

Addressing the Big 3: Compliance, Fraud & Cyber Security

Outsourcing and Vendor Consolidation Help Credit Unions Combat Compliance, Fraud and Cyber Security Issues

We live in an untethered, 24/7 world where smartphones are affordable and there are apps for everything – from ordering pizza to starting your car. That need for speed has super-charged the need for variety in the ways members access their accounts and interact with the credit union. Self-service channels have grown from just Internet banking and bill pay to mobile, SMS, mobile app and voice banking – and the traditional branch channel is still very much in play. This proliferation of banking platforms presents a challenge to credit union management seeking to remain compliant with ever-increasing regulations, as well as offering safety, security and reliability to members.

One way credit unions can leverage limited financial resources to manage compliance, mitigate fraud and protect their members from cyber threats is to partner with a reliable solutions provider for as wide a range of technology as possible. With outsourcing, credit unions can take advantage of savings found in economies of scale, while leaning on that vendor's specialized expertise in specific lines of business – Internet banking, for example. Don't mistake outsourcing for absolving yourself of all responsibility, however. Even if you turn a portion of your operations over to a solutions provider, it's important that you have someone on staff whose job includes keeping up to date with current threats, solutions and industry standards, and that you use that understanding to establish SLOs with your vendor. When partnering, it's important to find a vendor with a strong sense of industry engagement. For example, D+H is active within industry regulatory committees and industry security consortiums such as the Financial Services Information Sharing and Analysis Center (FS-ISAC). As well as holding your technology partner accountable in case of a security breach or other cyber threat, the credit union must establish its own procedures and solutions in the event of such threats.

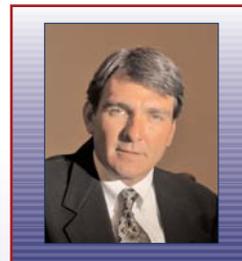
Outsourcing also makes it easier for credit unions to deal directly with auditors and examiners. D+H provides documentation for required certifications and, on the self-service side, for example, risk reporting, which can be presented directly to examiners on-demand.

Of course security threats don't only come from the outside – it's also important to have checks and balances that control employee and member-initiated security threats. D+H employs "play-control" mechanisms – for example, the capability to reset a PIN is taken out of the employee's control and placed entirely in the control of the member. We also employ robust monitoring to help identify member versus employee access, monitoring IP addresses and logins and flagging suspicious activity. This level of monitoring is usually not feasible for most credit unions with limited staff and financial resources, but is made possible by taking advantage of the economies of scale realized by outsourcing and the ability to make continuous investments in security.

With regard to cyber security, a layered defense is best – starting with code to ensure software vulnerabilities don't exist, all the way up to flagging activity and alerting the credit union. Keeping an open dialogue between D+H and our clients ensures all stake holders are involved in decision-making, and identifying and mitigating threats.

Jeff Marshall

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Jeff Marshall identifies and evaluates new technologies, solutions, partnerships and acquisitions that present opportunities for busi-

ness growth for Davis + Henderson Corp (D+H). Prior to his current role, Jeff oversaw software development, security and network operations for Harland Financial Solutions' electronic banking business. Before joining Harland Financial Solutions, he developed software for various national industries. He wrote one of the first Internet banking and bill payment systems in the country, as well as one of the first Internet lending systems to include real-time credit decisions. In an ongoing effort to promote the success of community-based financial institutions, he helps hundreds of financial institutions think progressively about the risks and costs related to Internet delivery systems. Jeff is widely recognized in the software industry for his accomplishments, knowledge and vision.

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