

Risk Mitigation: Electronic Banking

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Northeast Bank Profile

- Maine State Chartered Universal Bank
- \$619 million in assets
- 11 Branches, 14 Insurance Offices and a Financial Center
- Provide Banking, Insurance & Investment Services
- Serving Western, Central, Coastal and Southern Maine plus a portion of Seacoast New Hampshire.

Electronic Banking Services

- Internet Banking (Web Banking)
- ACH
- Debit Cards
- Mobile Banking
- Bill Payment
- Wire Services
- Remote Deposit Capture

Risk Categories

- **Strategic**
 - Failure to implement appropriate business decisions in a manner that is consistent with Bank's strategic goals.
- **Reputation**
 - Negative public opinion.
- **Operational**
 - Inadequate or failed internal and external processes or systems.
- **Transactional**
 - Problems with service or product delivery.
- **Compliance**
 - Violations of laws, rules and regulations or noncompliance with internal policies

Types of Risk

- **Fraud**
 - Embezzlement
 - Hackers
 - Bad Originators
- **Systemic**
 - Unable to settle commitments
- **Credit**
 - Unable to fund
- **Operational**
 - Anything that can go wrong
- **Legal**
 - Reg E and UCC4A
 - Civil Penalties
- **Reputation**

Risk Profile

Not a “one size fits all” approach

- Each Risk profile is Unique
- Tailored risk management approach

Risk Assessment

- Risk Assess vendors – new and existing
 - Created a Vendor Management Program
- Functional Risk Assessment on the Product

Electronic Banking Services

- Focus on Internet or Web Based Banking – Elevated Risk
 - ACH Origination
 - Wire Services
 - Bill Payment

EBanking Strategies

Web Access

- Know your customer
- Customer Agreements
 - Consumer & Business should be different
 - Self enroll?
 - Business enrollment forms for each user
 - Separate Wire, ACH & Bill Pay enrollment

Unauthorized Access

Web Access – Online Banking

- Site is SSL protected with encryption
- Secure enrollment for those with valid bank account
- Bank Rep sets up Business access
- Secure access (System Parameters)

Unauthorized Access

Web Access – Online Banking (continued)

- **Secure access**
 - Complex Password & Length requirement
 - Password expiration
 - Set lockout after attempts
 - Online secure password reset to email
 - Multifactor Authentication (non-invasive cookie)
 - Authentication Token (Vasco/Digipass)
 - Unique Pin & one time use code

Unauthorized Access

Bill Pay Service

- Consumers can self enroll with pass through authentication
- Business customer can not self enroll
 - Hard copy request
 - Verify signature
 - Letter of Authorization
 - User name and Password sent to customer by third party provider.

Unauthorized Access

Mobile Banking

- Initial setup login in to Internet Banking
- One time PIN is sent to mobile device via text message
- Access the site from text message link with PIN

EBanking Strategies

- **ACH Origination & Wires – Web based**
 - Know your customer
 - Set lock down times for System & Customer
 - Agreements stating levels and access for users
 - Require Verification by second users before submission
 - Set Dollar limits for files and daily limits
 - underwrite
 - annual approval
 - Automated confirmation of submission to customer and Bank

EBanking Strategies

- **ACH Origination & Wires – continued**
 - Keep a log at the Bank of customers file patterns
 - Monitor files submitted
 - Fed ACH Risk Origination monitoring service
 - Call back verification to user other than originator
 - Sound Bank Personnel Practices
 - All maintenance and user access granted is monitored and verified
 - Disaster & Contingency planning

Debit Cards

- **Compromises – Reissue or Not**
 - Loss History
 - Card Base
 - Cost
 - What Data was compromised?
 - What monitoring systems do you have in place?
 - Timeline for expiration of card

Debit Cards

- **Loss Reduction Strategies**
 - Lower daily and transactional limits
 - Review card agreements and disclosures
 - Different agreements for Consumer & Business
 - Educate the Consumer
 - Monitor card activity – especially international
 - Setup rules and blocking systems

Debit Cards

- **Loss Reduction Strategies** (continued)
 - Travel log of customers
 - Use CVV, CVC and CVC2 verifications
 - Insurance policy to cover losses

Questions?

