



## Outside The Box

by [Steve Brown](#)

A Gallup poll on telecommuting produced some interesting thoughts. Given all the talk as of late around various companies ending this practice to drive more productivity, we took a close look at the poll. It found that 37% of US workers said they have telecommuted, while 63% have not. Of those who have done so, the number of workdays the group said they typically telecommute is 1 to 2 days (23%), 3 to 5 days (22%), 6 to 10 days (6%) and more than 10 days (24%). Further, 46% of those who telecommute said they did so after regular business hours, while 45% did so during regular business hours (the rest were unsure or chose not to say). The data is interesting, but it also seems the specific job you do heavily impacts this so more modeling is required to find out exactly what you may want to do at your bank.

Speaking of modeling, research and advisory firm Celent is celebrating 10Ys in choosing the top Model Banks in technology. The Celent awards are intended to highlight innovative strategies and technological best practices. The focus of the awards is on the creative ways banks use technology to solve problems and help their customers.

This year, two smaller banks were among those recognized, which we chose to highlight for community bankers. Interestingly, a small bank in Poland was one of those selected, based on the creation of a digital platform that provides a comprehensive set of business solutions (including accounting, invoicing, banking transactions and storage of business data in the cloud for its client businesses). Small businesses that choose this bank get access to technology that can help them manage and track their finances through a single platform within the bank. Ultimately, it can help them maintain better control of their finances and cash flow, and accordingly help their businesses succeed. Besides meeting the needs of its customers, the bank gains the advantage of binding their customers more closely to the bank.

Creating a software solution like that requires a high level of technological sophistication that not all community banks have or need. Here in the US, it also ramps up regulatory scrutiny to a much higher degree. The question is whether this overseas bank's actions can be leveraged by a US community bank to gain an edge in the competition for small business clients.

Maybe that is what a community bank in MA was thinking when they made digital banking a focus and also won the award. This community bank was finding the needs of its customers were changing. So, instead of building its own technology to serve clients, this bank chose to partner with fintech companies, seeking out the most innovative solutions to create a robust suite of digital solutions. Celent was impressed by this bank because it managed to adhere to its community banking principles while still going high-tech in its offerings. There is a bunch of risk here as the fintech landscape is still choppy, but as things settle down in coming years, it should be easier to assess which companies are viable and can help your bank. Of course, as any third-party agreement, due diligence is certainly in order.

While the Polish community bank felt it needed to develop its own platform to be most effective in serving the needs of its customers, the MA bank decided that technological change was moving so quickly that partnering with outside service providers would be a better way to deliver up-to-date digital services.

As you consider both approaches and decide which of the two might make sense, we wish you the very best of luck on this journey. You may not be ready today and you don't have to send teams home to figure it all out. But, with digital banking customers increasing to 60% of the population this year, it may be worthwhile at least think about this a bit more.

# BANK NEWS

## **OCC Comptroller**

President Trump has nominated the former CEO of OneWest Bank, Joseph Otting, to serve as comptroller of the currency.

## **Court Ruling**

The Supreme Court has ruled that the Securities and Exchange Commission's disgorgement regulatory actions are subject to a 5Y statute of limitations.

## **New Members**

A CNBC article indicates President Trump will likely nominate Randal Quarles and Marvin Goodfriend to fill two of the three vacancies at the Fed. The two are reportedly solidly conservative, have extensive backgrounds in the financial services industry and are likely to hasten the push to ease regulation on community and regional banks.

## **More Focus**

Fed research indicates areas drawing heightened supervisory attention include: cyber threats; BSA/AML compliance; consumer compliance; lengthening asset maturities; loan growth quality; CRE concentrations; nonmaturity deposit risk management; balancing overhead expense pressures with risk management requirements; and financial technology opportunities and threats.

## **Cyber Cost**

Research by Marsh & McLennan on cyber risks projects the cost of data breaches will reach \$2.1T globally by 2019, or about 400% higher than 2015.

## **Reserves Difference**

FDIC data finds the average allowance for loan and lease losses (ALLL) for banks with assets <\$1B is about 1.37% vs. only 1.18% for banks with assets \$1B to \$10B - about a 15% difference.

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