. In fact, improved security is one of the principal benefits of moving to EMV chip-enabled cards.

The Bankers' Bank of the West merchant program

Currently, Bankers' Bank of the West and its processing partner, First Data Resources, are able to support merchant acceptance of EMV chip-enabled cards. Only merchant terminals

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TIMELINE FOR EMV COMPLIANCE				
<i>Current as of the time of publication</i>				
October 2012	April 2013	April 2014	October 2015	October 2017
Potential Payment Card Industry (PCI) Data Security Standard (DSS) validation relief for merchants that engage in 75% dual interface EMV chip-enabled devices and meet other qualification such as being PCI DSS compliant.	Acquirers/processors required to support merchant acceptance of EMV chip transactions.	ATMs are required to support EMV chip transactions.	Liability shifts from associations to the issuer or acquirer if chip is not enabled on all card-present transaction resulting in a counterfeit fraud loss. (A temporary exception applies to automated fuel dispensers.)	Automated fuel dispensers must comply.

THE BUZZ ON BIDS — Bankers Internet Data System:

Notifications to the right people at the right time, at zero additional cost

*Debbie Wendt, Vice President of Operations
Bankers' Bank of the West*

A number of Bankers' Bank of the West customers have been surprised—and pleased—to discover BIDS is capable of emailing alerts to appropriate people within a bank when certain information, reports or items have been posted to the system. This notification feature is available at no extra charge to any bank on BIDS.

Your bank can choose the types of notifications sent to each BIDS user, customizing the alerts to the employee's job function. For instance, you might decide that Pat will receive email alerts when analysis and safekeeping reports arrive; Chris will be notified whenever an ACH or wire transfer is awaiting approval; and Nick will get cash letter reports.

Your bank could also choose to direct certain notifications sent to a group-accessed email to

ensure prompt follow-through even when the department is short-staffed.

For security reasons, the content of emails is nonspecific; it simply refers the recipient to BIDS with a message such as “*unsent ACH.*” The purpose of the alerts is to reduce the need for BIDS users to frequently check for new items.

In a way, the BIDS alerts feature is like a complimentary computerized personal assistant that makes your employees more productive. If we ever get news of a “bring me some coffee and a donut” upgrade, you'll read about it in this newsletter first.

To set up customized alerts for your bank, speak with any of our operations staff at **303-313-8159** or contact your BBW cash management officer.



What is EMV—and are you ready for it?

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manufactured since 2008 and equipped with the necessary hardware and software are able to accept EMV chip-enabled cards.

This does not mean that all recent-model terminals are EMV chip-enabled, however. If you participate in the Bankers' Bank of the West merchant program, please speak with one of our merchant services specialists at **1-800-601-8630** to receive EMV chip-enabled terminal information.

If your merchant program is not with Bankers' Bank of the West, be sure to ask your merchant processor about its ability to support merchant acceptance of the EMV chip-enabled devices.

Immediate priorities

It is essential that community banks start preparing for the change now. **Do not wait** for the October 2015 deadline.

To issue cards or payment devices with EMV chips, you must first make certain your credit/debit card processor and plastic card provider are

able to support this technology. EMV capabilities will entail time-consuming programming and certification on the part of your processors and plastic card providers. For this reason, it is in your best interest to contact those partners soon. Being proactive will help ensure your bank is scheduled for the project implementation well in advance of the deadline.

How to do EMV research on your own

- Discuss the topic with your VISA® and MasterCard® representatives, card processor, and plastic card providers.
- Visit www.visaonline.com and review the EMV-related information.
- Conduct an Internet search on “EMV.”

*Bankers' Bank of the West is a leading provider of high-quality bank card programs for community banks. Check out our full line of products at www.bbwest.com under the “Services” heading, or call the Bank Card Division at **800-601-8630**.*

TECH CORNER:

Tips from BBW's Information Technology Staff

Question: What happens when email goes away?

Answer: Banks are growing dependent on email for both communication and the documentation of that communication. Legally, the Sarbanes-Oxley Act dictates record-retention standards for a wide swath of “business records.” The requirements range from three years (for employment applications) to permanent retention (for legal correspondence, contracts and leases, employee payroll records, and deeds and mortgages, among other things).

Such records are assumed to be searchable and quickly available upon request under the rules of Sarbanes-Oxley. The rules also apply to less official types of records such as emails or instant messages. How much communication and documentation is transmitted via email to your loan committees? If a legal or exam issue were to come up, would a written document suffice? Or would you also need your email system to establish the dates and sequence in which certain documents were received?

Keep issues like these in mind when choosing an email system. Whether locally hosted at your bank or done through an offsite service provider, your email system must archive both old and current

emails. Did you switch from a locally hosted Lotus Notes® or Novell GroupWise email system to an offsite Microsoft® Exchange or Google™ Postini system? Did everything import properly? Did *anything* at all import? Do you have the proper tools to search your old archives? Have you made sure your old archives are still available? Does your offsite email provider archive email so that even “deleted” items are still available in case of litigation?

In addition to archival support for email, a comprehensive email system should also provide redundancy. In the case of a locally hosted email system, it may be appropriate to use something like the Dell™ email management service (EMS) system that enables you to direct traffic to an offsite location if your main email server is down for maintenance. Such a system also can serve as an offsite email backup—though you would want to have a local backup as your primary.

No matter what a vendor promises, be sure to test its claims. You’ll thank yourself for working the kinks out of email management during the discovery phase before external circumstances compel you to troubleshoot them.



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Loan Officer Financial Management Training
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