Dangerous Behavior

by Steve Brown

The New England Journal of Medicine just released a study on distractions while driving and which activities were most likely to cause a crash. The study looked at both novice and experienced drivers and found that the use of electronic devices topped the list for everyone.

Anyone who has observed a person walking down the street while texting knows there is a strong possibility that person will walk into a wall or into the street without regard for traffic. Therefore it's no surprise that playing with your phone while driving increases the likelihood of an accident. In fact, more teenagers now die from texting and driving than from drinking and driving.

As for the test, the top accident causing activity for both groups above turned out to be dialing on the phone. Also high on both lists was reaching for the phone or another object. Lower on the list, the top distracting tasks differed between the groups. For experienced drivers, eating was the activity most likely to cause a crash, although for novice drivers, looking at a roadside object was surprisingly dangerous.

Every banker spends the day assessing which activities are the most likely to cause an accident or increase risk, the level of the risk and the how serious the outcome can be. In 2013, banks spent a great deal of effort on risk management. Regulatory compliance costs increased concerning consumer protection and other laws. Basel III is now going to require more and better capital in many banks, plus the ongoing measurement and management around those requirements. Cyber security tops the list of concerns as well these days, with recent notable data breaches at Target and SnapChat. Finally, enterprise risk management has become a far more advanced process than the good old fashioned Annual Risk Assessment that was stuffed into the file cabinet once board approved.

While these issues are important and rightfully occupy internal meetings regarding risk management and disaster recovery, don't forget about your good name. Consider that your reputation in your business footprint is the primary driver of your business. Reputational risks can arise not just in the bank but from failures by vendors and third party providers. This is especially true if the service provided involves customer interaction and the vendor fails to deliver to the level of expectations.

Something to consider is that it is unlikely that there is any service that you provide that can't be found elsewhere and perhaps cheaper. Therefore your bank has to be better. Your bank has to provide better service and be easier to do business with than competitors. Front line customer service staff is of paramount importance, but don't forget to pay attention to other avenues of customer interface as well.

If you are in the bank every day, you probably go to the teller line to do your personal banking business. That means you have to work harder because your experience isn't like your customer's experience. Don't forget to test other services your customers use by trying to do a mobile deposit and see if it asks you to re-take the photograph of the back of the check 5x before accepting the deposit. Customers have little tolerance for poor performing technology in our hyper-connected world, so what seems like a minor inconvenience can quickly add up to a level of dissatisfaction that puts customers at risk.

BANK NEWS

M&A

Yadkin Bank ($1.8B, NC) will merge with Vantagesouth Bank ($2.1B, NC) in a merger of equals valued at $299mm. The action creates the largest community bank headquartered in NC and upon closing; the name of the holding company will be Yadkin Financial Corporation.

Consolidation

National Penn Bank ($8.4B, PA) said it will close 9 branches, lay off staff, consolidate facilities and take a $6mm restructuring charge as it seeks to reduce expenses.

Consolidation

Fulton Financial ($17.1B, PA) said it will close 14 branches (about 5%), lay off staff, modify/eliminate some minor employee benefits and reduce the number of regional presidents by 37% (to 10).

OREO Change

The IRS issued guidance effective Jan 24 that will allow banks to change the accounting method on foreclosed properties from capitalizing to expensing costs incurred.

Payday Crackdown

The DOJ is reportedly preparing to take civil and criminal actions against multiple banks that do business with payday lenders, payment processors and certain internet merchants doing high rate short term lending. The DOJ is working actively with other regulators to push these companies out of the banking system under a new program dubbed "Operation Choke Point."

Weed Banking

AG Eric Holder said regulators will soon issue guidance allowing banks in states where marijuana sales are legal (CO, WA) to do business with such entities. We will let you know when this comes out as it is interesting when you think about AML issues and potentially other businesses in other states that might be then allowed.

Branch Closures

SNL Financial reports banks collectively reduced the U.S. branch total by 1,487 locations in 2013.

Divestiture

Wells Fargo Insurance will sell 42 of its smaller regional brokerage locations and transfer about 750 employees to USI Insurance Services for an undisclosed sum (equals about 43% of total Wells Fargo Insurance locations).

Cyber Risk

The FBI is warning retailers to expect further cyber point of sale attacks.