



# NEWSLETTER

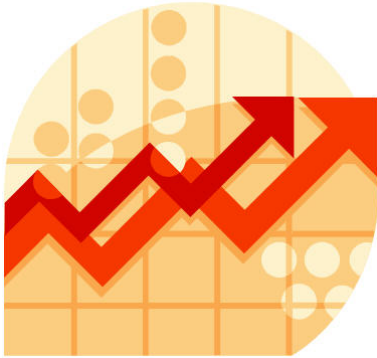
PARTNERS IN BUSINESS - OUR APPROACH IS SIMPLE...PARTNERSHIP IN BUSINESS, QUALITY IN PRODUCT AND INTEGRITY IN PEOPLE

## RLR Reports Second Quarter Audit & Compliance Successes

- *Assists four Calif.-based community banks in various audit and compliance services*

RLR Management Consulting, the industry's longest tenured privately owned consulting firm for community and regional banks, announced that the company has assisted four Calif.-based community banks, with a cumulative asset size of more than \$3.2 billion, in 40 separate audits during the past three months.

Such audit and related services include enterprise risk, internal controls review, IT and security assessments, SAFE Act compliance, flood hazard insurance, fair lending, loan compliance, deposit compliance, wire transfer, ACH, operations/internal controls and branch audits, credit reviews, NDIP, loan servicing, BSA, accounting and finance, human resources, social engineering, internet and mobile banking and investment portfolio review.



RLR handles all aspects of auditing and compliance review services. The company audits every function in a bank, completes all reviews, creates thorough write-ups and provides necessary recommendations and follow-ups.

"Our audit and compliance practice has been growing for the past ten years and now constitutes about 40 percent of our overall business," said Ruth Razook, founder and chief executive officer of RLR. "We closely monitor and mitigate risk for banks to enable them to effectively deal with their compliance burdens so they can focus their efforts on profitability and growth."

The remaining 60 percent of RLR's business consists of technology, M&A and various operational projects and services.

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# Regulatory Hot Topics



## FIL 43-2016 - Information Technology Risk Examination (InTREx) Program Dated June 30, 2016 Effective for all FDIC Supervised Institutions

On July 1, 2016, the FDIC implemented the Information Technology Risk Examination (InTREx) Program for conducting information technology and operations risk (IT) exams of FDIC-supervised FIs. The program is designed to enhance identification, assessment, and validation of IT in FIs and ensure that identified risks are effectively addressed.

InTREx uses a work program based on the Uniform Rating System for Information Technology (URSIT) and includes core modules for the Audit, Management, Development and Acquisition, Support and Delivery component ratings. The results of these assessments will be included in the Risk Management Report of Examination.

### Highlights:

Enhanced Pre-Examination Process. The pre-examination scoping process has been revised and streamlined to focus on emerging risks and technologies.

- Approximately 90 days before a scheduled IT exam, the FI will receive an Information Technology Profile (ITP) questionnaire through *FDIConnect* to be completed and returned to the FDIC. The ITP is designed to determine the resources needed to perform the IT exam and assist with scoping the exam. The ITP includes 65% fewer questions than the Officer's Questionnaire used in previous exams.
- At least 45 days before the scheduled exam start date, an IT Request Letter will be sent to the FI through *FDIConnect*.
- Examiners will complete the InTREx Core Module, the Cybersecurity Workpaper, and the Information Security Standards Workpaper to assess risk and to document exam procedures, findings, and recommendations. For FIs with a higher IT profile, examiners can use expanded exam procedures, supplemental work programs, and the FIIEC IT Exam Handbook.

For a recap and road map to help your institution implement the new requirements, be sure to sign up for our Technology Guidance Program. More information about our Technology Guidance Program is listed below.

# RLR Technology Guidance Program

For the past twenty years, RLR Management Consulting has had a program that we call our **Technology Guidance Program**. This program was initiated to assist our clients with understanding the latest regulatory guidance updates that are periodically released. We review the guidance in detail and structure an easy to understand Toolkit that summarizes the guidance, what the impact on the bank will likely be, and defines the actions the bank needs to take, including risk mitigation activities, to adhere to the new guidance.

As part of our **Technology Guidance Program**, our Toolkits outline the following for each FIL released:



Our Toolkits may continue with discussing Contracts, On-going Oversight, Contingency, Event Planning, and Emerging Risks. This is a general format we publish for most newly published guidance. Our summaries are published within 30 days of the published guidance.

Our Tech guidance program is offered to our clients on an annual subscription basis. Cost of the annual subscription is \$1,500, payable in January of each year. For more information or to enroll in the program [CLICK HERE!](#)

## Technology Corner



### [Biometrics on Smartphones to Change Our Life for the Better](#)

...Moreover, mobile payments are also predicted to skyrocket over the next five years, which are achieving \$750 billion by 2020 (Biometric Research Group). Biometric payments are defined as a Point of Sale (POS) technology, which uses biometric authentication system to verify users by taking pictures (facial recognition), fingerprint or iris. Therefore, people

do not need to bring cash, checks or credit cards when they go out. (To read full article, [click here](#))

## Press Releases

RLR has recently partnered with the William Mills Agency. We consistently look to Bank periodicals, newsletters and the like for industry news and activities. Many of you are aware of these publications, and all of these publications have recently contained varied articles either authored by RLR or quoting RLR.

### Transaction Directory



Below are a couple of our most recent press releases. To see all of our press release please visit our website at

[www.rlrmgmt.com](http://www.rlrmgmt.com)

- ➔ [Fintech Vet Aims to Make Banking as Easy as an App Download](#)
- ➔ [Tech Can't Solve Security Solo](#)



## A Snapshot of our Los Angeles, CA Workshop

RLR has developed a series of **complimentary** educational workshops that are held throughout California on a regular basis. We highlight a variety of topics and discuss hot button issues with our current and prospective client attendees. These workshops provide us insight as well as facilitate discussions among the attendees to encourage knowledge sharing. RLR recently hosted a workshop in Los Angeles, CA on August 17, 2016.

Mitch Razook presented on the following topics:

- ➔ Cybersecurity Update

Ruth Razook presented on the following topics:

- ➔ Compliance Management – Is your program up to speed?
- ➔ Mobile Financial Services Update to FFIEC IT Examination Handbook Updates

Overall, the workshop was a huge success. The attendees found the speakers, workshop topics and presentations to be very informative and would definitely recommend the workshop to others.

**COMING SOON – RLR is in the process of creating a new Educational Webinar Series. We are looking to host our first Webinar sometime in October 2016! More information to follow...**

# Regulatory Relief Recommendation

Presented by: FDIC Vice Chairman Thomas Hoenig

Presented at: IBA/NBA/OBA Bankers Association's Annual Convention

## I. Background

The new regulations that apply to the banking industry were designed in response to the increasing complexity of the industry. Commercial banks, which by definition have broad access to the safety net, have been engaging in activities previously reserved for investment banks, wealth managers, insurance companies, commercial and industrial firms and other types of businesses.

However, of the approximately 6,400 commercial banks in the US, only a small minority have expanded into these less-traditional activities.

Therefore, regulatory relief would seem to be appropriate for banks engaged in traditional, non-complex banking activities, regardless of the size of these institutions.

## II. Applicability

Banks that should be eligible for regulatory relief could be defined as those with:

1. Zero trading assets or liabilities;
2. No derivative positions other than interest rate swaps and foreign exchange derivatives; and
3. Total notional of all derivatives exposures - including cleared and non-cleared derivatives - of less than \$8 billion.<sup>1</sup>

Of the approximately 6,400 commercial banks, only about 400 banks do not meet these three criteria. None of the banks with more than \$100 billion in total assets meet these criteria; however 90 of the more than 4,000 banks with less than \$250 million in total assets also do not meet these criteria.

Such traditional banks have historically been better capitalized than less traditional banks. To acknowledge this historical fact, to ensure that regulatory relief does not result in a less safe and sound banking system, and to provide the proper incentives, some simple measure of capitalization should be added to the list of eligibility criteria for regulatory relief.

In addition to the three criteria above, to be eligible for regulatory relief, a bank should have to have a ratio of GAAP equity to assets of at least 10%. A significant majority of community banks already have an equity to assets ratio of 10% or more, and the threshold is readily achievable for many more.

<sup>1</sup>Additional criteria could potentially include thresholds related to traditional deposits and traditional loans.

### III. Regulatory Relief

Dialogue with community banks consistently highlights several areas that are the source of concern over additional regulatory burden. These areas include the new risk-based capital rules, an ever-expanding Call Report (many fields of which aren't relevant for traditional banks), burdensome consumer compliance regulation, appraisal requirement, and the frequency of the examination cycle.

Community banks on their own are not expressing major complaints involving other areas of regulation, including the Volcker Rule, the supplementary leverage ratio, derivatives clearing requirements, increased margin requirements, and other regulations that really only directly impact the large banks and the non-traditional banks. The regulatory burden for traditional banks from these rules is effectively insignificant.

As such, meaningful regulatory relief for traditional banks (i.e. those that meet the three criteria above and have an equity to assets ratio of 10% or higher) can be provided in a manner that is entirely consistent with safety and soundness. Such relief would include:

- Exempt traditional banks from all Basel capital standards and associated capital amount calculations and risk-weighted asset calculations
- Mortgages made by these traditional banks that remain in the banks' portfolio would be a qualified mortgage loan for purposes of Dodd-Frank Act
- Such banks could also be exempted from several entire schedules on the Call Report, including schedules related to trading assets and liabilities, regulatory capital requirement calculations, and derivatives
- Eliminate requirements to refer "possible fair lending violations to Justice" if judged to be *de-minimis* or inadvertent
- Establish criteria that would exempt traditional banks from appraisal requirements
- Exempt traditional banks, if applicable, from stress testing requirements under section 165(i) (2) of the Dodd-Frank Act
- Require only an 18 month examination cycle as opposed to a 12 month cycle for traditional banks

### IV. Conclusion

This approach to regulatory relief provides a beneficial and prudent trade-off for banks by incentivizing traditional banking activities. If a bank sticks to traditional banking activities and conduct its activities in a safe and sound manner with sufficient capital reserves, it has less regulatory burden. On the other hand, if a bank elects to expand its activities into non-traditional areas and to use the subsidies that arise from the bank's access to the safety net to fund these activities, such a bank must accept additional regulatory burden to protect the safety net.



## Consultant Spotlight

### SUSAN ROLING



RLR is pleased to introduce our newest consultant to our clients and associates, Susan Roling. Susan has over 20 years of experience in both the retail and regulatory banking sectors. Her knowledge includes both operations and credit roles and includes system implementations and conversions, policy and procedure development, internal control creation, strategic marketing initiatives, system design, training and user support, project management and workflow process improvement. Susan will be consulting to clients in her areas of expertise as well as assisting with RLR's business development and marketing programs.

Susan is located in Alpharetta, Georgia. Please join us in welcoming Susan to RLR. She can be reached at [susan.roling@rlrmgmt.com](mailto:susan.roling@rlrmgmt.com)

## Upcoming Events

- |   |                  |  |                   |
|---|------------------|--|-------------------|
| ➔ | Sept 14, 2016    | TCA Concepts 2016  | Battle Creek, MI  |
| ➔ | Sept 14-16, 2016 | WSUG Fall Meeting  | San Diego, CA     |
| ➔ | Sept 18-20, 2016 | IBA Annual Convention  | Des Moines, IA    |
| ➔ | Oct 4-7, 2016    | CBA 38 <sup>th</sup> Annual Regulatory Compliance Conference | Rancho Mirage, CA |
| ➔ | Oct 23-26, 2016  | AFP Annual Conference  | Orlando, FL       |
| ➔ | Oct 27, 2016     | Subchapter S Bank Association Conference                     | San Antonio, TX   |
| ➔ | Dec 4-6, 2016    | WBA Northwest Bank Executive Conference                      | Seattle, WA       |



# Did you know?

RLR delivers solutions through hands-on, personalized service. We offer our clients support and solutions to complex issues. We believe in partnering with our clients every step of the way to provide them with the evaluation, planning, design, and implementation of high quality, cost-effective solutions. Below are some of the projects RLR Management Consulting Inc. is currently working on. **How can RLR help you?**

- ➔ Operational Services
- ➔ Technology Services
- ➔ Regulatory Compliance
- ➔ Mergers & Acquisitions
- ➔ Due Diligence
- ➔ Staffing Services
- ➔ Audits and Related Services
- ➔ De Novo Services

RLR can also help with these HOT topics:

- ➔ Cybersecurity
- ➔ TRID – TILA-RESPA Integrated Disclosure
- ➔ NDIP – Non Deposit Investment Products

## Contact Us

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