



NEWSLETTER

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

2017 Predictions By Ruth Razook

- ➔ 3 to 4 25 basis points interest increases in 2017
- ➔ Moving to the cloud
- ➔ Does FinTech team up with Banks or become a 'bank-killer'?
- ➔ The First Fintech Bank Charter
- ➔ Regulator focus on cybersecurity and CRE concentrations
- ➔ Directors of Data begin Replacing Directors of Marketing



As expected the FOMC (Federal Open Market Committee) raised interest rates by 25 basis points in mid-December and again in March, and current expectations are that there will be anywhere from two to four additional increases in 2017. Fed Reserve Chairman Janet Yellen recently stated that the economic outlook is looking pretty good, as well as the labor markets. We do not think the long-anticipated interest rate increase will impact community banks and credit unions as much as subsequent rate moves in 2017.

In 2017 banks will continue moving to the cloud. Many banks are already doing this, just not talking about it! Banks need to make sure that they do their vendor due diligence, as well as ensure backups are kept (and validated) and should consider "spreading it around", so as not to have all your eggs in one basket.

The OCC has stated that for the first time they will grant licenses to "fintech" firms, giving them the ability to operate across the country without seeking state approvals or partnering up with brick and mortar banks. This move has upset many in the banking industry, and has some up in arms. The coalition of state banking supervisors have said that "We believe our consumers will be at risk". The group also argues that "a federal fintech charter will distort the marketplace" and the OCC was "expanding its mandate absent of statutory

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authority". While many say watch and wait, we feel Fintech Companies are leading the way in many instances so watch out for the first OCC chartered "Fintech Bank" in 2017!

Regulatory focus will remain on cybersecurity and CRE concentrations. We saw some guidance from the regulators on cybersecurity in 2016 that should help banks in implementing the necessary controls to not only protect themselves, but to be ready for the regulator's next visit. At the end of 2015, the regulatory agencies issued a "statement on Prudent Risk Management for Commercial Real Estate Lending" to remind financial institutions of existing regulatory guidance on prudent risk management practices for commercial real estate (CRE) lending activity through economic cycles, and continued to talk about this throughout 2016. Banks that have CRE loans making up at least 300% of total risk-based capital; construction, land development and other land loans comprising 100% or more of total risk-based capital; and construction and total CRE growth of 50% or more over the prior 36 months, may be asked by the regulators to raise their capital levels.

In Banking and Fintech today it is all about data - customer centric information, cross-selling based on data captured, CIS Solutions and Data Warehousing. The thought is if mobile engaged and digitally centric banks will see high customer retention. This is the marketing of the future – less ads and more data that will drive corporate and consumer client retention and product preferability. There will be a trend to use data like never before to drive market penetration and the individuals to do this will ultimately be Directors of Data.

Press Releases & Thought Leadership

Thank you for turning to RLR for the latest in industry news! The banking and payments landscape is changing everyday – for the very latest, please follow us on [Twitter](#) and [LinkedIn](#). To learn more about how RLR can help you, stop by our website at <https://rlrmt.com>.



Transaction Directory



WEBINARS

A Snapshot of our Webinars!

RLR has developed a series of **complimentary** educational webinars. We highlight a variety of topics and discuss hot button issues with our current and prospective clients. These webinars provide insight as well as facilitate discussions among the attendees to encourage knowledge sharing. RLR recently hosted the following webinars presented by Tom Frale, Director of Business Development:

- Changes in Digital Banking, Is Your Institution Ready? – 1/19/17
- Core Vendors: Managing Your Most Important Vendor Relationship – 2/15/17
- Discussing Online and Mobile Banking: Your Most Visible Branch – 4/19/17 - [REGISTER NOW](#)

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:



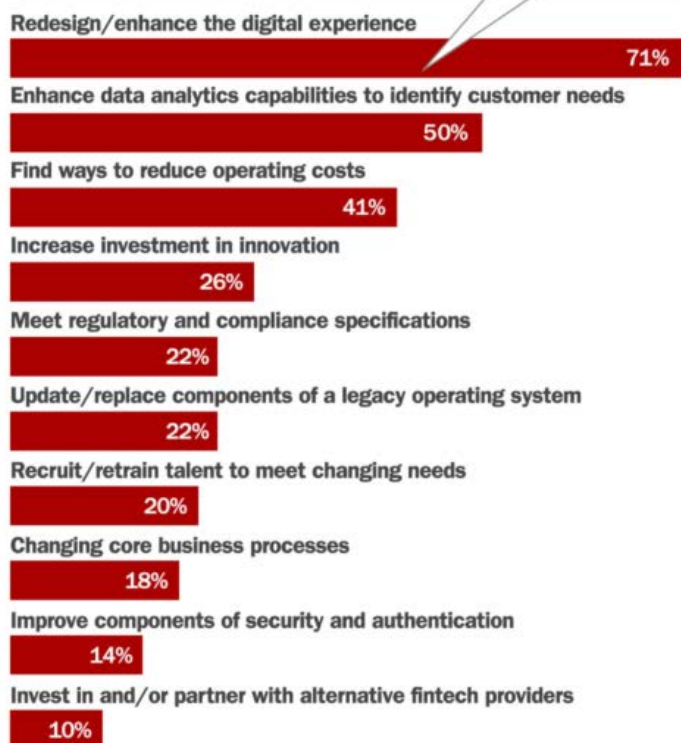
Our Toolkits may continue with discussing Contracts, On-going Oversight, Contingency, Event Planning, and Emerging Risks. This is a general format we publish for most newly published guidance. Our summaries are published within 30 days of the published guidance.

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!](#)

Top 10 Strategic Priorities for Banking in 2017

Top strategic priorities for financial institutions in 2017



Overall, the top three priorities mentioned were improving the digital experience (mentioned by 71% of the respondents), enhancing data analytic capabilities (50%), and finding ways to reduce costs (41%). The rest of the priorities mentioned were at least 15% less likely to be mentioned. Interestingly, despite a great deal of coverage in industry publications, the desire to partner or invest in fintech relationships is a low priority for all but the largest organizations.

The respondents included banks and credit unions in every asset range from Asia, Africa, North America, South and Central America, Europe, the Middle East and Australia. Each respondent was asked to provide their top 3 strategic priorities for 2017. Despite the wide variance in both asset size and geographic location of the respondents, the ranking of the top priorities named by

the majority of organizations were surprisingly consistent. (To read the full article [click here](#))

Technology Corner by Malauzai

Bank CIO Outlook: Shifting from Card Management 1.0 to Card Management 2.0

To Address the Family:

Family Banking has taken the digital landscape by storm. In today's interconnected society, it's critical for banks to provide individuals with the tools needed to manage their family's finances. Family Manager lets you more closely monitor budget by making sure payments are made. Users can also set various kinds of helpful limits on debit cards. Want to limit where the card is used, like the mall or movie theater? Boom! You see where we're going, *sorry kids, money doesn't grow on trees*. All of these real-life payment scenarios happen every day, and now, finally, Internet and mobile banking have caught up to satisfy this very unique way of using digital media to manage financial lives. The banking industry is learning from the giants of social media in terms of how to leverage community and digital interconnectivity to build long lasting relationships with consumers and businesses and help them make payments easier.

Family Banking and Family Manager. Why is this approach to payments coming to fruition now? Simple. Consolidation of the digital platforms. Increasingly banks are bringing in a single solution to solve all of their digital needs; consumer and business, mobile and Internet. A digital platform. This is all delivered from a single infrastructure. Consumers and businesses all use the same solution. A business may be “entitled” to use certain features, such as ACH or wires, whereas a consumer would not. Fundamentally, it all sits on the same infrastructure; the consumers and businesses use the same app and behind the scenes, a powerful entitlements engine drives the show. And entitlements are the key here. We have always had entitlements, i.e. on/off switches, for all sorts of features in the business digital world. Entitlements are a lynch-pin of business digital. One employee of a business can only see certain accounts and can only make ACH credit payments up to \$10,000 whereas another employee only has access to the wires module and can only pay certain partners. Entitlements. Not a new concept at all. What happened is interesting. Once entitlements were present on a single platform a simple question was asked: Can we apply this capability to consumers? Yes, you can, and the family is the perfect real-world scenario that makes this a reality. You may want to put limits on your daughter’s card or get notified when your mom uses her checking account or engage your accountant to help pay bills, and now it can all happen!



Family manager refers to a new solution allowing a consumer to set up and manage *their* family and how *they* access digital channels and make payments. In today’s interconnected society, two real situations have emerged



making digital family banking and payments important: helping your children, and helping your parents. We are living through a huge transition and shift in wealth. The baby boomers spent years accumulating wealth, and now they are spending it. People are living longer and can benefit from help received from their family. As an interesting anecdote, a majority of digital banking support calls received on Thanksgiving are

referred to as “dual-party” calls; calls in which the account holder is assisted in solving his or her technical challenges by a second person who is put on the phone to “interpret” for the original caller. We have all been there: Mom can’t get the computer to print, calls Tech Support and you get stuck on the phone with the rep figuring it out. This is a proof point for family banking. Family members form a very unique and important community, and digital banking needs to take advantage of these relationships. An elder consumer can set up access for his or her family members, keeping them in the loop, or, in circumstances in which the elder has delegated authority to his or her kids, the child can come into digital banking and help manage the elder’s financial life. And, it is all done in self-service mode, meaning you don’t have to call the bank to set this up. You simply log in to digital banking, access family manager (an entitlements engine by any other name) and set up profiles for

family members and assign rights. Daughter can't use the debit card at Starbucks (sorry Starbucks) and Mom generates an email sent to family members each time she uses her card to make a payment. All possible today. How does this impact payments in general? First, and this is a requirement for all banks, you must extend entitlements to consumers to let them manage their financial and payment lives as well as help manage the financial lives of those closest to them. Payments are at the heart of this. Setting limits on payment amounts or controlling a debit card and how it can be used, these are all functions available today in best-of-breed digital solutions, and now they can be used for consumers. Second, payment volumes and fraud should be impacted. By setting up more family members, in essence you increase the overall use of digital banking and thus you have more people making payments. Volumes just might increase. But more critically, fraud should decrease.



The more people "hooked-in" to your digital world and monitoring what happens, the quicker we find fraud. And in some situations, such as those in which elders might be in abusive situations, family manager ensures that the right controls are put in place and that all family members stay informed, thus increasing transparency and lowering the chances of an elder customer experiencing financial abuse.

Payments are the lifeblood of financial services with cash moving around quickly. Extending these payment services makes it easier for everyone while solving real world problems. Family banking and family payments, enabled by hooking your entitlements engine to the consumer offering, are an easy way to enter this market and start learning and experiencing the future of payments.



Robb Gaynor, Chief Product Officer, Malauzai

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Welcome! Consultant Spotlight



DENISE BAHS - RLR is pleased to introduce our newest member to our team, Denise Bahs.

Denise is a Social Media Strategist and Marketing Specialist. Her background is in marketing, with more than 20 years in the payments industry. After working for a trade association for 8 years, she left to work with technology start-ups utilizing social media to move the needle.

Witnessing firsthand how to leverage social media and grow social authority, Denise has helped numerous companies gain visibility and grow their businesses utilizing the social channels. With a few thousand connections/followers, she is a mentor, public speaker and enjoys talking "social"! Denise is located in Commerce Township, Michigan.

Please join us in welcoming Denise to RLR. She can be reached at denise.bahs@rlrmgmt.com

Upcoming Events

➔	April 5, 2017	RLR Workshop, Embassy Suites Ontario Airport	Ontario, CA
➔	April 19, 2017	RLR Webinar – Discussing Online & Mobile Banking	REGISTER NOW
➔	April 23-26, 2017	NACHA Payments 2017, Austin Convention Center	Austin, TX
➔	May 1-4, 2017	Fiserv Forum	Las Vegas, NV
➔	May 4-6, 2017	CBA 126 th Annual Convention	Carlsbad, CA
➔	May 17-19, 2017	TCH Concepts 2017	Hershey, PA
➔	May 22-25, 2017	FIS Info share 2017	Orlando, FL

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
- ➔ ADA Website Compliance



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