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## CONTINGENCY PLANNING IN REAL LIFE

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Last Thursday morning, banks using "FedLine Advantage" began to be impacted by issues that included delays in access after logging in, prematurely timing out and slow response times. This system issue (which continued intermittently through Friday, but to a lesser degree) ultimately

impacted hundreds and perhaps even thousands of community banks that use the service throughout the country.

While no one ever expects this sort of thing to occur and it rarely arises, it also serves as real-life stark reminder of the impact such an event can have on your bank and your customers in addition to underscoring the importance of a workable contingency plan.

For those who are not as "up" on FedLine Advantage, this is one of the systems that allows banks to electronically transact credit transfers (such as direct deposit of payrolls and Social Security benefits) and debits of consumer and business accounts (such as payments of mortgages and taxes). In short, it provides internet-based access to wires, the automated clearinghouse and other financial services. Here at Pacific Coast Bankers' Bank (PCBB), we use Fedline Advantage as a backup system.

In addition to Fedline Advantage, the Fed has another system that was designed especially for high volume large national banks and correspondent banks, such as PCBB. As you know, PCBB is owned by community banks, so all of our services have been designed to support your needs and that goes for cash management as well. Our designed structure of redundancy in cash management meant that during this outage period, we never went down and were able to assist hundreds of community banks quickly and efficiently in supporting their own business and consumer clients. Whether banks operated normally through our system (daily users), sent in wire requests by old fashioned processes (such as faxing us instructions) or simply logged into our online system as a backup, we assisted banks so they were only minimally impacted as a result of this issue. In short, having a contingency plan that includes the ability to send wires and conduct other cash management activities through PCBB is not only smart, but also quite easy to accomplish.

Here are the few simple steps your bank can take to set up a contingency cash management platform you can use in the event of another emergency. 1) Open an account with PCBB. 2) Deposit funds in this account to support some or all of your average daily wire activity (recall that \$250k is fully insured and any amount above this can automatically be swept to the Fed EBA account, so safety is maintained at all times). 3) Get trained on the system. 4) Test it periodically to ensure it works as you would expect and your team knows what to do in the event of an issue. The process isn't complex and it does give your bank piece of mind to know you have multiple ways to send customer wires when problems arise.

Business continuity planning is critical for community banks, particularly when it comes to the payments system. Your customers depend on you to be able to move their money seamlessly and easily. They don't care what problems your bank faces, your customers just want their cash management needs satisfied. As such, a backup contingency such as having an account at PCBB you

can use to send wires and establishing a robust BCP program that continually revisits and updates plans is important to avoid issues.

Panic is certainly not necessary, as we are confident the Fed has fixed this issue. However, having a contingency plan that includes other access points (such as PCBB), to get into the Fed to do your business is nothing if not prudent. Contact us and we'll show you how easy it is to get set up with an account and system access. That way, you can move on to other more pressing issues, without having to worry again about what to do the next time something unusual in the cash management area occurs.

## **BANK NEWS**

### **Closed (132 YTD)**

The FDIC shuttered: 1) Security Savings Bank, FSB (\$508mm, KS) with Simmons First National Bank (\$1.5B, AR) assuming all deposits (no premium) and all assets (66% under loss share). 2) WestBridge Bank and Trust Co. (\$92mm, MO) and sold to Midland States Bank (\$1.7B, IL). Midland will acquire all deposits (no premium) and all assets (79% under loss share). 3) Premier Bank (\$1.2B, MO) with Providence Bank (\$150mm, MO) assuming most deposits and about 65% of assets (\$408mm under loss-share) for no premium. For info: <https://biganalytics.bancinvestment.com> .

### **Earnings**

Citigroup released 3Q earnings of \$2.2B, above expectations and its 3rd straight quarterly profit. That said, most of the gain came from an 11% reduction in loan loss allowance, the lowest level since 2Q 2007.

### **Muni Cuts**

A survey from the National League of Cities finds 90% of city officials said their communities are in worse shape than last year and about 79% of cities are laying off personnel.

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