

Exam tide is changing. IT will be key focus

We have not yet fully emerged from the financial fog generated by the meltdown and collapse of the industry, but I can see clarity and improved stability coming. The Dow Jones closed above 11,000 and market volatility has moderated in comparison to the huge swings we have observed in the past eighteen months. Broader profitability numbers are returning to the industry, job losses are leveling, and factories are starting to increase production.

NO, this is not a recap of the latest FOMC meeting at the Federal Reserve designed to restate what has already be said. On the contrary, it is a warning! The focus of our regulators in the recent past has been on the safety and soundness of the financial industry. Credit Quality, bad debt exposure, liquidity, resolving failed institutions and industry confidence has consumed the majority of exam resources of the recent past, and to a large degree this trend will continue. We are not out of the financial fog yet, but pressures are moderating and the tide is changing.

The attention of regulators is already changing. Resources that were dedicated previously to the review of credit and liquidity related issues will now be redirected toward more intense technology exams. It is just a matter of time. More importantly, when you look at the amount of technology a financial institution uses today in contrast to just ten years ago, it is amazing how little time is spent by regulators in this area. From my point of view, the status quo in this regard will not continue.

The FFIEC recently published (2-25-10) an updated Retail Payment Systems Information Technology Examination Handbook. It applies significant attention to the details of technology implementations and the expectations placed on banking organizations. What the handbook signals is a new era on attention to detail when it comes to the implementation of technology in your organization. Exam intensity is going to significantly increase and risk management will play a key role. No longer will the executive be able to abdicate knowledge or responsibility because the technology is too complicated. The tide has changed. Soon stronger regulatory and examiner waves focused on technology will be hitting your banking industry beach. Just take a look at the updated exam work plan that accompanies the handbook. More importantly, review the control objectives pertaining to managing risk and new technology. The conclusion, exam intensity is already building and the expectations have been published. Take time to look into your technology future by spending a few moments in the handbook. It will be time well spent! Here's the link:
<http://www.ffiec.gov/ffiecinfobase/booklets/Retail/retail.pdf>

— Dan Fisher, The Wombat!

About the Author

Dan Fisher is president and CEO of The Copper River Group, a consulting firm headquartered in Fargo, N. D., that focuses on technology and payment systems research and consulting for community financial institutions. For nearly 30 years, Fisher has worked in the financial industry using technology to improve the bottom line. He was CIO of Community First Bankshares (now part of BancWest), has served as a director of the Federal Reserve Board of Minneapolis, the chairman of the American Bankers Association Payment Systems Committee, and was a member of the Independent Community Bankers of America Payments Committee. Fisher has written numerous articles on banking technology and the payments system. He has authored or co-authored six books and recently published a book titled, "Capturing Your Customer! The New Technology of Remote Deposit." You can contact Fisher at dan@copperwombat.com.

P.S. To understand Dan's nickname, check out "About the Wombat" on his website, www.copperwombat.com