
THE CHIEF INFORMATION OFFICER

by [Steve Brown](#)

Chief Information Officers (CIOs) often get a bad rap. Maybe it is because some use terms like "domain server," wear pocket protectors or interact better with machines than with people. Top notch CIOs however, could not be further from that stereotype (well most of it anyway). A strong CIO knows they are a partner to business units and technological support is critical to improving long-term bank success.

A good CIO knows their job is to align technology with business needs. They focus on bottom line revenue, controlling risk, new product development and other factors to help the company attain its goals. By working with both internal and external customers to support and build the business, the CIO is critical to any decent banking operation.

A good background in security is also important. For instance, did you know that a 2008 Security Management magazine study found that 22% of all goods and services for sale by cybercriminals are bank account details? That is a major problem, but it points out how critical it is to have a strong CIO with a good handle on security.

For bankers, this time of year is usually budget time. In anticipation of very interesting discussions this time around, we share with you a survey released by Aite Group related to IT. The survey found that 72% of bank CIOs expect their 2010 budget to be flat or slightly lower than this year. That means technologists will have to do more with less and bankers will have to expect project timelines to extend (the less money there is to go around, the slower the rollout of new products, security and other IT-related projects), so patience across the bank will be important. As a result, it also makes critical sense for CIOs to manage expectations, continually provide an update on the top 10 projects in motion and timelines for completion. For bank management, expect to do more with less, so continually challenge the risk/reward tradeoff of any new technology project and prioritize, prioritize, prioritize to achieve the best results.

Banks that really want to move into the top echelon of technology prowess during the budgetary process this year should consider shifting to zero-based budgeting (build each project from the bottom up starting with zero and fully allocate resource costs, etc.) and challenge the expected value of launching or supporting existing projects.

On the service side of the fence, remember that IT supports customers inside and outside the company. To step into the big leagues, CIOs should focus ensuring a same-day rule to get back to all customers, while providing ongoing feedback and insight into problem resolution. Customers don't care whether or not you have the staff to respond, they just want a prompt response, resolution timeline and follow up. Do that and you have set the tone for a strong IT team and a cohesive support platform all customers will come to enjoy.

The best CIOs follow the rules above about issue resolution and budgeting, but they also create synergy among customers and business units. These CIOs focus on understanding product manager needs and providing an efficient solution within a proper risk management framework.

Given stress in the banking industry today, strong CIOs know they need to provide guidance to business units now more than ever, while focusing on creating a long-term vision that is deeply embedded into the overall bank strategic plan.

Technology is ubiquitous in banking and it is only getting more so, as the rate of change rises and client demands continue to increase. It is critical that CIOs continually challenge business units, innovate, manage risk and help the company achieve corporate goals if the bank is to maximize its opportunities.

BANK NEWS

Earnings

Wells Fargo posted a \$3.2B profit for the 3Q despite a \$5.1B loss from defaulted loans. PNC doubled 3Q profit due to Nat City purchase. That said, credit loss provisions doubled and NPAs rose to 3.5% from 1.2% a year ago. 5th3rd Bank posted a wider than expected loss of \$97mm in 3Q due to a 18% drop in interest income and in an increase in charge offs to 3.75% (from 2.2%). Average core deposits were up 6% from a year earlier while loans dropped 5%.

First Republic Sale

BofA has entered a deal to sell First Republic Bank (\$19B, CA) to investors for a rumored \$1.1B. Merrill purchased First Republic back in 2007 for \$1.8B.

Pay Czar Report

Kenneth Feinberg, the White House pay czar, will likely soon issue a report that will dramatically alter the compensation structure for 175 employees at 7 firms receiving the largest sum of TARP funds. On average, salaries will be cut by 50%, more compensation will be shifted to long-term stock and perks will be curtailed.

Happy Clients

A survey by Digital Insight finds 70% of people have confidence in the stability of their bank and 40% want to do business with a local bank that understands their business needs. Meanwhile, 17% of small business owners have boosted their use of online banking in the past 12 months.

Jobs

Unemployment rose in 23 states and D.C. in Sept. with MI holding the highest level at 15.3%. Next in order were NV, RI and CA at 13.3%, 13.0% and 12.2% respectively.

Copyright 2021 PCBB. Information contained herein is based on sources we believe to be reliable, but its accuracy is not guaranteed. Customers should rely on their own outside counsel or accounting firm to address specific circumstances. This document cannot be reproduced or redistributed outside of your institution without the written consent of PCBB.