



Correspondent Views

BANKERS' BANK OF THE WEST newsletter for community banks

Issue 4 • 2017

PRESIDENT'S MESSAGE

Nostalgia aside, there's no time like the present for shaping the future

One of our longtime employees recently introduced two of her grandkids to our Denver staff before taking them out to lunch. Both were very polite and, according to their grandpa, quieter than usual. When it came time to leave, the eight-year-old visitor hesitated before asking, "Can we see the vault?"

There's never been a vault in our office, but I could imagine what he'd had in mind—a heavy, foot-thick floor-to-ceiling metal door in a steel frame, with a brass-plated combination lock the size of a hubcap. In other words, a vault that could survive the most dastardly villains straight out of a classic Western movie. No doubt he went away disappointed.

It's not just children who idealize the past. The job of banking was much less complicated in the late 1800s, and it's hard not to feel a twinge of envy over that. On the other hand, the life expectancy for a person living on the American continents around the turn of the 20th century was in the range of 41 years in 1900 versus about 74 in 2000.

A number of today's bankers were alive when the general-purpose charge card was brand new although most people still favored either cash or check—by far the two dominant methods of payment. Many of us deposited the earnings from our first part-time jobs back when tellers recorded transactions in passbooks using computers nearly the size of today's smart car. (Some might even have been rewarded with a free gift for their deposits.) And if you've worked in a bank a decade or more, you can probably recall going through more boxes of envelopes and statement blanks every month than you now use in a full year.

Reminiscing can be entertaining, but there's no sense getting caught up in the past. The future

is being seeded here and now, after all. Your bank can make a significant contribution to the quality of life for your community over decades to come. There's plenty of work to be done, and no time to waste.



Bill Mitchell
BBW President and CEO

Every age has its own challenges. In October of last year, the FDIC held a meeting to discuss ideas for cultivating the coming generation of community bankers. There's no single answer to the question of workforce development, and demographic changes add another layer of complexity. But honestly, isn't this issue the perfect opening for those of us currently in the industry to integrate fresh energy, different points of view, and newly minted skills into our organizations?

For this reason and others, I think of the present as an era of great opportunity for community banking. But like the massive bank vaults of yesteryear, the luxury of waiting passively for the future to take care of itself is a thing of the past. We've got to play an active role in shaping the future.

This idea of proactively influencing the future is at the heart of the next two Bankers' Bank of the West-sponsored conferences—one to be held Aug. 24 in Denver; the other coming to Omaha Sept. 18 and 19. Featuring knowledgeable speakers, thought-provoking subject matter and roundtable discussions, these educational events will provide current information, generate new ideas, and suggest questions for future exploration. I highly recommend attending at least one of the conferences, if not both. See page five for program bullet points, and get your people registered soon ... because the future won't wait.

**"We can pay our debt to the past
by putting the future in debt to ourselves."**

~John Buchan

TAKING NOTE

SECURITIES SAFEKEEPING REMINDER

Effective Sept. 5, certain securities will settle on a T+2 settlement cycle instead of the previous T+3 cycle. This pertains to equities, corporate bonds, unit investment trusts, and municipals. The change will shorten the settlement preparation by one day, meaning banks will need to provide settlement information to BBW's Safekeeping area no later than noon on T+1. Please contact **Sandy Gerk** in Safekeeping with any questions: her direct line is **303-313-8102**.

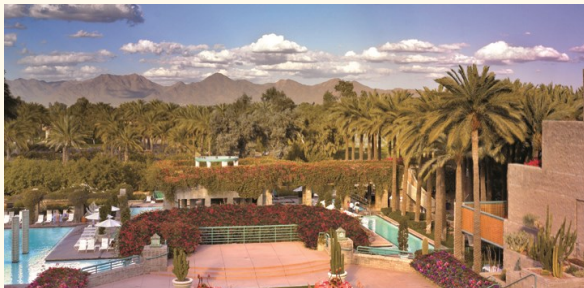
WATCH LIST UPDATE FOR AG LENDERS

Enrollment will open soon for a **Nov. 6** webinar led by **Dr. David Kohl**, professor emeritus, Virginia Tech, starting at 10^{am} Mountain Time. The discussion will center on the prevailing forces and conditions expected to impact both the agribusiness sector and the loan portfolios of ag banks. The hour-long overview will be open to and beneficial for loan officers, credit analysts, and directors. Downloadable details will be posted to **bbwest.com** in late August.

— 2017 SYMPOSIUM FOR COMMUNITY BANK DIRECTORS —

Sustaining Community Banks: In it for the Long Haul

Join your colleagues at the Symposium to be held at the Hyatt Regency Scottsdale Resort and Spa October 29-31. Presented by the Western States Director Education Foundation, this engaging and enlightening event will explore relevant contemporary topics and workable solutions.



“As a first-time attendee, I wasn't sure what to expect. I was impressed with the overall program from start to finish and appreciated networking with other bankers. Our entire Board attended and enjoyed the opportunity to form relationships with other directors facing similar challenges in our industry. We plan to attend again!”

*Zac Karpf, Chief Operating Officer
Platte Valley Bank • Scottsbluff, Neb.*

Get the schedule, topic summaries, logistics, and registration information at **wsdef.org**.

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.

If prefer to receive newsletters by email, send your request to **info@bbwest.com**.



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Best industry practices for your next examination

*Jill Emerson, Founder
Integrity One Consulting, LLC*

Gazing out his window, Paul Revere spotted the signal lantern in the tower of the North Church. “The examiners are coming! The examiners are coming!” he cried. His wife, startled, leapt to her feet. “Now what do we do?” she asked.

If you remember the true story of Revere’s 1775 exploits, you know he didn’t panic. Instead, he acted on the logical plan he had in mind—his now-legendary Midnight Ride.

When exam time comes around, it’s time to put your own sensible plan into action. Instead of a lantern, your signal could take the form of a phone call announcing examiners will arrive soon to conduct your exam and specifying which documentation to gather ahead of their on-site arrival. Or the regulatory agency might send a written notice detailing the documentation needed for the exam. Sometimes a notice will also name the Examiner-in-Charge (EIC) along with contact information.

Today most agencies prefer receiving responses electronically. You might be required to send the EIC some documents before the examiners’ arrival. This typically reduces both the amount of time examiners spend on-site and the level of business disruption. Most exams take about a week, though larger banks can expect the on-site work to take up to ten days.

When your examiners arrive, give them a tour of your offices and introductions to the key staff they’ll interact with. Situate examiners in a comfortable area with access to a phone, photocopier, internet connection, and restrooms. Give them the bank phone directory and some basic office supplies. (Chocolate is always welcome.)

Before the visit, delegate someone from your staff as the single point of contact to whom examiners will direct questions and requests for information before, during, and after the exam. Ask examiners to make all requests in writing so as to reduce confusion and ensure requests are met accurately and on time. Maintain a written log noting the date of request, the examiner’s name, the person assigned to reply, and the date completed. Keep a copy of the response as well.

Set a fixed time for a daily status meeting with the examiners. Find out if they’re running into any glitches that need to be addressed. Make sure they’re getting what they need. By fixing glitches promptly, you’ll help keep the work on track—which benefits everyone.

If the examiners identify any problems, issues, or suspected violations of laws or regulations, elevate them directly to the appropriate senior manager. Document each concern in writing. Discussing any and all issues with the examiners during the exam will ensure that no surprise findings arise after they conclude the on-site exam.

Should the examiners identify an issue or a suspected violation, **do not hide it**. Acknowledge the problem and make a start to fix it. The goal is to get it right. Be sure to immediately inform senior management of the issue.

Before the examiners leave, schedule the exit meeting with senior management to review all findings. No surprise findings should appear in the written report that were not presented and discussed during the exam and the exit meeting.

Finally, keep notes and make a record of all meetings. Include the name of the examiners, the date and time of the meeting, who was at the meeting, and the issues discussed. Any follow-up actions should be noted, including the individual designated to follow up and the deadline for responses. Document and keep a copy of all responses to prevent any misunderstandings from surfacing after the examiners leave your office.

Throughout the examination process, it’s helpful to focus on the objectives your bank and your regulators have in common—specifically, that business activities are conducted honestly, fairly, equitably, and efficiently.

Integrity One Consulting, LLC provides top-notch expertise in BSA and consumer compliance testing, training, and program development. Contact us at **720-350-1676** or **integrityoneconsulting@comcast.com**.

EVERYDAY DEFENSE

A sensible approach to prevention: awareness and a dose of healthy skepticism

Greg Miller, IT Analyst
Bankers' Bank of the West

With cybercrime on the rise, prevention is more important than ever—starting with these tips:

- Keep software up to date on all devices. That means your smart phone and tablet as well as your personal and business computers. Install new patches as they're released.
- Be wary of email that doesn't seem right and suspicious of attachments and links. Would you expect your best friend to send you an invoice? If you aren't sure, don't click.
- Never leave your devices unattended. Even if you're just getting a coffee refill, lock your computer and take your devices. One quick trip to the break room is enough time for someone to access your PC or grab your smart phone to steal your personal info.

- Be mindful of your social media postings, and make sure your accounts are seen only by people you want to see them. If you leave your profiles wide open and post vacation pics while away, anyone seeing them knows you're not home, making you an easy target.
- Use strong passwords. One alternative to a name-and-birthdate combination is to pick a passphrase—using the first letters of a song title or a string of lyrics. So “Old MacDonald Had a Farm” could become OMHAF. Add a three-digit number, and you're set.

Aside from these easy-to-follow tips, the most important advice I can offer is to keep your guard up and always use common sense to judge if something seems odd or fishy. Your intuition may just be what saves you from a costly hack.

The avalanche advantage—and by the way, what's your secret sauce?

Lauren O'Connell, President
O'Connell Consulting Group

My daughter went to college in Colorado Springs and whenever we visited her, we would drive to Manitou Springs to a special place that offered mouthwatering soft-serve custard creations known as avalanches. Our favorite was the pumpkin pie avalanche. As we watched, the server would slice a generous piece of pumpkin pie and blend it with a big scoop of soft, creamy vanilla custard. Nothing artificial at this one-of-a-kind shop—just delicious.

To get there, we would pass a slew of dessert and ice cream places in Colorado Springs as well as Manitou. But those pumpkin pie avalanches were worth the extra miles.

So do you know if and why your customers drive by your competition to bank with you?

If you think you know, how are you reminding them of why they do so—and why they should continue? How are you sharing this with prospects, so they can enjoy what you have to offer, too?

And if you don't know, here are a few ways to find out. For example:

- ↳ Ask new customers when they open their first account. Really drill down.

- ↳ Ask current clients when you see them.
- ↳ Reach out to a selection of current clients. Call or survey them using a third party (a service we provide).

Document all responses. Over time, you'll be able to identify trends, similarities and differences. Evaluate whether what you're hearing is what you want to hear, and figure out if a course correction is needed.

Good business is knowing what makes you special enough for customers to bypass your competition on their way to bank with you, and letting others know about it, too.

Be sure to check out the avalanches at Colorado Custard Company* in Manitou Springs. I hear their apple pie avalanche is also a winner.

O'Connell Consulting Group is a professional marketing firm that specializes in developing customized marketing solutions for financial institutions to help them acquire new profitable customers and motivate existing customers to buy more and refer your bank more often. Find articles and information at oconnellconsultinggroup.com.

*<http://coloradocustard.com>.

BUZZ ON BIDS

Contending with the whims of weather and the industry environment

Debbie Wendt, SVP-Operations
Bankers' Bank of the West

It's common for temperatures in Colorado to rise and fall dramatically, and with little warning. When visitors are caught by surprise, we're quick to cheer them up: "If you don't like the weather, wait a minute; it'll change."

For as long as I've been in banking, change has been part of the operations landscape, too. BIDS is constantly being updated to support banks in adapting to change. The most recent improvement is aimed at efficiency:

ACH Search upgrade. BIDS now allows users to search only for incoming returns for the past 30 days. Selecting the "limit search to returns?" option together with other criteria—like SEC code, amount, and so on—can refine the results further. In the absence of more search specifics, the system yields all of the incoming returns for the ranges specified.



Like the weather, the forces shaping the banking environment are mostly out of our control. What we **can** control is our knowledge and skill level. To help you master your most powerful tool, BBW holds free quarterly trainings on BIDS capabilities. The next live webinars will focus on the security and archive functions of the system. The refreshers are well worth your time; email info@bbwest.com for details.

And in addition to skills, we need education on what's happening in our industry—a solid grasp of where we're headed, why, which pitfalls to avoid, and how to proceed. Both of the conference programs summarized below will put vital industry issues in context and build knowledge community bankers can draw and act on. Education really is an investment in your bank's future—and these two are excellent picks!

2017 COMMUNITY BANK OPERATIONS CONFERENCE

BANK >>> to the future

DENVER

A SURVEY OF THE NEXT FIVE YEARS

August 24 • Denver Airport Marriott at Gateway Park

Industry developments, education and practical insights for bank operations professionals and anyone involved in strategic planning or product development

Join this exploration of changes, opportunities and challenges ahead, including sessions on . . .

- How to really know your vendors, manage third-party provider risks, and meet regulatory expectations
- Progress toward faster payments so far, and what the evolution will mean for the operations side of the bank
- Priming for new and different clientele — shifts and strategies for customer succession planning
- How to keep your career on course by recognizing and avoiding ineffective workplace behaviors
- Panel discussion: millennials share perspectives on their work, their aspirations, and what they expect from their bank

Bonus: Registrants can opt to take part in a roundtable discussion the afternoon prior to the conference.

OMAHA

the **PowerPack Conference**

September 18 & 19 • Omaha Marriott (Regency)

TWO days of MULTIFACETED EDUCATION
for bankers with varied responsibilities
and spheres of oversight

- ✓ Incident response, Financial Fraud Kill Chain, and lessons learned from real-world intrusions
- ✓ Next-generation cyber defense innovations
- ✓ The politics of payments—an overview of congressional priorities, policies on the horizon ... and why all of it matters to the financial services industry
- ✓ The information security conundrum: protecting the bank without over-paying
- ✓ How to find a vendor management assessment approach that works for you and your regulators
- ✓ Ten ways to increase your influence across generations
- ✓ Tech advances, consumers' desires, and eight key area of innovation in the payments realm
- ✓ Regulatory & law enforcement roundtable

Get program details and registration form for both conferences at WWW.BBWEST.COM

Questions about either event? Email conferences@bbwest.com

The need for a common language in cybersecurity conversations

Anne Benigsen, CISSP • First VP – Information Security & Technology
Bankers' Bank of the West

Cybersecurity discussions often go awry when a technical specialist's mouth opens and a gush of scary, unintelligible jargon spills out. What actually needs to be deciphered for those who aren't on the tech side is not complicated, even though the field itself is.

Cybersecurity addresses only one thing: **Risk**.

Security people break risk into three categories: **threats**, **vulnerabilities** and **controls**. While people on both the management and the technology ends of the spectrum share an interest in managing risk, nine times out of ten we lack a common language for communicating. So let's start with some streamlined definitions.

Risk can be operational, transactional, legal or reputational with regard to cybersecurity, as it is in relation to other aspects of banking.

Threats consist of anything that causes risk to grow. They take many forms: a nation-state trying to steal financial information, hackers

disrupting the network to create chaos, criminals looking to extort money, or a natural disaster.

Vulnerabilities are points where threats can cause harm—for instance, old software, employees succumbing to phishing emails, hardware that is no longer supported, unsecured data, or weak rules on web browsing.

Controls are tactics aimed at mitigating risk by reducing the impact of threats on our vulnerabilities. Examples include firewalls, anti-virus software, policies and procedures, and training.

A common language is vital to understanding the business need along with the cybersecurity risk. Professional bankers and cybersecurity specialists have more in common than might be obvious at first: They're all risk-adverse and determined to mitigate that risk with controls. If we can all discuss risk together, business can understand cybersecurity, and cybersecurity can relate to business.

PRACTICAL TOOLS AND EFFECTIVE STRATEGIES FOR COMMERCIAL LENDERS

Loan Officer Financial Management Training, the highly rated skill-building seminar for seasoned loan officers with portfolio, underwriting or calling responsibilities, will return to **Denver October 26 and 27**. The two-day interactive program builds participants' knowledge of business entities, financial analysis, lending principles, and relationship banking strategies among other things. Hands-on practice, small-group work, and discussion of case studies make for a memorable and fast-paced learning experience. Class size is limited to allow for individual attention and discussion of specific cases. Register soon to reserve your seat!

Download course details at WWW.BBWEST.COM (Newsroom menu) or email conferences@bbwest.com.

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