

Merits Of Preparedness

by [Steve Brown](#)

On February 8, 1910, the Boy Scouts of America (BSA) was incorporated, paving the way for multiple generations of boys to participate in camping, sports, outdoor programs, leadership training and more. Recent controversies regarding membership policies notwithstanding, the youth organization provides a program designed to build character, encourage responsible citizenship and develop personal fitness. To further foster its mission, the BSA created a new theme a few years back called Prepared. For Life(TM). The program is designed to convey in the organization's own words "the confidence, dedication, and passion each Scout discovers to lead a successful life."

We bring this up because there's a lot of merit in the real world to being prepared. The importance of a good education, for instance, shouldn't be understated. A solid elementary school education prepares children for junior high and high school and then for higher learning and ultimately the work force. In the banking world, the importance of being prepared also shouldn't be minimized, particularly when it comes to cybersecurity.

Despite multiple years of trying to combat fraud and tens of billions of dollars spent annually, the global economy is still not adequately shielded against cyber-threats, according to recent research from The World Economic Forum and McKinsey & Co. Even as major technology trends like massive analytics, cloud computing and big data are poised to create between \$9.6T and \$21.6T in value for the global economy, there's a strong risk that increasingly destructive attacks by cyber-criminals could curb the pace of technology and business innovation, with a cumulative impact of about \$3T, the report says.

There are so many ways cyber-thieves are threatening the financial system these days. These run the gamut from ATM skimming, denial-of-service attacks, account takeover fraud, mobile malware, pharming, phishing, call center schemes, or some other type of data security breach yet to be unleashed.

Protection against cyber-fraud is made all the harder by the fact that there are so many channels where it can be perpetrated. That's why it's so important to understand where you are spending money and how. As we've said before, banks need to understand where their biggest risks lie and go about addressing them in a calculated and financially prudent way.

Banks also need to address issues of cyber-security from the top down, since improving security requires collaboration at many different levels within the organization. There can be privacy concerns, compliance concerns and vendor issues, for instance, so a holistic strategy is critical.

When it comes to security, banks are only as strong as their weakest link and unfortunately there are a lot of weak links. Take the latest data breach at Target, for instance, where more than 100mm Target customers' credit cards and personal information was stolen. Even though blame is focusing on a company outside the banking industry, banks are nonetheless being saddled with the cleanup costs. According to the Consumer Bankers Association, its members have already spent more than \$172mm through early February to reissue more than 17.2mm debit and credit cards.

We can never completely plan for the unexpected, but given the times we live in, we have to be prepared for the just-in-case and budget accordingly. Unlike in scouting, there are no merit badges for top performance, but there's much to be gained by having a sound approach to cybersecurity so be prepared.

BANK NEWS

M&A

The First (\$940mm, MS) will acquire Bay Bank (\$79mm, AL) for about \$6.6mm

Consolidation

The parent company of Simmons First National Bank (\$3.2B, AR) and 6 other banks said it will consolidate all banks under one charter in an effort to improve efficiencies.

Competition

Bank of America is now offering a checking account called "Safe Balance" that will not allow overdrafts. The bank charges \$4.95 monthly for the service.

Bank Stocks

CNBC reports a banking analyst at Guggenheim Partners expects bank stocks could rise 15% in the next 3Ys to 5Ys. The analyst pointed to increased economic growth and the expectation for rising interest rates as key drivers.

Online Banking

Pew Research reports 51% of all U.S. adults now bank online vs. 47% in 2010.

Net Worth

The Fed reported a jump in the stock market and in home values helped push household net worth in the U.S. to an all-time high of \$80.7T (+14% vs. 2013).

Biz Lending

The AICPA Economic Outlook Survey finds 49% of CEOs, CFOs and accountants at U.S. companies are feeling optimistic or very optimistic about the economy vs. 38% last quarter and 59% said they were optimistic about the prospects for their own companies.

Checks

A study by GoBankingRates finds only 26% of respondents write several checks each month vs. 38% who said they never write checks anymore. That makes sense when you consider only 10% of all U.S. payments are still done using paper checks.

Big Data Holes

Research by the National Consumer Law Center finds consumer data collected and distributed by so-called big data companies is filled with errors. For a given sample group, as much as 87% of reports contained inaccuracies. This is a problem because banks often purchase such information to augment lending decision processes.

Older Workers

CNN reports 33% of people 65Ys to 69Ys old are in the workforce vs. 22% in 1990.

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