

## SOLAR STORMS

by [Steve Brown](#)

One shocking day in 1859 the sun dazzled the world with the largest geomagnetic solar storm ever recorded by human-kind. The disturbance sent gazillions of electromagnetic particles hurtling through space until they crashed into the magnetic field of the Earth. The results included lots of pretty colors in the night skies, but at initial impact, wires everywhere shot off sparks that shocked telegraph operators on their handsets and set papers on their desks on fire. Now if only the papers on this desk would self-immolate.

Solar storms of this size are without question a rare occurrence and trying to predict the next one is tricky. What experts do know is that when there are more sun spots, there is generally more solar activity of the explosive kind. You might be interested to know that in a few months, the sun is set to reach the crest of its 11Y sun spot cycle. It might be time to consider adding a solar storm contingency to your bank's disaster recovery plan. Then again, the sun's next hiccup may send its electrons and protons flying towards Jupiter instead of towards the Earth.

It does give one pause to think how the networked modern world and our dependence on telecommunications and the internet would be affected by a major solar storm. Disaster recovery/business continuity plans (BCP) are required for banks of course, but is anyone building this into the mix? We would venture to say probably not, because banks need only have a process in place to address reasonably foreseeable threat scenarios. Banks in hurricane areas may not have had a plan for massive hurricane storm surge that comes at high tide with a full moon, but perhaps given Hurricane Sandy many are considering it now. The BCP needs to address both likely and unlikely events, but you can't cover them all, so what can be done? Don't plan simply to recover, but focus on operating in a manner where customers hopefully are not aware there is even a problem. A good plan should try to accomplish resiliency and efficiency in the event of an adverse occurrence.

In simpler times, disaster recovery was considered the domain of tech people locked away in some dark room. Back then, while there would have been some knowledge of the plan's existence and implementation throughout the bank, most aspects were left to IT to solve. Beyond solar storms, a number of factors have moved BCP to a much broader application. Some very big natural disasters have caught everyone's attention and lessons have been learned that can now be applied. Another important factor is driven by bank reliance on third party vendors for numerous aspects of the bank's operations. Coordination of your banks BCP to be compatible with your vendors' is very important. One source reports that only 37% of top businesses say they have an integrated business resilience strategy. BCP needs to address operational risks and business disruptions from both internal and external sources to be truly effective. A good BCP should accurately gauge and address bank vulnerabilities, in order to foresee risks that may arise from those weaknesses.

Finally, comprehensive testing and an annual review of the plan are needed. These can bring to light areas of the plan that don't integrate well and help your bank identify aspects of operations or infrastructure that might need more focus.

You don't have to wait for a solar storm to think about the impact a strong one could have on your operations. Good planning takes such events into account as much as possible and scenario testing

can help surface areas that need work.

## **BANK NEWS**

### **Regulation**

Did you know the BSA/AML Examination Manual published by the Federal Financial Institutions Examination Council is more than 400 pages long.

### **Customers**

The ABA indicates usually no more than 7% to 8% of consumers switch banks in a given year.

### **Busted**

The former CEO of Peoples Bank of the South (\$79mm, MS) has pled guilty to bank fraud and money laundering and now faces up to 30Ys in prison. He reportedly stole money from payroll accounts and transferred it to family members and a shell account.

### **Prepaid Cards**

Aite Group reports 43% of prepaid debit card users are Gen Y, 34% of people that use prepaid cards have a college degree or higher and 33% of prepaid debit card users earn more than \$45,000 per year.

### **Advice**

Research by Cerulli Associates finds 60% of investors have no idea how much their advisors are paid or think the advice is free. Bankers have similar issues with customers when it comes to understanding how much industry services cost.

### **Small Biz**

The SBA reports about 50% of all new business ventures fail during their first 5Ys of operation. This is a key reason bank loan officers look for longevity of operation.

### **Getting Better**

The latest Household Economic Stress Index by PNC finds people had less stress on their budgets in Q1 vs. Q4 (the 5th straight quarterly improvement). PNC said the positive lift was provided mostly by house price appreciation.

### **Businesses**

A new survey by Ernst & Young of large companies in 50 countries finds 51% of executives think the global economy is improving, but only 29% said it was enough to interest them in making an acquisition this year.

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