

MEETING OF THE BOARD OF CREDIT UNION ADVISORS

January 14, 2016

1:00pm

Utah Department of Financial institutions
324 South State Street, Suite 201
Salt Lake City, Utah

Minutes

Board Members Present:

Dean Hirabayashi, Scot Baumgartner, Meagan Nattress and Ilene Rollo

Department of Financial Institutions Staff Present:

Ed Leary, Paul Allred, Darryle Rude, Riley Bergstedt, Andrea Staheli and Emily Stanton

Others present:

Thomas Gourdin, Firefighters Credit Union; Ken Payne, Freedom Credit Union; and Bret Rigby, TransWest Credit Union

1. Call meeting to order – Dean Hirabayashi

2. Elect new Chairman and Vice Chairman

Scot nominated Dean Hirabayashi to remain as Chairman. Ilene Roll seconded. Dean Hirabayashi nominated Scot Baumgartner remain as Vice Chairman. Ilene Rollo seconded. Motion passes. It was unanimous.

3. Minutes – October 15, 2015

Scot made the motion to accept the minutes as printed. Ilene seconded. Motion passes.

4. Public Meetings Act Training – Paul Allred

Paul reviewed key points of the Open and Public Meeting Act. Utah Code Annotated Title 52 Chapter 4 Part 1 § 104 *The presiding officer of the public body shall ensure that the members of the public body are provided with annual training on the requirements of this chapter.*

Anything that occurs in this meeting is open to the public and the public has the opportunity to become aware of it by attending the meeting, reviewing the minutes or listening to the recording. Notice of the date, time and location must be posted and the minutes must be approved and made

available, along with the recording. There is a provision that allows bodies to close and restrict access to their meetings, but this has never happened. A discussion regarding imminent litigation would be the only reason a meeting would ever be closed to the public.

There was a discussion about the possibility of making a conference call line available or hosting an electronic meeting. Paul clarified that a conference call line could not be offered to just board members or those in the industry; it would need to be made available to the public. At this time, the Department is not equipped to offer that service.

5. FFIEC Releases Cybersecurity Assessment Tool – Andrea Staheli

Andrea Staheli is the Supervisor of Holding Companies and Information Technology.

For the purpose of this meeting the Federal Financial Institutions Examination Council Cybersecurity Assessment Tool will be referred to as the “CAT” or the “tool.”

Andrea reviewed the tool at a high level and provided a handout with an overview. She discussed the approach the Department is taking for supervisory action and what can you expect from us during examinations related to cyber security this year. Andrea also talked about training resources that are available for the industry. (See Handout #1)

From regulatory standpoint, cyber security examinations are not new. In the past cyber security was simply a part of the IT review. As the risk has increased throughout the industry, the efforts to determine the level of risk have become a greater focus.

Andrea emphasized the importance of patch management. The majority of breaches come from institutions that haven't patched areas in over a year. It's a relative easy fix as long as you manage those patches and strive to not make yourself an easy target.

There was a discussion about external dependency management and what role vendor management plays in cyber security. Many institutions outsource at least a part of their IT, and even though you may be outsourcing, you still own the risk. A breach at a core provider could expose an institution to damaging reputation risk.

This year the Departments approach on exams is to raise awareness. We want to make sure all credit unions are aware of the tool. Use of this CAT is voluntary, and while the use of this specific tool is not required, it is still requisite that you have a program in place to detect and respond to your cyber security risk. In your Reports of Examination, there will be a comment to summarize the review. We do not intend this review to be punitive. Credit Unions should be prepared to discuss their cyber security program.

6. Industry Updates – Riley Berstedt

Riley stressed if there are topics the industry is interested in discussing, please bring them to our attention.

A. ECS – Emergency Communications System

The ECS is used to contact financial institutions quickly and simultaneously during a crisis. Semi-annual tests are conducted for the ECS to ensure contact information is up-to-date for all registrants.

The ECS is designed to be self-service; institutions can determine what key personnel should be contacted. Riley encouraged credit unions to take advantage of this free service.

For more information, contact ECS Support at ecs.support@stls.frb.org or 1-877-327-5333.

B. Exam Scheduling

Riley may be reaching out by phone with some advance notice regarding the scheduling of exams in 2016.

7. Commissioner Comments - Commissioner Leary

Commissioner Leary thanked those in attendance for their continued participation. These advisory meetings provide feedback is useful for planning the operations of the department.

A. Legislative Audit

The targeted review of the Department's administration, supervision and regulation of payday lending is ongoing. At this time, there is no scheduled completion date.

B. Lassonde Institute – Center in Innovation in Banking and Financial Services

The first check for \$300,000 has been delivered to the Lassonde Institute. The Executive Advisory Committee has had their first official board meeting. Commissioner Leary was unsure if a representative from the credit union industry has been designated to the Center's Advisory board yet.

C. Upcoming Legislative Session – SB 55 - Paul Allred

The bill will clarify our authority with regard to technology services providers; if they are providing service to one of our institutions, we clearly have the authority to go in and review. We want to make sure that we have documented specific authority to go in and review if we needed to.

The Department has no intention of ever taking action against a vendor. We would always come to the institution in a supervisory action with the expectation being the depository would work with the vendor to correct any issues. We do not anticipate any opposition to this bill.

D. 2009 Law Suit

The Department was challenged in a law suit for closing a bank in 2009. The issues within the law suit ultimately were dismissed, with exception of a few issues that went all the way to the Utah Supreme Court. The suit was pushed back to the district court level. The entity involved has chosen to refile two provisions that were dismissed without prejudice.

E. Market Place Lending

Web Bank, a Utah State chartered Industrial bank, made a loan through a market place lender, to the terrorists involved in the San Bernardino terrorists attack. This event brought media attention to our department asking questions about both market place lending and industrial banks.

8. Other Items

A. Meeting Minutes – Dean Hirabayashi

Dean asked specific questions about including or excluding individual members name in individual credit union board meeting minutes.

There was a discussion about confidentiality, what information is required to be detailed in meeting minutes and how best to address the need to discuss specific members, while still protecting privacy.

Paul Allred suggested the use of a board packet, where board members can be made aware of the confidential detail, removing the need to include specific names in the minutes. Additionally, if a request is made to view minutes, a board may choose to redact sensitive information to maintain the confidentiality of its members.

9. Next Meeting – April 14, 2016 at 1:00 p.m.

10. Meeting Adjourned