

MEETING OF THE BOARD OF BANK ADVISORS

August 22, 2018

11:00 a.m.

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

Minutes

BOARD MEMBERS PRESENT:

Craig White, Jason Price, Roger Shumway, Eric Schmutz and Matt Packard

DEPARTMENT OF FINANCIAL INSTITUTIONS STAFF PRESENT:

Commissioner Edward Leary, Paul Allred, Tom Bay, Darryle Rude, Andrea Staheli, and Emily Stanton

OTHERS PRESENT:

Jon Allen, People's Intermountain Bank; Gary Harding, Prime Alliance Bank; Ray Dardano, Marlin Business Bank; Mark Packard, Central Bank, Kevin Stocking, Grand Valley Bank; John Sorensen, Home Savings Bank

1. Call Meeting to Order – Chairman Roger Shumway

2. Minutes – February 21, 2018

Matt Packard made the motion to approve the minutes, Eric Schmutz seconded the motion. It was unanimous.

3. Introduction of New Department Examiners

Commissioner Leary introduced four of the six newly hired examiners.

4. Symmetry Financial Concern

Jon Allen shared a situation his bank dealt with recently.

Insurance companies are using information available from public record in an attempt to sell insurance to our customers. In some cases they make the envelopes appear to be sent from our bank, so the customer will open it, trusting that the correspondence was sent from us. Even though the fine print on the solicitation letter indicates they are not affiliated with the bank, these sales tactics create confusion for customers and cause for them to think we have shared their information improperly.

Jon referenced Utah Code Section 7-1-701 and Section 7-22-102, a statute that restricts the use of the word “*bank*” being used in business name without written consent of the Department.

Unfortunately, this only addresses the use of their bank’s name in Utah and to Utah consumers. To help ensure this company stops using our name in their solicitation in all of the states we do business in; our bank used the protection of the trademark on our name to require the insurance company to cease.

Jon said his bank contacted the Department about this issue with this particular insurance company. The Department consulted The Utah State Attorney General.

The group discussed similar issues with insurance companies using their banks name in solicitations.

Commissioner Leary asked banks to notify The Department if they experience this issue, saying that we want to keep track of these companies and do what we can to help your institution.

Darryle Rude encouraged banks to post warnings on places their customers visit frequently, in local branches and online banking.

5. Mid-Year Utah Banking Performance Trends – Tom Bay

Tom Bay gave out the Industry Trends Report and reviewed the changes since the last meeting. Overall, the trends are positive. Moving forward Tom will do a thorough review of the trends twice annually.

6. IT Update & Cyber Security Issues – Andrea Staheli

After the retirement of Eva Rees in July, Commissioner Leary selected Andrea Staheli for position of Supervisor of Supervisor of Consumer Credit and Compliance. Commissioner Leary selected Dan Gardiner as the new Supervisor of Holding Companies. Dan will begin his new role at the end of September. Until then, Andrea is covering both positions, including Information Technology and Cyber Security.

Andrea said purpose of this presentation is to encourage you to enhance phishing training in your organization.

Andrea said she has observed local that local phishing attacks in the last few months are increasing in frequency and sophistication. Saying that she has reason to believe phishing in some cases is laying the groundwork for large-scale theft.

Human error is cybersecurity's biggest weakness. Some experts estimate that 95% of all network attacks are result of successful phishing. Bad actors will exploit anyone they can in your organization – they only need one click.

Andrea said we are aware of several local attacks that have occurred in the last few months. She outlined examples of attacks and possible outcomes.

Andrea emphasized everyone needs to understand how phishing works so they can prevent it from happening. It's a challenge to strike a good balance with your training program.

Phishing is a topic frequently discussed; employees can tire of it and not give training their full attention. Some think they need to be technically minded, some won't not pay attention and others can be overwhelmed by the info.

Andrea shared these tips to help with phishing training:

- Phishing emails usually have at least one of the following elements. The more you have, the more likely it is to be phishing:
 - Email makes it seem that urgent action is required
 - Made to look like it is sent from someone important
 - Directs recipient to click on a link or attachment
 - Sometimes encourages them to bypass internal controls
 - Many times, the circumstances around that email are typically different than normal.

- (e.g., fraudulent wire transfer requests)
- Emphasize that employees should ask questions BEFORE clicking.
 - Most effective control: call sender (don't use phone number on the email)
- Consider other ways to make training more engaging and effective.
 - Handout: *"How to Run Effective Phishing Assessment and Training Campaigns Employees Don't Hate"*
 - Review the Commandments on page 2.
- Consider possible next evolution: verification emails
 - It's becoming common practice for legitimate organizations to send two emails out when they are asking a recipient to click, or download an item via email. (One is the main email; the other is to confirm the first is valid.)
 - Bad actors may begin sending "verification" emails in conjunction with the phishing emails (just as easy to spoof two emails as one; increase their response).
 - Most effective control: call sender (don't use phone number on the email)

UDFI is updating email contact lists for cyber threat alerts:

- We have observed that hackers are coordinating attacks to occur when there are fewer people working at institutions, like weekends and holidays.
- We want to make sure our alerts end up in the hands of the correct people in your organization who can evaluate and respond in typical "off" hours.

Andrea asked the group to send contact information for whomever you want to receive the cyber alerts. We suggest that you put at least two people on the list to ensure coverage.

In closing Andrea said banks should evaluate your training for phishing attacks and make enhancements as needed to ensure training occurs frequently and engages everyone in your organization.

Andrea provided a handout with some enhancement considerations.

Handout: *"How to Run Effective Phishing Assessment and Training Campaigns Employees Don't Hate"*

7. Commissioner's Comments – Commissioner Leary

Commissioner Leary said turnover continues to be an issue for the Department. Since January 1st of 2017, 13 of the 40 examiners have left. Six employees left for positions in banks, two left for positions in credit unions, four retirements and one employee leaving for medical reasons. The median age of the Department is 53, and there are currently eight employees eligible to retire. In response, the Department hired six new examiners in June. Once these new examiners have a foundation of training, we plan to begin the hiring process again in early 2019.

Commissioner Leary gave an update on de novo industrial bank charters. The Department continues to host pre-filing meetings with interested parties.

Commissioner Leary talked about meeting new FDIC Chairman, Jelena McWilliams in Sun Valley at the annual Utah Bankers Association Convention.

Commissioner Leary talked about marijuana banking and changes to cannabis laws across the country and in Utah. As we have discussed before, marijuana is still illegal federally under The Controlled Substances Act. Federally insured depositories would risk violating federal law if they choose to do business with marijuana businesses.

Commissioner Leary mentioned cryptocurrency. Federal law does not recognize virtual currency as a form of money; it has been identified as property and a security. The State of Utah and The Department does not have a definition for virtual currency in our legislative code. There will likely be growing pressure within the legislature to address virtual currencies.

8. Date of Next Meeting – November 28, 2018