Rehmann Live!

Hot Topics for Financial Institutions

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Director of Financial Institution Services
- Specializes in audit and consulting services for financial institution clients
  - Leads numerous financial statement and internal audits, SOX 404 and other financial services consulting engagements for the firm's largest and most complex financial institutions, including SEC registrants
- Works closely with management and audit committees to address technical issues and ensure sound internal controls
- Services as a firm-wide resource for financial institution accounting and auditing matters

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Regulatory Compliance Update

Presented by:
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Senior Manager

- Leader of Rehmann's compliance services for financial institutions.
- Worked for and with financial institutions for more than 30 years.
- Expertise includes providing a wide range of audit and consulting services for our financial institution clients.
- Extensive knowledge of financial institution operations and serves in an advisory role to clients within the BSA and Regulatory Compliance related areas

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Regulatory Compliance Update

TILA-RESPA

Fair Lending

Bank Secrecy Act

TILA-RESPA

New "TRID" disclosures

TILA-RESPA

- Implementation pushed back to October 1st
  - Critical to continue efforts to ensure compliance
  - Significant penalties for non-compliance

TILA-RESPA

- Work Flow Analysis:
  - Identify various points in process where critical data collected and disclosed.
  - Define detailed processing steps – including assignment of responsibility for each step
  - Build in multiple review steps along the way

TILA-RESPA - continued

- Testing:
  - Product type
  - Maturity options offered
  - Multiple rate and fee scenarios

TILA-RESPA - continued

- Training
  - Staff
  - Vendors
  - Service Providers

Polling Question #1

Where are you at in implementation process:

    A.   100% Complete and fully trained

    B.   75% Continuing testing and training

    C. Other

Fair Lending

Fair Lending

- Components of a Fair Lending Compliance Management System:
  - Board and Management Oversight
  - Effective Policies and Procedures
  - Training
  - Monitoring and Testing
  - Audit
  - Complaint Response program

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Fair Lending - continued

Fair Lending Examination Process:

– Pre-exam information gathering

- Evaluate fair lending-related risks
- Used to guide the scope and focus of the fair lending review

Fair Lending - continued

- Assess Fair Lending Risk:
  - Risk-based methodology
  - Evaluate bank's structure, operations, and compliance management system
  - Identify institutional inherent risks
  - Identify other factors mitigating risk
- Focused reviews:
  - As deemed necessary, more in-depth analysis conducted

Fair Lending - continued

- Fair Lending Referrals:
  - If reason to believe there is a pattern or practice of discrimination, referral must be made to U.S. Department of Justice
  - Examples:
    - Pricing
    - Redlining
    - Underwriting
    - Spousal Signatures
    - Credit Reporting

Fair Lending - continued

- How to avoid Fair Lending issues
  - Strong oversight and support from the top down
  - Effective policies with strong monitoring for exceptions
  - "Second look" programs
  - Formal monitoring and testing programs with prompt corrective action

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Bank Secrecy Act/Anti-Money Laundering

Bank Secrecy Act/Anti-Money Laundering

- Exam Trends and Regulatory Concerns
  - Internal Control Deficiencies
  - Qualified BSA Officer and/or staff
  - Inadequate compliance culture – lack of senior management/board of directors support
  - Training

Bank Secrecy Act/Anti-Money Laundering

- How to avoid issues:
  - Document, document, document!
  - Make it clear from the Board on down that non-compliance with BSA will not be accepted
  - Ensure the BSA officer and staff have adequate resources (including time) to perform the job
  - Make training a priority for everyone.

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Thank you!

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Cyber security

Presented by:

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Senior Manager
- Technology Risk Management
- Specializes in technology consulting & security and SOX 404 compliance
  - In-depth knowledge of SOX 404 compliance, GLBA compliance and COBIT standards
  - Extensive knowledge of IT systems
- Experience in leading teams and performing IT security assessments for clients
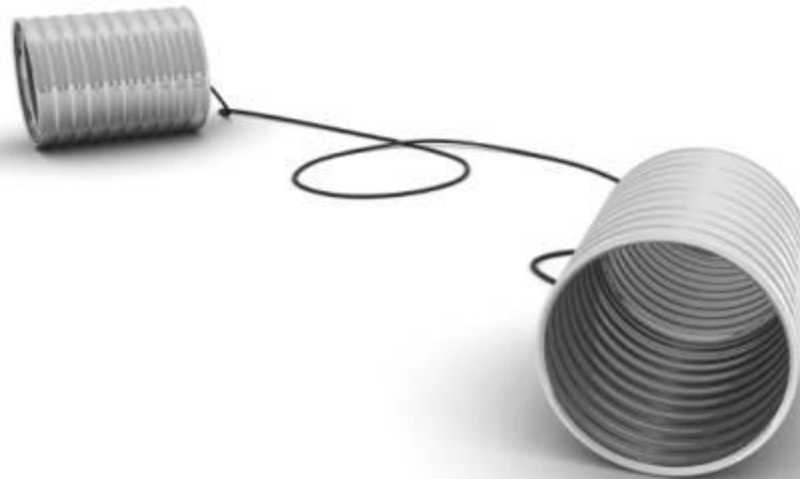
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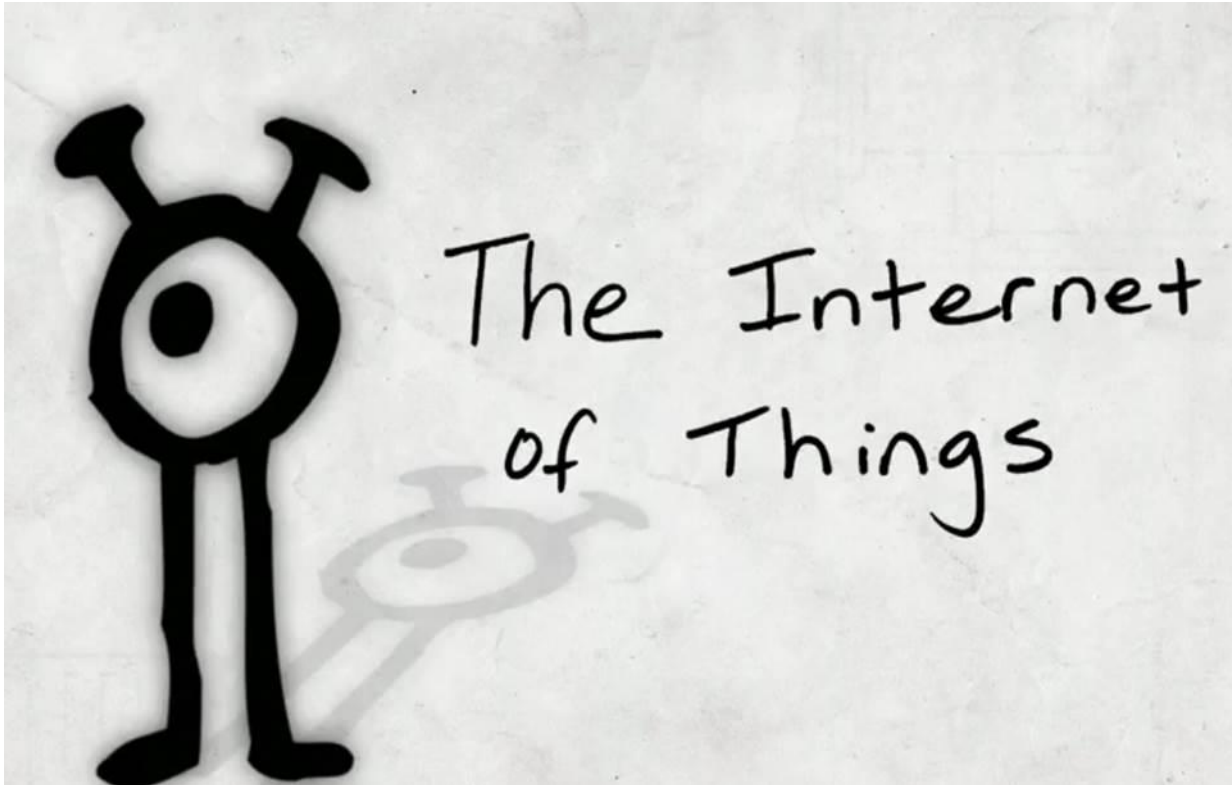
The pace of change is picking up

Data is exploding

Communication is changing…

The way we interact is changing...

Processes are changing...

We are connected 24 x 365 x 7

With all this connectivity comes

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Cyber crime is here to stay

- Cyber warrior 'mercenaries' for hire worldwide

- Cyber crime is a multi-billion dollar underground economy

- Cyber crime is an industry of suppliers, distributors and manufacturers

- Information is the commodity

60% of businesses FAIL within 6 months of being hacked

- Loss of cash from bank accounts

- Cost of breach repair and recovery

- Cost of notification

- Cost of compliance

- Cost of lost clients

- Cost of reputation loss

Source: www.greenskyproductions.co.uk

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Small businesses a big target

- Don't believe they will be attacked

- Cybersecurity not a priority

- Weak cybersecurity/ outdated tools

- Poor employee training

- Poor or no data breach response plan

- Lead to bigger fish

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Major cyber attacks

- 47,000 SSNs + threats – Sony
- 76 million bank records – JP Morgan
- 56 million credit cards – Home Depot
- 100 million credit/debit cards – Target
- 145 million or more emails – eBay

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Cost of average cyber breach

- Average cost of a breach $5.4 million
- Each lost record costs $188 average
- ($188 x 10,000 records = $1,880,000)
- Business disruption alone costs $937,000 per breach
- Plus: liability issues for identity theft, etc.

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# The cyber crime toolkit

DDOS

Malware

Spyware

Ransomware

Keylogging

Phishing/ Pharming

Skimming

Dumpster Diving

Bot

Watering Hole

Trojans/ Viruses

Social Engineering

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Social Engineering Scams

- Email from you
- Email from your internal staff
- Email from your customer
- Message from friend overseas and in trouble
- Nigerian email scam
- "Your tax refund is already taken care of"

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Social Engineering
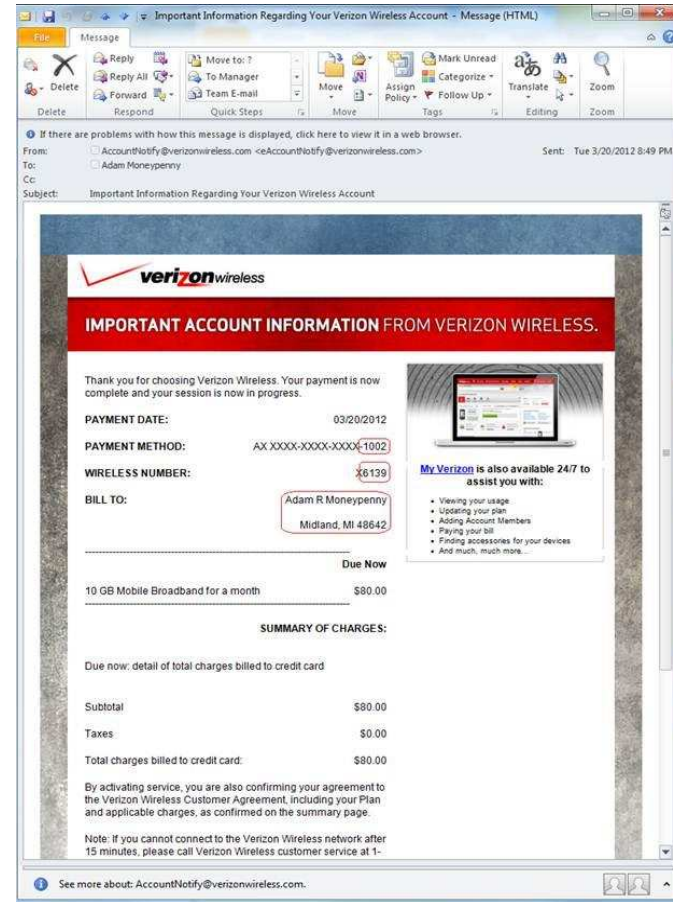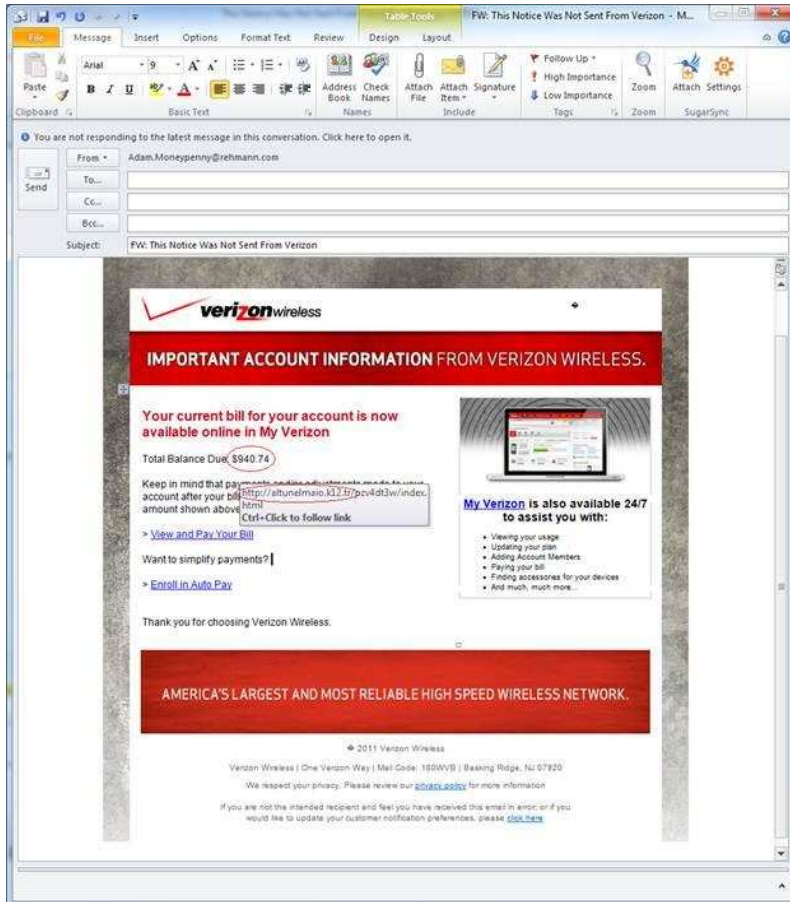
Employees are the weakest link

- Negligent insiders are the top cause of data breaches
- Clicking on links in emails
- Sending work email to personal accounts
- Using company data on insecure lines
- Not following corporate policies
- Not securing mobile devices

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Close the loopholes

Create & Enforce security policies

Educate employees

Update security software

Backup & encrypt data

Secure wireless devices

Purchase cyber insurance

Secure paper documents and shred everything!

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- FFIEC released Cybersecurity Assessment Tool in June 2015.
- Five Domains
  - Cyber Risk Management and Oversight
  - Threat Intelligence and Collaboration
  - Cybersecurity Controls
  - External Dependency Management
  - Cyber Incident Management and Resilience

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Polling Question #2

Have you went through the FFIEC cyber security assessment?

A. Yes

B. Not Yet

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Cyber Risk Management and Oversight

- Cyber risk management and oversight addresses the board of directors' (board's) oversight and management's development and implementation of an effective enterprise-wide cybersecurity program with comprehensive policies and procedures for establishing appropriate accountability and oversight.
  - **Governance**
  - **Risk Management**
  - **Resources**
  - **Training and Culture**

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Threat Intelligence and Collaboration

- Threat intelligence and collaboration includes processes to effectively discover, analyze, and understand cyber threats, with the capability to share information internally and with appropriate third parties.
    - **Threat Intelligence**
    - **Monitoring and Analyzing**
    - **Information Sharing**

Cyber security

Cyber Security Controls

- Cybersecurity controls are the practices and processes used to protect assets, infrastructure, and information by strengthening the institution's defensive posture through continuous, automated protection and monitoring.
  - **Preventative Controls**
  - **Detective Controls**
  - **Corrective Controls**

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External Dependency Management

- External dependency management involves establishing and maintaining a comprehensive program to oversee and manage external connections and third-party relationships with access to the institution's technology assets and information.
  - **Connections**
  - **Relationship Management**

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Cyber Incident Management and Resilience

- Cyber incident management includes establishing, identifying, and analyzing cyber events; prioritizing the institution's containment or mitigation; and escalating information to appropriate stakeholders. Cyber resilience encompasses both planning and testing to maintain and recover ongoing operations during and following a cyber incident.
    - **Incident Resilience Planning & Strategy**
    - **Detection, Response, & Mitigation**
    - **Escalation & Reporting**

Thank you!

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Succession Planning

Presented by:
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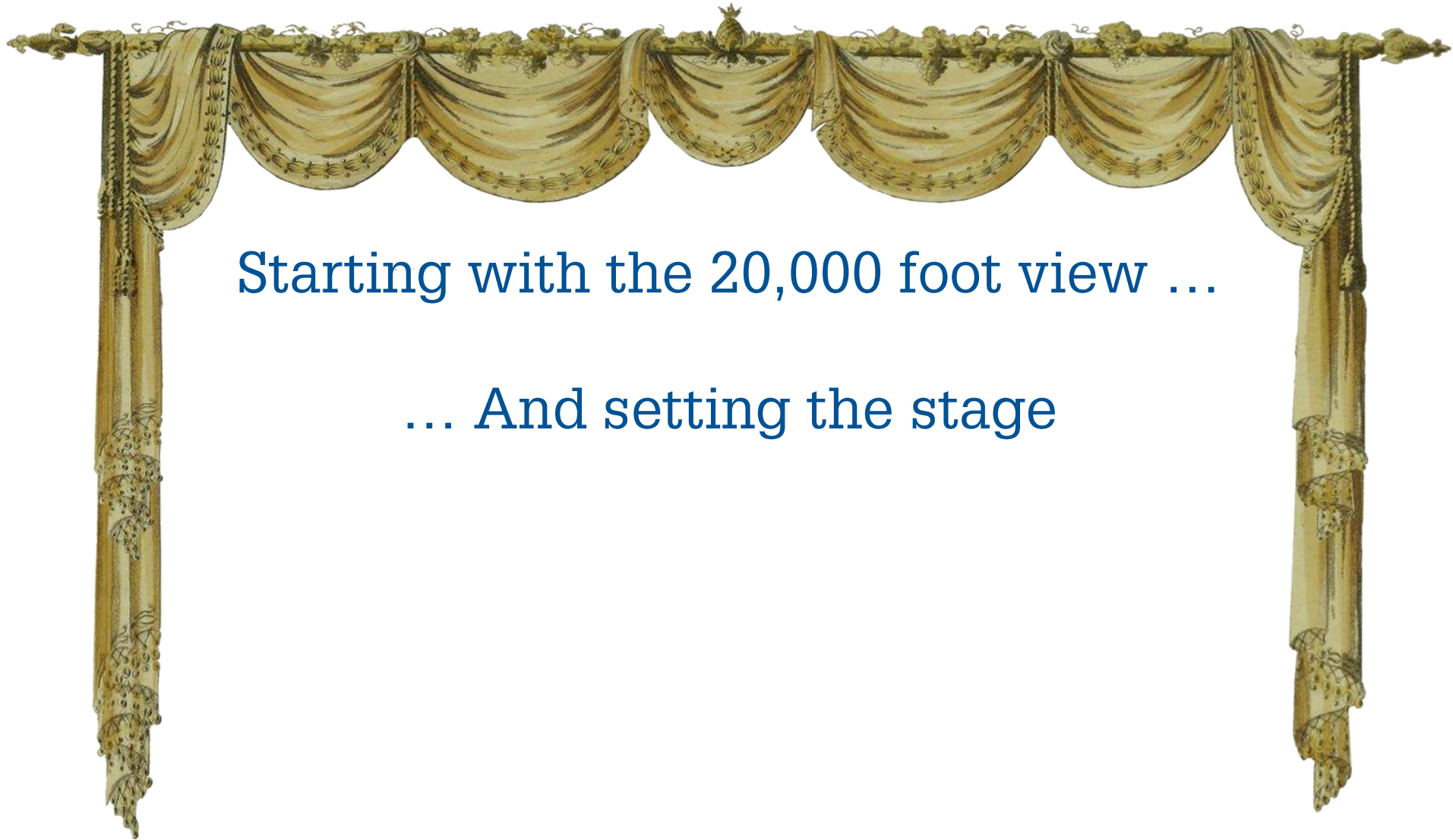

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Senior Manager

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- Areas of Service
    - Exit/Transition Planning
    - Leadership Development
    - Organizational Development
    - Executive Coaching
    - Executive Recruiting
    - Human Resources Management & Development
    - HR Outsourcing

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Succession Planning

Starting with the 20,000 foot view …

… And setting the stage

Current State – View from the Corporate Level

- 75% of executives view succession planning as top human capital challenge that could derail ability to achieve key strategic business objectives – SHRM

- Only 50% of America's corporate boards have succession plans in place for their CEOs – McKinsey

- Consider the fact that 50% to 75% of leadership may be retiring within the next five to eight years. This is expected to create a limited pool of candidates and a leadership gap.

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Regulators - Notes

" Within 60 days, the Bank shall have a review conducted of the bank's staffing needs and determine whether the bank is adequately staffed by qualified personnel possessing the ability, experience, training, and other necessary qualifications required to perform present duties. Please submit to Supervisory Authorities upon completion".

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Succession Planning is not …

What are the Three R's?

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The three R's …

"The old adage 'People are your most important asset' is wrong.

People are not your most important asset. The right people are.

Good to great depends on having the right people on the right bus at the right time."

—Jim Collins, Good to Great

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Succession – What is it?

- A *proactive and systematic investment,* based on the vision and strategic plan of the organization, to build a pipeline and ensure continuity in key positions, and to encourage individual development, so that when transitions are necessary, leaders at all levels are ready to act.

More Simply Succession Planning is ...

- Developing a talent pool

- Preparing people today to become tomorrow's leaders

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# Starting Blocks – How is it successful?

- Commitment from the top
- Culture with strategy to develop leaders at all levels
- Integrated HR process
- Identify organizational skills needed in the next 3, 5, 7 years.

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Polling Question #3

At what point is your institution in development or currently using a succession plan for your key employees?

A. We do not have a plan in place so we do not plan for succession

B. We recruit individuals once someone has been promoted or has left the institution

C. We talk about it and have a good idea of who may be a good fit for various positions

D. We have a plan in place and review it each year

E. We plan long term and look at each hire as a potential in the succession planning process

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It used to be: Traditional Approach
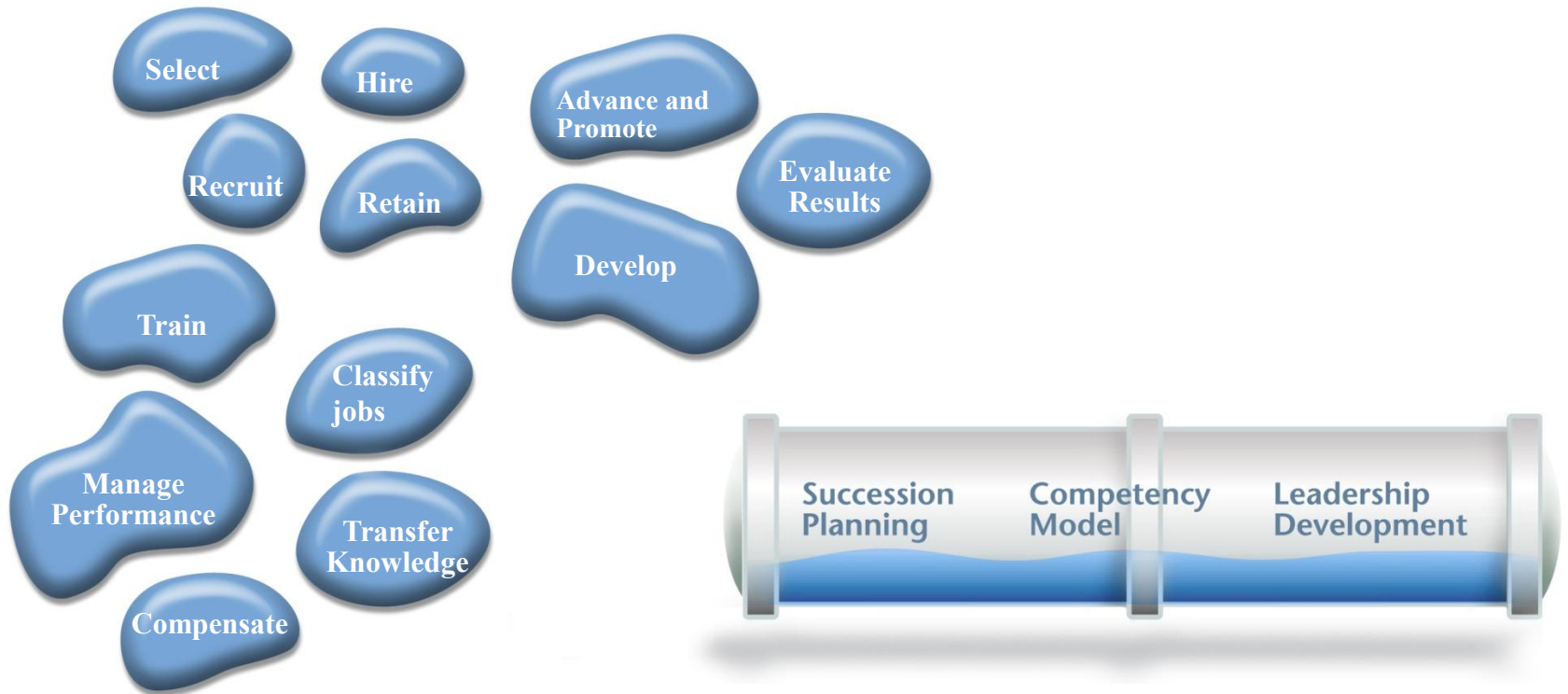
Polling Question #4

- What percent of employees are engaged with their employers/work?

    A. 80%

    B. 63%

    C. 48%

    D. 24%

    E. 13%

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Now the "Integrated Approach"

Workforce & Succession Planning

Competency Model

Recruitment, Selection, Hiring

Training & Development

Promotion & Career Mobility

Retention

Knowledge Management

Compensation

STRATEGIC PLAN

Program Evaluation

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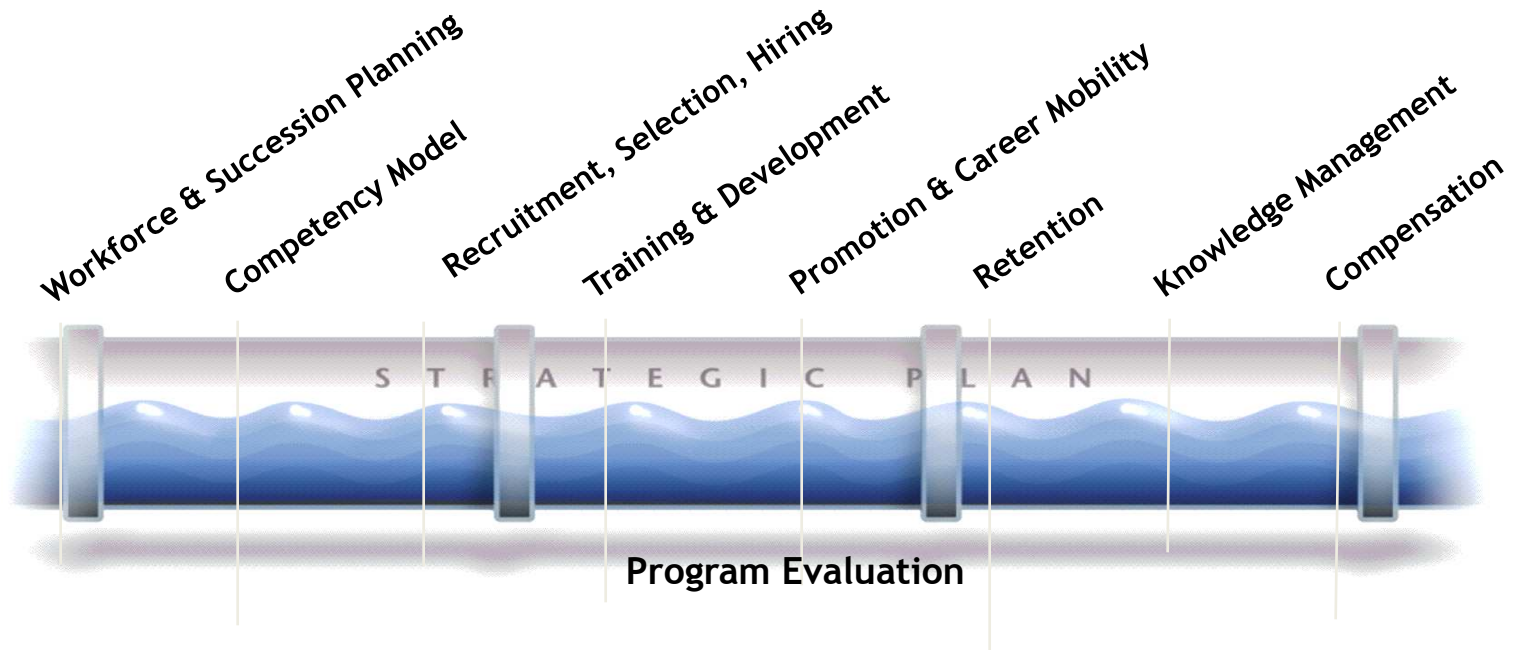
Critical Steps in Planning

Step 1 Communicate the Framework

Step 2 Identify Future Needs

Step 3 Identify and communicate required competencies

Step 4 Assess current resources

Step 5 Analyze variances

Step 6 Prepare Development Plans

Step 7 Select Method to fill vacancy

Step 8 Evaluate

Step 9 Begin again

Succession Planning Never Stops

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Step 1: Communicate Framework

- What is the vision and goals of the organization?

- What is happening in the industry and within the organization that will affect staffing and leadership?

- How does it apply to specific departments/business units?

Step 2: Identify future needs

- What roles are critical to the organization?

- What are priorities?

- How far down should succession planning reach?

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Step 3: Identify and communicate competencies

- What competencies are needed for the future?

- Include work experience and education required.

Step 4: Assess current resources

- Who are the high potential candidates?

- What is their level of readiness?

- What do the current positions look like?

- What current competencies exist?

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Identifying Employees for Positions – Assessing Skill Sets

What the boxes mean …

HIGHER	• **Fails** to meet most performance expectations • Has demonstrated advanced leadership potential, perhaps **inconsistently** or in a **different role**	• Meets **most** performance expectations (e.g., strong program leader but lacks supervisory skills) • Demonstrates all of the potential criteria required of more advanced leadership positions	• Fully meets **all** performance expectations and potential criteria • Capable of moving into to a senior leadership position at your organization **today** and aspires to do so
POTENTIAL	• **Fails** to meet most performance expectations • **Some** potential to move into a senior leadership position, but needs to demonstrate additional aspects	• Meets **most** performance expectations (e.g., strong program leader but lacks supervisory skills) • **Some** potential to move into a senior leadership position, but needs to work on some development areas	• Fully meets **all** performance expectations, including both programmatic and supervisory skills • **Some** potential to move into a senior leadership position but needs to work on some development areas
LOWER	**Insufficient information** to assess this person, and/or new in role **Fails** to meet Most performance expectations, and shows **low** potential	• Meets **most** performance expectations of (e.g., strong program leader but lacks supervisory skills) • **Low** potential to move into a senior leadership position (i.e., lack of aspiration, ability, and/or engagement)	• Fully meets **all** performance expectations, including both programmatic and supervisory skills • **Low** potential to move into a senior leadership position, (i.e., lack of aspiration, ability, and/or engagement)

LOWER	PERFORMANCE	HIGHER

Step 5: Analyze variance

Succession Plan Summary
Organization: _____

Key Position Title	Incumbent Name	Position Vulnerability			Succession Candidate Names		
		Open in < 1 Yr	Open in 1–3 Yrs	Open in 3 + Yrs	Ready in < 1 Yr	Ready in 1–3 Yrs	Ready in 3 + Yrs

What gaps exist between current and future talent demand and supply and current and future competencies?

6. Prepare Talent Development Plan

NAME: _____   TITLE: _____

Overall Performance Summary:
(Indicate recent performance including major accomplishments or performance issues.)

Key Strengths:
(List 2 - 3. Indicate key technical or professional competencies, skills, or knowledge the person has.)

Development Needs:
(List 2 or 3. Indicate key experiences, skills, or knowledge the person lacks in order to move to the next level.)

Development Actions:
1.   **On The Job**: (What new responsibilities do you plan to assign to help this person develop this year?).
2.   **Special Assignment**: (What task force, projects, or special assignments will be given this year to aid development?)
3.   **Training**: (What specific training or seminars are recommended this year for his/her development?)

Potential For Promotion:
(Indicate this persons readiness to be promoted to the next organizational level.)
> Ready now for the next level.
> Ready in the next 24 months.
> Ready in 2 to 3 years.

Recommended Next Position:
(List the next assignment that would most benefit the individual in his/her development.)

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Highest Return…

❖ Full Job Change Focused On Development Needs

   ❖ Job Restructuring Based On Development Needs

      ❖ Mini Rotational Assignments

         ❖ Cross Divisional Project Leadership Or Assignment

           ❖ Focused Coaching & Counseling

              ❖ Industry Representation

                 ❖ Client Visits Accompanying Partners

                    ❖ Formalized Education Programs

                       ❖ Full 360 Degree Feedback and Evaluation

                          ❖ Motivated Self Development

                             ❖ Seminars and Conferences

… Lowest Return

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Step 7: Select Method to Fill vacancy

- Internal
  - Posting
  - Pipeline Candidate
  - Organization re-design
  - Process re-design
  - Developmental assignment

- External
  - Outsource
  - Hire

Step 8: Evaluate

How do we monitor and measure success of a development plan against their plan?

What external factors serve to enhance or impede individual success?

- Review talent pool and development plans

- Report progress and make plan adjustments

- Orchestrate moves for the next six months

Ready to Take Action?

- Understand that your situation is unique in its needs, goals, cultures & strategies

- Build an agile workforce adaptive to change

- Create competitive advantage

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Thank you!

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Q&A Session

Thank you!

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