



'Tis The Season For Planning

by [Steve Brown](#) Topics: [strategic planning](#), [risk management](#)

Summary: Every banker knows that a good business continuity plan is needed. But, when a power outage or worse happens, that is when you truly realize how prepared you are. We offer some guidance.

'Tis the season to buy things, so we thought you may be interested to know what CNet's top holiday picks were for this year: Under \$50 - Amazon Echo Dot; Under \$75 - Roku Streaming Stick Plus; Under \$100 - Amazon Fire HD 8; Under \$250 - Google Home Hub. Now that you have some ideas to get your shopping done, we draw your attention to your business continuity plan.

Every banker knows that a well thought out and constructed business continuity plan (BCP) must be in place to protect the bank, should something unforeseen occur. But, when a power outage or worse happens, necessitating you to enact your plan, that is when you truly realize how prepared you are.

Since one of our client banks found this out recently and shared the information with us, we thought it was worth sharing too. To start, we note that what happened to this bank is unlikely, but that is exactly what you need to plan for.

The bank in question was impacted when their core provider had some sort of outage. That affected the core's wire transfer capabilities, which in turn meant the bank couldn't initiate wires through their normal method.

Given that business clients of theirs still needed to get things done, wire transfers needed to be processed. Unfortunately, no one knew how long the outage would last.

Luckily, our International Services team was able to help this bank out with things like performing OFAC checks and sending time-sensitive wires, so it all worked out; customers were happy once again.

This event highlighted for the bank that it was very heavily reliant on a single provider, in this case their core, for many critical services. Since most community banks these days are remotely connected to their core, this risk is part of banking. However, if a bank's core or wire system goes down, that bank is likely more heavily impacted than if the bank had chosen options to spread out this risk.

Key learnings from this event include:

1. As your bank grows, be sure to adjust all of the elements of your BCP, including key contacts, points of communication and scheduled training.
2. Use key vendors as part of your contingency plan. As this example shows, they can provide you with backup services seamlessly.
3. Make sure passwords and digital certificates are all up to date with vendors to ensure a smooth transition to a backup. Time is of the essence during a crisis, so set a reminder to ensure testing occurs before it is needed.
4. Examiners need to know that liquidity won't be an issue, if a crisis happens. So, be sure to have a Fed Funds line of credit to fall back on too.
5. Practice your BCP regularly and be sure you have an enterprise-wide business continuity testing policy established by the board that sets expectations to follow in implementing testing strategies and test plans. Testing can be as simple as doing a tabletop activity and documenting any issues that surfaced.

ECONOMY & RATES

Rates As Of: 12/10/2018 11:56AM (PST)

Treasury	Yields	MTD Chg	YTD Chg
3M	2.38	0.04	1.00
6M	2.53	0.01	1.00
1Y	2.68	0.00	0.95
2Y	2.73	-0.06	0.84
5Y	2.72	-0.10	0.51
10Y	2.86	-0.13	0.46
30Y	3.14	-0.15	0.40
FF Market	FF Target	Fed Disc	
2.19	2.25	2.75	
SOFR	Prime	Unemp	
2.30	5.25	3.70	

[More Market Rates](#)

BANK NEWS

Appraisal Shift

As reported by the Wall Street Journal, proposed banking regulations would allow real estate property valuations to be based on computer algorithms and not require evaluation by a licensed human appraiser for homes under \$400,000. Data by the Census and National Association of Realtors finds 67% of US homes sell for \$400,000 or less. The shift should make the process of buying and selling homes cheaper, easier and faster, but many algorithms are untested so only time will tell how well it truly works.

Fee Reduction

The OCC said it will reduce bank assessment fees it charges by 10%, given operational cost savings it has achieved. We wonder if other regulatory agencies will follow suit.

M&A Activity

1) Alliance Bank (\$740mm, TX) will acquire The First National Bank of Mount Vernon (\$189mm, TX) for an undisclosed sum.

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