

BBW News

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A MESSAGE FROM THE PRESIDENT

Surviving the avalanche of news in the information age

Having worked previously at community banks, I genuinely appreciate the challenges executives face in staying current on issues. Whether the focus is on regulatory or economic news, staying on top of the ever-evolving developments in our industry is paramount.

I saw this firsthand in the role of CEO of the two banks I had the privilege of serving. I considered it important to stay on top of the crush of regulatory and economic information that arrived by email or traditional mail each day. Fast forward to the present, and there seems to be an even greater volume of news for bank execs to monitor.

At Bankers' Bank of the West, we understand you receive plenty of regulatory information through various agencies and trade groups. Many of you receive periodic economic updates as well.

Still, I think there will always be room for timely economic information when it's presented in a concise format for executive bankers. With this idea in mind, I'm pleased to report Bankers' Bank of the West has joined forces with Action Economics of Boulder, Colorado, to provide a complimentary email packed with current economic information I think you'll find valuable.



Bill Mitchell
BBW President and CEO

We project that the dispatch of our daily economic summaries will be in full swing by the time this hard-copy newsletter reaches your mailbox. The emails will be sent to the top executives of our customer banks, with each recipient having the ability to opt out of receiving the daily transmission at any time if they so choose.

The content for the emails is being generated by economist Michael R. Englund, co-founder of the firm Action Economics, LLC, and his team. Prior to establishing Action Economics, Michael served as chief economist for MMS International. During Standard & Poor's ownership of MMS from 1991 to 2002, he held the title of chief market economist for Standard & Poor's, and served on the company's Forecast Council. A former board member for the National Association of Business Economics, Michael holds a Ph.D. in economics from the University of California at Berkeley.

Like most initiatives we undertake, the launch of a daily economic email was rooted in our desire to put more resources at your disposal and foster the success of our customer banks. I hope you'll find our economic email digests interesting and relevant to your leadership role—and as always, we look forward to hearing what you have to say.

COMING TO DENVER OCTOBER 22 AND 23:

Tools and strategies for business lenders

In just a few weeks, **Kyle Enger** will lead an advanced skills-building seminar for commercial loan officers. The interactive program empowers lenders to deploy essential techniques and tools for banking businesses—as well as effective strategies for retaining those clients. See p. 2.



Kyle Enger

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Taking note

■ In the field

At the invitation of the event organizers, three representatives from Bankers' Bank of the West visited with the regional Jack Henry User Group meeting held Aug. 22 at Valley Bank and Trust in Brighton, Colo. There **Jeff Benson** (loans and administration), **Patty Pinson** (cash management) and **Debbie Wendt** (operations) introduced a number of imminent product enhancements, discussed BBW's financials, and explained a strategy involving the use of BIDS in place of a FedLine® connection to achieve significant cost savings.

"We were honored to be included and glad to participate," Jeff said. "Whenever we get a chance to connect directly with community bankers, we listen and learn—about what's happening in their communities, what they're concerned about, and how they're pursuing opportunities for growth in their markets."

■ In the know

Commercial loan officers ready to take their skills to the next level have just a few more weeks to enroll in **Loan Officer Financial Management Training** to be held in Denver **Oct. 22-23**.

The seminar, led by co-creator **Kyle Enger**, focuses on useful techniques that can be readily applied by loan officers with varied levels of experience and financial acumen. He addresses valuing the business entity, financial forecasting, developing the bank's sales culture, using cash flow, communicating financial information, and other topics.

During the course of the seminar, participants also build an inventory of tips to share with clients for the benefit of their business.

Because the program includes skills practice, interactive participation, and discussion of specific cases, class size is limited to allow for individual attention—so sign up now to avoid missing this opportunity. Download the seminar brochure at www.bbwest.com (click on Newsroom; go to Events and Classes).

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Suggestions? Send correspondence to:



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Blockbuster upset: move over, “Iron Man 3”

Kim Ford, Vice President of Public Affairs
First Data

This summer’s true blockbuster starred a federal district court judge, a banking regulatory agency and a couple hundred thousand retailers.

On July 31, U.S. District Court Judge Richard J. Leon of the District of Columbia ruled in favor of the merchant plaintiffs and against the Federal Reserve Board (the Fed) in the case, *NACS, et al. v. Board of Governors of the Federal Reserve System*.

The issue goes back to 2011, when a group of four merchant trade associations and two individual merchant companies¹ brought suit against the Fed. They were seeking to overturn two key provisions of the Fed’s final rule implementing the Durbin amendment contained in the Dodd-Frank Act: the debit interchange rate cap and the network non-exclusivity provisions.

In a memorandum detailing why he sided with the plaintiffs, Judge Leon said the Fed “clearly disregarded Congress’s statutory intent by inappropriately inflating all debit card transaction fees by

billions of dollars and failing to provide merchants with multiple unaffiliated networks for each debit card transaction.”

To say that the ruling surprised the financial services sector would be a severe understatement. Shock waves rippled through the ranks of financial institutions, card issuers, payment processors, payment card networks and likely even some merchants, as media coverage and industry trade publications saturated the market with the news.

The Fed has since announced that it is appealing the district court’s decision, and both the Fed and the merchant plaintiffs are seeking an expedited appeal. But even if the appeal is expedited, it could be well into 2014 or beyond before an appellate court ruling is issued and all legal avenues exhausted.

To continue reading *this article in its entirety*, go to www.bbwest.com/nl/9/13fd.pdf.

¹Miller Oil Co., Boscov’s Department Store, LLC, the National Restaurant Association, The National Association of Convenience Stores, the National Retail Federation and the Food Marketing Institute.

Do you really know how satisfied your customers are?

Lauren O’Connell, President
O’Connell Consulting Group, Inc.

Most bankers really don’t know how satisfied their customers are, or how to effectively measure satisfaction, or what the benefit of doing so would be. Here are a few things to think about if you’re wrestling with the right approach at your bank.

The first step in measuring customer satisfaction is to define your goals and what you plan to do with the information once you have it. Following are a few examples of goals we frequently encounter:

Some of our clients want to be able to say that x% of their customers are satisfied or very satisfied with their bank, and they want this percent to increase every year. This statistic can be valuable for sharing with employees, shareholders, a reporter, and potential merger and acquisition candidates, as long as it’s a number worth repeating. A simple survey works well for this goal.

Many bankers cast a wider net when measuring satisfaction by identifying and prioritizing issues such as products, service quality, and general operations at their bank. They use the information gathered in their strategic planning process and SWOT (strengths, weaknesses, opportunities and threats) analysis to prioritize changes to better meet their customers’ needs. This approach is more complex than the one described above, and it requires more upfront work to craft the appropriate questions to spark relevant and useful responses.

Other bankers measure satisfaction with a specific focus in mind—for instance, to help identify how customers describe the bank and the bank’s reputation, and how the bank compares to the other providers of financial services their customers use.

To continue reading *this article in its entirety*, go to www.bbwest.com/nl/9/13survey.pdf.

Strategic planning and the role of the community bank directorate

Debbie L. Meyers, Senior Consultant
Bank Strategies, LLC

Regulatory agencies expect bank directorates to oversee the creation of key strategies and goals for their bank, and to ensure the bank has what it needs to carry out its strategies and realize its goals. As the end of the year approaches, the directors and senior management of many community banks are turning their thoughts toward their next strategic planning process—an opportunity to develop strategies and goals which, in the changing business environment, will help the organization succeed in the year ahead.

In structuring these planning sessions, most organizations follow a set of routine tried-and-true best practices traditionally associated with sound strategic planning—approaches that are familiar to many of us. These best practices typically consist of including attendees from not only the directorate but from key management as well; surveying or interviewing attendees for their thoughts before the session; and completing an analysis of strengths, weaknesses, opportunities and threats to identify the greatest issues and challenges facing the institution and their possible ramifications on the bank.

When deciding on logistics for the planning session, banks often find it helpful to hold the retreat outside the bank, a location likely to foster the engagement and full attention of the directors and invited managers. It is common as well for banks to use an independent facilitator to guide the strategic planning session and to bring outside perspective.

Certainly the degree of success in achieving the objectives and goals set out in the final strategic plan will depend largely upon what happens following the planning session. To lay the groundwork for achievement of the plan's initiatives, the community bank directorate and management must make the plan an action-oriented document for the bank, and find ways to “personalize” the plan for others.

To build this personal commitment and heighten the probability of success in plan implementation, the community bank directorate and management should consider the following objectives an integral part of the planning process:

Be inclusive. A top priority for the senior management and the directorate following the planning session should be to share the thought process behind the plan, and communicate to all bank employees the goals and strategies embedded in it. Furthermore, the organization needs to find effective ways of keeping the plan, the rationale behind it, and its goals on the radar screen of the bank's staff throughout the year.

Be connected. In addition to communicating plan initiatives to bank employees, those with supervisory responsibilities should integrate initiatives from the strategic plan into the personal development plans of individual staff members. The goal here is to make pertinent initiatives “personal” to staff by making clear connections between specific actions on the part of the employee and the resultant progress toward the bank's achievement of its initiatives. Doing so will directly engage the staff member in the process and increase job satisfaction through contributions toward the bank's goals.

Be diligent. In performing oversight responsibilities, the directorate should expect routine status reports on the completion of key initiatives and goals set out in the plan. To prepare for the collection and review of updates, the directorate should develop a formalized process for receiving the information. The individuals accountable should provide updates periodically throughout the year. Based on the information provided, the directorate can determine if more resources are needed to assist with completion of the strategy, or if a change in direction is warranted. Under normal circumstances, a quarterly update to the directorate is usually appropriate, allowing for timely review and any necessary adjustments.

About Bank Strategies LLC

Through strategic planning, profit improvement, corporate governance and other services, Bank Strategies, LLC has demonstrated the ability to generate superior performance and profitability for its client banks while allowing them to continue to operate in a safe and sound manner. More information about this bank consulting firm is available at www.bankstrategiesllc.com.

Preview of coming attractions ... and what's on-screen today

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

Last month Mike Isaacs, president of BBW's technology partner LendingTools.com (LTI), visited our Denver headquarters. We spent the better part of the day discussing a variety of new BIDS features and functions under development.

Those upgrades—to be rolled out over time—were exciting to me. But what interests us most is what **you** think. So when several representatives from BBW attended the regional Jack Henry User Group meeting last month (p. 2), my BBW colleagues and I shared some general “drawing board” concepts of the planned LTI enhancements with the group in hopes of getting feedback.

The User Group participants readily grasped what the added capabilities would mean to their banks' efficiency, security, and bottom line. They also were enthusiastic over LTI's plan to conduct periodic webinars that will brief BIDS banks on the system's evolving capabilities.

An item-by-item timeline is not yet available. But overall, we consider the planned BIDS upgrades to be improvements that will not only contribute to the smooth, cost-effective operation of end-user banks like yours but also help protect your banks and the customers you serve.

The rest of this column will focus on two recent BIDS improvements you'll want to know about:



Printable reports.

BIDS users have the option of generating printer-friendly hard copies from these pages:

- Account Activity
- Unapproved Transactions
- OFAC Search Reporting
- OFAC Decision List Report
- ACH File Summary
- ACH Batch Summary
- ACH Batch Detail
- Transaction Details

Click on the **Print** link to open a window showing your printer options.

Excise tax transactions via the Electronic Funds Transfer Payment System.

The ACH EFTPS function has become easier for users to work with. For 720 Quarterly Excise Tax deposits, the drop-down list is now arranged numerically by tax code, enabling you to quickly find the proper code.

In addition, you'll find the code choices have been brought up to date and the descriptions of codes have been revised, where changes were needed, to match the current IRS excise tax code list.

Please send your BIDS-related questions and comments to bbwadjustments@bbwest.com, or call our Operations specialists at 800-873-4722.

Solution for consumer international money transfers ready to deploy

A convenient, compliant solution for facilitating consumer-initiated international money transfers will be ready for community banks to use when the pertinent Consumer Financial Protection Bureau rule goes into effect Oct. 28.

The solution will enable BBW's community bank customers to provide a sender with a single written disclosure that displays all of information required on the receipt. This disclosure is initiated through a connection with a global clearing network that accepts rate requests and receives automatic currency conversions in an easy-to-use template

format. Report generation, activity recording, and administrative controls are done in BIDS.

To comply with the CFPB rule requirements, the community bank will need to issue the sender proof of payment once the transfer has been effected—for example, in the form of a stamp on the combined disclosure.

The international payments tool is the brainchild of a partnership between LendingTools.com and Western Union Global Business Payments, Inc. To find out more about this solution, call Debbie Wendt at 800-873-4722.

Keeping watch over interest rates and drivers of change

*Kendrik de Koning, Senior Managing Director
BBW Capital Advisors*

The factors driving interest rate movements are many, naturally. From monetary policy including both overnight rates and Quantitative Easing, to international tinder boxes like Syria, the elements behind rate expectations seem to rotate on and off the front page on a daily basis.

The financial press has been overwhelmingly focused on whether, when, and how the Fed will “taper” its monthly purchases of bonds, currently running at \$85 billion per month—largely because of the impact on the far more popular equity markets. And as January 31, 2014 draws closer, those same news outlets are having a field day speculating about the identity of the next chairman of the Federal Reserve.

In these years following the financial crisis when serial governmental and central bank market intervention have sought to “cure” imbalances in supply and demand with artificial price stimulation, the efforts of Wall Street economists and analysts have been focused not nearly as much on fundamental pricing elements as they have on Washington, D.C.

In the days before QE, TARP, TAG, and Cash-for-Clunkers, investors used to determine their expectations for interest rates through the anticipation of inflation. The “risk-free rate,” or the Treasury curve, was not deemed to contain a risk of return of principal. Rather, it was merely a question of whether the market rate of return was going to be sufficient to keep pace with inflation. If inflation expectations over the life of a bond were for, say, 2%, and the market rate was 4%, you would buy them; if the market rate was 1% for the same 2% inflation expectation, you might look to sell them.

Lately one of the only things that economists and Fed governors alike seem agreed upon is that inflation has not worked its way into the broader economy. In fact, too little inflation is of more than passing concern to many, who see price growth as a necessary path to full economic recovery.



Kendrik de Koning

BBW Capital Advisors is an alliance partner of Bankers' Bank of the West. Call Kendrik and his team at 800-977-0718, or visit their website, www.bbwcapital.com.



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Time's running out! Register soon for Loan Officer Financial Management Training

See p. 2.