

## Surveying the Core Processing Landscape

*Banking industry keeps an eye on the horizon amidst change*

By Amber Seitz

Banks have needed data processing systems since their inception, initially utilizing hand-written ledger systems to record transactions and customer data. Over the past 70 or so years, however, the digitization of data has created an incredible change within the core processing landscape. Today, the vast

majority of banks partner with a third-party vendor for their core processing needs, and that relationship is the foundation for much of how the bank operates.

After 50 years of relative stability, the core processing landscape is shifting again, forced by dramatic changes in consumer expectations which,

in turn, are driven by largely ex-industry influences (Amazon, Google, etc.). The pace of change has also accelerated sharply. A system built 10 (or even five) years ago is nearing obsolescence today. In order to continue serving their customers well, bank leadership must continually survey the core landscape

for new opportunities and challenges.

### » Dominating the Landscape

A handful of core providers dominate today's landscape. This small group of vendors—CSI, Finastra, FIS, Fiserv, Jack Henry, and UFS—hold well over 80% of market share nationwide.

(continued on p. 18)

## Finding the Win-Win in Vendor Relationships

By Amber Seitz

*"No man is an island."*

— Businesses cannot succeed in serving their customers without the support and services of other businesses that specialize in certain areas, and banks are no exception. Without the services of third-party providers, it would be impossible for banks to provide their customers with the technology, products, and services



*Essential considerations when negotiating third-party contracts*

each bank must determine whether to go it alone or work with a partner, in addition to several other critical decisions.

they demand. Ultimately, a bank's relationship with its vendors is nearly as important as its relationship with its customers.

That's why, when it comes to contract negotiations, a growing percentage of banks are choosing to engage the services of an outside consultant or attorney (or both) to assist them. When renewal season arrives,

### » Factors to Consider First

When approaching a contract negotiation, bank leaders should consider three main factors before crafting their action plan: the importance of the vendor's services, how the contract fits with the institution's overall strategic plan, and timing.

(continued on p. 23)

# Advance Our Industry by Growing Your People

By Mark Meloy

One of WBA's primary goals for this year is to continue developing the young leaders of our industry. By equipping them with the tools and training they need to be successful, we help set up the entire banking industry for success. To that end, WBA has devoted time and resources to several ongoing programs.

One of the most well-known is **BOLT** (Building Our Leaders of Tomorrow), and it has been a great program for this effort. Those future leaders will be the difference-makers as our banks and our industry evolve. We must remain open to new ideas and different ways of doing business as we develop the next generation of bankers.

Another program that helps to develop the talent pool of bankers is the **BankWork\$** program in Milwaukee. WBA invested in the inaugural class and we're now seeing



## Message from the Chair

Mark Meloy

the benefits. The Milwaukee program is the fastest growing of the 11 cities in which BankWork\$ hosts courses, expanding from eight graduates in the first cohort to 22 participating students in the second, which ran July 2 – Aug. 28. In addition, the Wisconsin Performance Advisory Committee's Credential Workgroup has issued a formal determination that the BankWork\$ certificate meets the standards of a WIOA credential. The credential is considered an Occupational Skills Certificate, which now allows those collecting unemployment to use this

training as a waiver for job search. This credential validates BankWork\$ in Wisconsin as an effective workforce development program.

Finally, the association has developed a new education program to empower our industry's current and future leaders to take charge of their careers despite the challenges they face. Designed specifically for bankers with diverse backgrounds, experiences, and roles within their institution, the **WBA Diversity in Banking Conference: Empowering Your Career** will be held Oct. 10 in Madison. It's also part of a larger effort to increase visibility and networking opportunities for Wisconsin's diverse community of bankers. Watch this column and WBA's other publications for more information.

Our industry is tested every day as the pace of change—both within and outside of financial services—continues

## WBA Member Banks Supporting BankWork\$

- » Associated Bank, Green Bay
- » The Equitable Bank, Wauwatosa
- » First Bank Financial Centre, Oconomowoc
- » First Federal Bank of Wisconsin, Waukesha
- » North Shore Bank, Brookfield
- » Park Bank, Milwaukee
- » Spring Bank, Brookfield
- » WaterStone Bank, Wauwatosa
- » Wells Fargo Bank, N.A.
- » Wisconsin Bankers Association, Madison

to accelerate. I'm confident the association's efforts to develop tomorrow's leaders, combined with the ongoing efforts I know many of WBA's member banks are already engaged in, will help us rise to meet those challenges.

*Meloy is CEO of First Business Bank, Madison and the 2019-2020 WBA Chair.*

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# WBA Preps for Fall Season

*Several upcoming bills beneficial to the banking industry*

By Jon Turke

After the budget there is an extended break between floor sessions for the full legislature. That does not mean work isn't being done. Committees and Speaker's Task Forces are meeting weekly to get bills ready for the fall. Currently, the legislature is slated to meet to vote on bills the second week of October. WBA is working on several bills that will benefit the banking industry.

## Elder Abuse

WBA has worked with the Department of Justice and other stakeholders over the last several years to combat elder financial abuse. Senator **Pat Testin** (R-Stevens Point) has authored a bill endorsed by WBA that would allow banks to freeze potential transactions that might be fraudulent for five days while they work



## Advocacy Update

Jon Turke

with the customer to determine the true intent.

## Trust Code Update

The WBA Trust Section has been working on an update to the trust code since passing a complete overhaul of the statutes in 2013. This bill will be authored by Representative **Cindi Duchow** (R-Delafield), Chair of the Assembly Financial Institutions Committee. The legislation simply provides technical updates to the trust code after seeing the need for improvements once the 2013 statutes were used in practice.

## Industrial Hemp Trailer Bill

The Growing Opportunities Act (AB206/SB188) was introduced by Representative

**Tony Kurtz** (R-Wonewoc) and Senator Testin earlier this year. The act works to create a framework that the Wisconsin Department of Agriculture, Trade, and Consumer Protection (DATCP) can utilize to develop a plan to submit to the USDA so that Wisconsin can maintain control over our hemp program as it transitions from pilot to permanent. The bill aligns Wisconsin with federal law by removing hemp from Wisconsin's Controlled Substances list and updates the definition of hemp to conform to the federal definition, which still stipulates that hemp contain 0.3% THC concentration or less (a non-psychoactive level).

## Banking Statutes Update

Like last session, WBA's Government Relations Committee developed several policy changes—technical in nature—to improve banking practices. These include providing a reasonable time

for a bank to respond to a garnishment order, reducing the amount of time a bank may reissue a cashier's check, and parity in the ways the Federal Home Loan Bank works with state chartered banks, among others. This bill will be authored by Representative **Terry Katsma** (R-Oostburg) and Senator **Howard Marklein** (R-Spring Green).

After October, the Senate and Assembly will meet for a week in November, January, and possibly February before gaveling out for the rest of 2020. At that point campaign season will officially start; the full assembly and half of the senate will be on the ballot in November 2020. After March, only the governor calling the legislature into special session or the legislature calling itself into extraordinary session would have them back on the floor. While this did happen in 2018, it is extremely rare.

*Turke is WBA director – government relations.*

# Getting Results Amidst Washington Dysfunction

By Bryan Steil

If you turn on the cable news or scroll through social media, you will hear and read about the dysfunction in Washington.



My first day in office was during a partial government shutdown, so I understand this frustration. While the shutdown may have ended, the dysfunction certainly hasn't. Just this summer, instead of tackling our 22 trillion-dollar debt, Congress passed hundreds of billions in federal spending increases.

Faced with these challenges, some choose to throw up their

hands and walk away from our problems. That is not my approach. I have chosen to try to cut through the usual Washington dysfunction and begin addressing some very real issues facing our part of the country.

In my first eight months in office, I've found that there are areas where we can find common ground to achieve our goals. Since coming to Washington, I have focused on getting things done with my colleagues across the aisle, rather than scoring political points. By taking a principled and pragmatic approach, we can accomplish results for families and workers in Wisconsin.

I serve on the House Financial Services Committee. Our Committee focuses on a range of issues from increasing access to capital for small businesses and entrepreneurs to addressing misguided bank regulations. We have been working in a nonpartisan way to reform and reauthorize the National Flood Insurance Program, reauthorize the Terrorism Risk Insurance Act, and strengthen our efforts to stop money laundering. We also passed the SAFE Banking Act, which ensures regulators cannot penalize a financial institution for serving a business legally operating

in their state. Financial institutions should not be caught in the middle when state and federal laws conflict.

I was also appointed to the Task Force on Financial Technology. This bipartisan group looks at how technology is changing the financial services industry. Financial technology, or fintech, has the potential to revolutionize the payments, banking, and investment industries.

Earlier this year, I worked across the aisle to pass legislation that will expand investment and job creation in Wisconsin small businesses. Along with

*(continued on p. 7)*

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# Prior Flood Determinations

*When you can rely on them, and when you can't*

**Is it possible to rely upon a previous flood determination?**

**Answer:** Yes.

WBA has received numerous calls regarding the new private flood insurance rules. This has also triggered questions related to other components of the flood rules. One common topic is that of prior flood determinations. It is possible to rely on a previous determination for a refinancing or assumption of a loan to the same borrower secured by the same property under certain circumstances.

On July 1, 2009 the prudential federal regulators joined to issue guidance on loans in areas having special flood hazards, including a question and answer. This Q&A was published in the *Federal Register* Vol. 74, No. 138. Within that publication, Q&A 68 provides that banks may rely on the previous determination only if the original determination was made not more than seven years before the date of the transaction, the basis for the determination was set forth on the Standard Flood Hazard Determination Form, and there were no map revisions or updates affecting the security property since the original



## Compliance Q&A

Scott Birrenkott

### Additional Guidance:

- See page 6 of the FDIC handbook: [www.fdic.gov/regulations/compliance/manual/5/v-6.1.pdf](http://www.fdic.gov/regulations/compliance/manual/5/v-6.1.pdf).
- Or the July 1, 2009 Q&A: [www.fema.gov/media-library-data/20130726-1742-25045-4927/interagency\\_q\\_a.pdf](http://www.fema.gov/media-library-data/20130726-1742-25045-4927/interagency_q_a.pdf).

determination was made.

Specifically:

“Reliance on previous determination: Any person increasing, extending, renewing, or purchasing a loan secured by improved real estate or a mobile home may rely on a previous determination of whether the building or mobile home is located in an area having special flood hazards (and shall not be liable for any error in such previous determination), if the previous determination was made not more than 7 years before the date of the transaction and the basis for the previous

Visit [www.wisbank.com](http://www.wisbank.com) to learn more about this topic and other compliance-related issues.

determination has been set forth on a form under this section, unless—

- (1) map revisions or updates pursuant to section 4101(f) of this title after such previous determination have resulted in the building or mobile home being located in an area having special flood hazards; or
- (2) the person contacts the Administrator to determine when the most recent map revisions or updates affecting such property occurred and such revisions and updates have occurred after such previous determination.”

One common question associated with the Q&A is how map revisions or updates affect the potential for usage. Generally speaking, a bank may not rely on a prior determination if FEMA’s map revisions or updates show that the security property has been remapped into an SFHA.

For additional guidance consider page 6 of the FDIC handbook: [www.fdic.gov/regulations/compliance/manual/5/v-6.1.pdf](http://www.fdic.gov/regulations/compliance/manual/5/v-6.1.pdf).

## Legal Hotline:

The WBA Legal Department does more than address legal concerns for the association; it provides tangible assistance to member banks via its free legal call program. The association’s team of attorneys work to relieve some of the industry’s compliance pressure as a timely resource for a wide variety of legal inquiries.

Submit your legal inquiry via email ([wbalegal@wisbank.com](mailto:wbalegal@wisbank.com)) or by calling the legal hotline at 608-441-1200.

And the July 1, 2009 Q&A: [www.fema.gov/media-library-data/20130726-1742-25045-4927/interagency\\_q\\_a.pdf](http://www.fema.gov/media-library-data/20130726-1742-25045-4927/interagency_q_a.pdf).

Birrenkott is WBA assistant director – legal. For legal questions, please email [wbalegal@wisbank.com](mailto:wbalegal@wisbank.com).

*Note: The above information is not intended to provide legal advice; rather, it is intended to provide general information about banking issues. Consult your institution’s attorney for specific legal advice or assistance.*

## Washington Dysfunction

*(continued from p. 4)*

my Democratic colleague from Texas, Rep. **Vicente Gonzalez**, I introduced the Expanding Investment in Small Businesses Act. This bill requires regulators to examine whether existing mutual fund rules make it harder for small businesses to gain access to capital and invest in communities. The House passed the Expanding

Investment in Small Businesses Act by a vote of 417-2. You wouldn’t have seen this headline leading the nightly news, but it is just one example of collaboration from both sides of the aisle.

This is a small win that supports our economy and builds the bipartisan trust that we will need in order to tackle the big challenges

our country faces. In order to do my job effectively, it is important for me to meet with workers, entrepreneurs, and families in Southeast Wisconsin to get their input. Partnering with organizations like the Wisconsin Bankers Association allows me to see how federal policy impacts financial institutions in our community.

I look forward to continuing to work with all of you as Congress addresses ways to grow our economy, fix federal regulations, and create good paying jobs in Wisconsin.

*Steil (R-WI) currently serves as the U.S. Representative for Wisconsin’s 1st congressional district.*

*Fourteenth Annual*

# WBA CHAIRMAN'S MEMBER APPRECIATION Golf Outing

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On August 15, over 150 bankers from 81 banks joined WBA staff and event sponsors on the links at Trappers Turn Golf Club in Wisconsin Dells for the annual WBA Chairman's Member Appreciation Golf Outing. Thank you to all the bankers who participated!

A special thanks to speaker **Mark Tauscher**, former Wisconsin Badger and Green Bay Packer, for "kicking off" the event with engaging stories of his life living the Wisconsin dream: growing up as a football fan in the Dairy State and going on to play for both the Badgers and the Packers.

Also, thank you to the 35 event sponsors (*listed below*) who made this event possible. View event sponsors and more photos at [www.wisbank.com/golf2019](http://www.wisbank.com/golf2019).

Pictured (*left to right*) are: WBA 2019-2020 Chair **Mark Meloy**, Tauscher, **Jake Stark** from American Deposit Management Co. (*speaker sponsor*), and WBA President/CEO **Rose Oswald Poels**.



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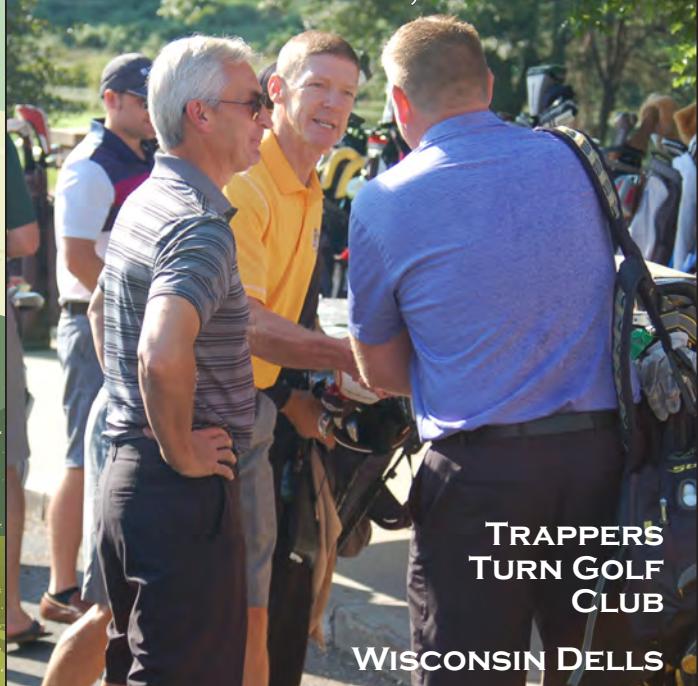
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\* S&P Global Market Intelligence report

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# Fed Faster Payments: ICBA Takes Victory Lap, ABA Calls for Interoperability and Liquidity Tool

By Mike Semmann

The Federal Reserve Board announced that the Federal Reserve Banks will develop a new round-the-clock real-time payment and settlement service, called the FedNow™ Service, to support faster payments in the United States.

According to the Federal Reserve, faster payment services, which enable the near-instantaneous transfer of funds day and night, weekend and weekdays, has “the potential to become widely used and to yield economic benefits for individuals and businesses by providing them with more flexibility to manage their money and make time-sensitive payments.” However, the decision was met with differing views from national banking organizations.

ICBA, after “years of advocacy,” applauded the



Semmann

Fed on the announcement, claiming victory for Main Street. The system will “ensure universal

access to real-time payments, avoid a megabank monopoly, and encourage innovation that will benefit consumers nationwide,” ICBA stated. ICBA also issued an interactive timeline showing its years-long advocacy on the issue.

ABA’s *Banking Journal* reported that the Fed said that while interoperability with other real-time payments networks—namely the Clearing House’s RTP network—would be “a desirable outcome, it did not commit in its notice to make FedNow interoperable with other networks,” which is

a capability that ABA has said would be critical to the success of real-time payments in the U.S. “We believe any Fed system must be fully interoperable with the RTP network, remain accessible only to chartered financial institutions, and be available through all core processing companies and without volume discounts that disadvantage smaller banks,” ABA President/CEO **Rob Nichols** commented.

Another major player in this debate, The Clearing House, operator of RTP® network, a real-time payment system that modernizes core payments capabilities for all U.S. financial institutions, focused on its current capabilities and services in its reaction statement: “We are already seeing how these real-time capabilities are providing for tremendous advances

» [Read the press release at www.federalreserve.gov/newsevents/pressreleases/other20190805a.htm.](http://www.federalreserve.gov/newsevents/pressreleases/other20190805a.htm)

in speed, convenience, and security in how Americans receive and send funds. We are excited about the many ways that this revolution in payments will continue to deliver new benefits to depository institutions and their customers. While we will stay abreast of the Fed’s efforts to develop its own real-time payments system which may become available in 2023 or 2024, our focus will remain on ensuring that the RTP network has reach to all depository institutions.”

*Semmann is WBA executive vice president and chief operations officer.*

## Town Bank Vice President Appointed as WHEDA’s Executive Director-Designee

Governor Tony Evers appointed Joaquin Altoro as WHEDA Executive Director-Designee effective June 3, 2019. Altoro has an extensive, 27-year banking career in both residential and commercial lending. Most recently, he served as Town Bank’s vice president of commercial banking. At Town Bank, he successfully utilized federal housing tax credits to advance affordable housing options in Southeastern Wisconsin.

Throughout his career, Altoro has served on numerous boards and advisory committees to help rural and urban populations meet their unique economic development needs. While a board member for Forward Community



Joaquin Altoro



» [View the full WHEDA board at www.wheda.com/board-members.](http://www.wheda.com/board-members)

Investments (FCI), he advised on the CDFI’s loan fund investments in education, health, housing, and entrepreneurship to help build strong communities throughout the state. Furthermore, he served on FCI’s New Markets Tax Credit committee to bring additional investment resources to the state of Wisconsin.

As a former City Plan Commissioner for the City of Milwaukee, Altoro understands Milwaukee’s

dynamic community and is well-acquainted with diverse neighborhoods in order to serve their socio-economic and affordable housing needs. As WHEDA’s executive director, Altoro will utilize his multi-faceted community banking expertise, successful track record of establishing public-private partnerships, and unique approach on advising community development projects to advance WHEDA’s mission throughout Wisconsin.

“We will strive to become a leader at well informed data and research that leads us to partner and collaborate effectively,” said Altoro. “We plan to build the capacity of WHEDA to serve more of the needs of rural and urban communities. We will bring further innovation into our organization so that we may have a deeper impact.”

The Wisconsin State Senate Committee on Utilities and Housing held a hearing on Aug. 13 to consider Altoro and four other individuals to fill out open position terms on the WHEDA board. Included for consideration is current WHEDA Chair **Ivan Gamboa**, senior vice president at Tri-City National Bank, Oak Creek.

## ***WBA Diversity in Banking Conference: Empowering Your Career***

### ***October 10 • Madison***

Everyone's leadership journey starts from a different place, and every leader faces different challenges along the path. The one thing all leaders share is the need for guidance from mentors and peers. Wisconsin's banking leaders, both current and up-and-coming, have a brand-new opportunity to access that guidance: the upcoming WBA Diversity in Banking Conference: Empowering Your Career on Oct. 10 at the Crowne Plaza Madison.



Attendees will also receive a copy of Marci Malzahn's latest book,

*Bring Your Shoes – A Fresh Perspective for Leaders with Big Shoes to Fill.*

Designed for WBA member bankers with diverse backgrounds, experiences, and roles, the event features a full day of keynotes, workshops, and networking opportunities to empower attendees to take charge of their career growth.

The first announced speaker is morning keynote presenter



**Marci Malzahn**, president and founder of Malzahn Strategic. Her session, *Bring Your Shoes*,

will encourage first-time leaders and veteran managers alike to stay true to themselves while stepping into bigger and bigger roles. "When you get a promotion, you always hear people say 'you have big shoes to fill,'" Malzahn said. "We need to stop telling people that." Her session will equip attendees with tools to help them accomplish the three keys of leadership: discover and maximize your talents; discover and maximize the talents of those you lead; and maximize the team's talents.

"The main point is to remember that you are in charge of your own career," Malzahn said. "You have to bring your whole self to the

job. Bring *your* shoes—your unique abilities and talents and personality." At the same time, she pointed out, no one can do it alone. Surrounding yourself with the right people and forming the right team is essential to success. That's why the session will explore practical tips and tools for managing your team, from developing their talents to creating trust. "Get to know your employees beyond what they produce," Malzahn advised. "Get to know them as people. This creates trust and loyalty."

In the afternoon, attendees will learn why it's important to own and manage their career—and walk away with tactics and tools to do so—in a workshop led by diversity and inclusion consultant **James Gray**. "While there is a role for one's manager and the organization, each of us has the responsibility to manage our own career," he said. The first step in doing so is to clarify your career vision and align it with your career-related values. Gray will lead an exercise during the workshop to help attendees identify these key

pieces of the puzzle. The second step in managing one's career is understanding your own strengths and weaknesses. "We tend to focus more on our weaknesses than the things we're good at," said Gray. "During this session, I'll help people to understand where their talents are and how those translate into strengths." He'll also explore the differences between a talent and a strength.

The final workshop exercise will guide attendees through building a preliminary plan for leveraging their strengths to achieve their vision and goals (preliminary because attendees will need to gather feedback from individuals who are not present), including identifying key "career anchors," which Gray explains are positions or experiences that are essential for an individual to advance to a certain role. Finally, Gray's workshop will address common barriers to advancement, particularly as they relate to underrepresented groups, and the importance of networking as a strategy for managing one's career.

Interested in attending? Visit [www.wisbank.com/empower](http://www.wisbank.com/empower) to learn more and register online today!

### **WBA Diversity and Inclusion Statement**

*The following Diversity and Inclusion Statement was adopted by the WBA Board of Directors on June 5:*

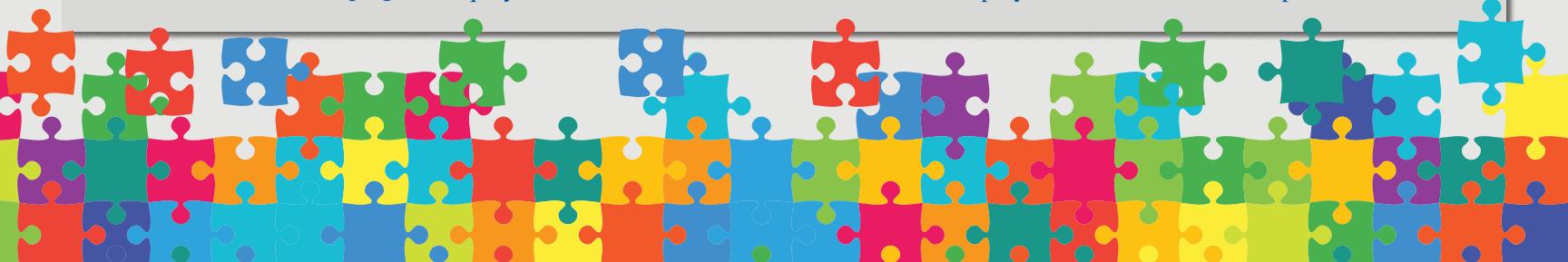
The Wisconsin Bankers Association's (WBA) mission is to promote a healthy environment for banks in Wisconsin that, in turn, focus on helping

their local communities. Ensuring that a broad mix of individuals with a variety of ideas, differing viewpoints, thought processes, backgrounds, and experiences play a meaningful role in all aspects of the banking industry is critical to the success of WBA and its members. Embracing differences and promoting equity is at the foundation of

WBA as an employer and as a trade association.

Similar to the banking industry we serve, WBA understands that in order to more fully accomplish our mission, and live our values, we must leverage the diverse backgrounds, skills, knowledge and perspectives of our members, Board of Directors, vendors, and employees. WBA

is passionate about fostering a culture for members and employees where everyone feels welcome, included, empowered, and valued. This includes attracting and retaining a diverse workforce and encouraging our staff to promote diversity and inclusion in all internal teams and across external relationships and services.





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# Bulletin Board

*News about people working in Wisconsin's financial institutions*

## Promotions and New Hires

### Brookfield

North Shore Bank announced that **Scott Herron** (*pictured*) is the financial institution's new vice president of commercial banking.



### Greenleaf

Greenleaf Wayside Bank is pleased to welcome **Joel Prunty** (*pictured*) as the bank's marketing director, and **Pamela Buttles** (*pictured*) as the bank's vice president of compliance.

### Madison

Capitol Bank is pleased to announce the election of **Mark Koehl** (*pictured*) to its Board of Directors.

Park Bank is pleased to announce that **Elyse Smithback** has joined Park Bank as first vice president – business banking.

**Mike Odden** (*pictured*) brings nearly 30 years of diverse

banking experience in the Madison area to State Bank of Cross Plains as the new vice president – mortgage lending manager.

### Marshfield

Forward Bank has promoted **Sam Pritzl** to vice president/commercial lender, **Mark Brzeskiewicz** to commercial lender, and **Tom Armstrong** is continuing in a leadership role at Forward Bank as senior vice president/market president.

### McFarland

McFarland State Bank is pleased to announce **Shauna Gnorski, CPA** (*pictured*), has joined the bank as its chief financial officer.

### New Glarus

The Bank of New Glarus and Sugar River Bank Branches are pleased to announce the hiring of **Dana Shanks** (*pictured*) as Branch Supervisor of the Sugar River Bank in Juda, a branch of The Bank of New Glarus.

### Reeseville

The State Bank of Reeseville is pleased to announce the recent hire of **Adam Bradley** to the position of vice president/controller.

### Schofield

Intercity State Bank is happy to announce the promotion of **Kelly Hicks** (*pictured*) to retail manager, **Heidi Lindsley** (*pictured*) to Wausau branch manager, **Sue Ann Hintz** (*pictured*) to Weston branch manager, **Loralee Geier** (*pictured*) to Weston teller supervisor, and **Terra Tatro** (*pictured*) to head teller at the bank's Schofield branch.

### Wisconsin Dells

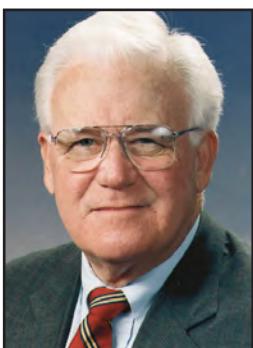
Bank of Wisconsin Dells is pleased to announce the hiring of **Bob Hoepfner** (*pictured*), vice president/commercial loan officer.

## Congratulations

### Schofield

Intercity State Bank is excited to congratulate **Cory DeBauche** (*pictured*) on 25 years at ISB! DeBauche works in the bank's book-keeping department and is always a pleasure to work with.

(continued on p. 15)



## In Memorium

The Board of Directors of Royal Bancshares, Inc., Elroy, is deeply saddened to share the loss of **Ronald F. Darga** (*pictured*), chairman of Royal Bancshares, Inc. and founder of Royal Bank. Darga was instrumental in building the foundation for Royal Bank, establishing Royal Bancshares, Inc. in 1989. Darga recognized the value and importance of serving rural

Wisconsin communities. Darga's vision was to build a network of locally controlled offices that served the specific needs of each community. Throughout his tenure as President and Chairman of Royal Bancshares, Inc., Darga was a vital leader in its aggressive growth strategy. Under his guidance, the organization grew from \$20 million in assets in 1989 to nearly \$450 million in assets today. By any measure, his career was an unequivocal success. Ron was a dear friend and valued colleague and he will be greatly missed. We are honored to continue his legacy of growing a strong community bank in the rural communities of Wisconsin.



BS Recruiters is an executive search firm providing placement services to banks in the Wisconsin market that seek top-caliber talent.

The keys to our long success are our industry experience, personal commitment, and professionalism of our recruiters. We enjoy long-term relationships with the great majority of our clients because of our commitment to provide them with the highest level of service.



Erick Gorecki  
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Del Garcia  
262-369-8109

**Have good news?** To submit a notice, please email [bulletinboard@wisbank.com](mailto:bulletinboard@wisbank.com). Or mail entries to **WBA Bulletin Board**, 4721 South Biltmore Lane, Madison, WI 53718. Send photos as JPEG files. Questions? Contact WBA's **Amber Seitz** at 608-441-1237 or [aseitz@wisbank.com](mailto:aseitz@wisbank.com).

# Bulletin Board

*News about people working in Wisconsin's financial institutions*

## Promotions and New Hires

(continued from p. 14)

### Announcement

#### Elroy

Royal Bank received an honorable mention in The Independent Community Bankers of America's® (ICBA) 2019 National Community Bank Service Awards, which celebrate the outstanding and innovative volunteer efforts of the nation's community banks.



Hintz



Geier



Tatro



Hoepfner



DeBauche

Royal Bank was recognized for its disaster-relief efforts following torrential rains that inundated areas of Southwest Wisconsin last year. In total, the \$441 million-asset bank

donated more than 210 volunteer hours and more than \$422,000 through various donations, loans and grants toward recovery efforts. "ICBA is proud to recognize the

extraordinary contributions of Royal Bank and its employees, which demonstrate the vital role community banks serve in helping local communities prosper," said ICBA President and CEO **Rebeca Romero Rainey**.

"Royal Bank's dedication to community banking principles and unwavering support for its customers and communities serves as a shining example for our industry."

## Staff from all of WBA's family of companies joined in the fun at the WBA Chairman's Member Appreciation Golf Outing!



Pictured left (back row, left to right): **Terry Hoyum**, FIPCO; **Jody Roos**, WBA; **Nick Loppnow**, WBA; **Jeff Otteson**, MBIS; and **Brian Siegenthaler**, EBC. Front row (left to right): **Pam Kelly**, FIPCO; **Patty Rogers**, WBA; **Rose Oswald Poels**, WBA; **Melissa Noonan**, MBIS; **Racheale Ward**, EBC; and **Lori Kalscheuer**, WBA.

See pgs. 8-9 in this issue of *Wisconsin Banker* for golf outing photos and the list of event sponsors.

We look forward to seeing you at next year's WBA Chairman's Member Appreciation Golf Outing on Aug. 13, 2020 at Trappers Turn Golf Club in Wisconsin Dells.

## \$47,500 Granted to Wisconsin Nonprofits from Old National

Old National Bank Foundation, philanthropic arm of Old National Bank, gave contributions totaling \$47,500 to six Wisconsin organizations and an annual total of \$1.9 Million footprint-wide, with some contributions being multi-year commitments. The Foundation awarded the following grants:

- **100 Black Men of Madison** will receive \$10,000 for Project SOAR (Student Opportunities, Access and Readiness).
- **Asset Builders of America** will receive \$7,500 to support their Youth Power Financial Education Initiative.
- **Big Brothers Big Sisters of Dane County** will receive \$7,500 to benefit High School & Beyond: College and Vocation program.
- **Milwaukee Habitat for Humanity** will receive \$10,000 to assist 35 Low- to Moderate-Income families with the Affordable Homeownership and Repairs program.
- **Movin Out Inc.** was awarded \$7,500 to support the Community Impact Program Pilot.
- **United Performing Arts Fund** will receive \$5,000 for the La Casa de Esperanza Family Literacy Program.

Pictured (left to right): **Amos Anderson**, **Floyd Rose**, **Anthony Timmons** of 100 Black Men of Madison, **Andrea Finck** and **Kingsley Gobourne** of Old National Bank.





# Your EDUCATION Calendar

Conferences | Summits

Schools | Boot Camps

Seminars | Workshops

WBA Webinars

Other Events

## SEPTEMBER

- **Management Conference**; Wisconsin Dells  
– now with **CFO** and **CCO** tracks!
- 10-11 \$250/attendee for first two attendees;  
\$195/additional attendee
- **Stay Ahead of Hackers:**  
**Hands-On Cybersecurity Training**
- 16 Wisconsin Dells  
\$75 for Secur-I.T. Conference registrants;  
\$150 for single session registrants
- **Senior HR Business Forum: Session 1**
- 17 Madison; \$1,295/membership
- **Secur-I.T. Conference**, Wisconsin Dells
- 17-18 \$350/first attendee; \$300/additional attendee
- **Introduction to Commercial Lending School**
- 18-20 De Pere; \$795/attendee\*
- **Supervisor Boot Camp**
- 24-25 Wisconsin Dells; \$535/attendee\*
- 9/30 • **Deposit Compliance School**
- 10/1 Wisconsin Dells; \$535/attendee\*

## OCTOBER

- **Personal Banker School**
- 8-9 Wisconsin Dells; \$450/attendee\*
- **Principles of Banking Course**
- 7-8 Platteville; \$550/attendee
- 9-10 Wausau; \$550/attendee
- **Diversity in Banking Conference**
- 10 Madison; \$100/attendee
- **Advanced Financial Statement & Cash Flow Analysis Workshop**
- 10 Wisconsin Dells; \$245/attendee
- **Strictly Business:**
- 10,17 **The Dale Carnegie Immersion Seminar**
- 24 Madison; \$1,895/attendee
- **Bank Directors Summit**; Madison  
\$225/first attendee; \$175/additional attendees
- **Community Bankers for Compliance (CBC) – Session 4**
- 15 Stevens Point (*pricing options vary*)
- 16 Madison (*pricing options vary*)
- **Family-owned/Closely-held Bank Retreat**
- 29- Galena, IL; \$295/general registration;  
\$195/guest registration for meals

## OCTOBER (continued)

- **IRA Essentials Workshops**
- 15 Eau Claire; \$245/attendee
- 17 Madison; \$245/attendee
- 23 Neenah; \$245/attendee
- **Advanced IRA Workshops**
- 16 Eau Claire; \$245/attendee
- 18 Madison; \$245/attendee
- 24 Neenah; \$245/attendee
- **Enterprise Risk Management Peer Group**
- 22 Eau Claire; \$39/attendee
- **FIPCO Compliance & Software Forum (Loan + Mortgage)**
- 22-23 Wisconsin Dells
- **BSA/AML Workshops**
- 29 Eau Claire; \$245/attendee
- 30 Neenah; \$245/attendee
- 31 Madison; \$245/attendee
- **Procedures Upon a Depositors Death Webinar**
- 30 \$325 + sales tax/connection

## NOVEMBER

- **Auditing Real Estate Loans Boot Camp**
- 5-7 Wisconsin Dells; \$795/attendee\*
- **Principles of Banking Course**
- 4-5 Green Bay; \$550/attendee
- 6-7 Madison; \$550/attendee
- **BOLT Winter Leadership Summit**
- 7 Stevens Point; \$100/attendee\*
- **ABA National Agriculture Bankers Conference**
- 10-13 Dallas, Texas
- **Compliance Forum: Session 2**
- 19 Stevens Point (*pricing options vary*)
- 20 Wisconsin Dells (*pricing options vary*) Pewaukee (*pricing options vary*)
- **LEAD360 Conference: Marketing, Retail Banking, Sales and Financial Literacy**; Wisconsin Dells
- 20-21 \$350/attendee; \$300 additional attendee\*

\*Lodging is available for an additional fee.

- » Visit [www.wisbank.com/education](http://www.wisbank.com/education) for more information and online registration.
- » Or email WBA Education at [wbaeducation@wisbank.com](mailto:wbaeducation@wisbank.com) or call 608-441-1252.

# Your Talent Shortage Solution

*Use FIPCO's ShareFI shared professional services as a stopgap or permanent solution*

ShareFI, FIPCO's updated consulting and shared services solution, offers compliance and risk management, operational and financial management, and/or shared professionals services backed by the FIPCO promise: *Consistent.*

*Compliant. Confident.* Of those three service lines, one of the most popular so far is shared professional services.

Banking, like many other industries today, faces a talent shortage. Especially for banks in rural areas, finding—and affording—top compliance and risk management talent is a tremendous challenge. ShareFI can provide an affordable, effective solution when your bank's compliance/risk officer, BSA officer, credit analyst, or



## FIPCO's ShareFI

Jeff Schmid



Contact Jeff Schmid at [jschmid@fipco.com](mailto:jschmid@fipco.com) or 608-441-1220 to learn more about ShareFI.

### » ShareFI [shair-fahy] [ʃeər'fā]

*Noun – A FIPCO resource designed to meet the needs of small- to mid-size financial institutions in the areas of compliance, risk, and operations management.*

operations officer, retires or leaves the bank.

ShareFI is developing a shared professional services team of skilled bankers with experience in compliance, internal quality control, internal audit, credit analysis, controller, BSA, and ACH whose skills can be shared among small and mid-sized financial institutions. These professionals will be responsible for helping

banks meet regulatory requirements, develop policy and documentation, conduct bank-specific training, and provide an outsourced solution for credit underwriting and loan processing. Whether temporary or permanent, the ShareFI solution is to place key professionals into these roles for community banks under a shared services arrangement.

What does that mean for your bank? It means not

needing to scramble to fill a credit analyst role during a spike in loan volume (and then figuring out how to cut costs when volume returns to normal levels), or affordably outsourcing risk management needs rather than paying for a one-size-fits-all program.

Please contact **Jeff Schmid** at [jschmid@fipco.com](mailto:jschmid@fipco.com) or 608-441-1220 to learn more or discuss what FIPCO's ShareFI can do for your institution.



# Software

& Compliance Forum: LOAN + MORTGAGE

featuring Compliance Concierge

October 22-23, 2019

Glacier Canyon Lodge at the Wilderness Resort  
WISCONSIN DELLS

Register at [www.fipco.com/forum](http://www.fipco.com/forum)



## Introducing Jeff Schmid & ShareFI

FIPCO is pleased to announce the launch of a brand-new service for Wisconsin banks: ShareFI.

This consulting and shared services solution offers:

- compliance and risk management
- operational and financial management
- and/or shared professionals services designed to meet the needs of small- to mid-size financial institutions

Contact FIPCO's Jeff Schmid to get started.

[jschmid@fipco.com](mailto:jschmid@fipco.com)  
608-441-1220  
[www.FIPCO.com](http://www.FIPCO.com)



## Core Processing

(continued from p. 1)

In Wisconsin, CSI, FIS, Fiserv, and Jack Henry hold over 95% of market share.\*

There are many good reasons this oligopolist system exists. The top four core vendors have not only spent decades learning and mastering the business of banking, but they're large enough to form collections of "best-in-breed" technology products, mainly through acquisition of innovators. "Community banks want integrated solutions for their customers, and that's why ICBA has been at the forefront having constructive and consistent dialogue with the core providers in order to ensure that the community bank perspective is heard loud and clear," said **Kevin Tweddle**, CPA, chief operating officer at ICBA

Services Network. "We must continue to innovate at the core service provider level."

Regulatory pressure is another driver. Community banks often lack the time and resources to efficiently manage the compliance requirements of working with a large number of vendors. "Community banks don't often want to work with 20 different vendors," said Tweddle. "The benefit of these core providers is they offer a wide range of fairly strong solutions for the community bank in a one-stop-shop, but more can be done to ensure community banks' needs are being fully met." The top established cores also help keep their bank clients in compliance with technology requirements. "Banks depend on their

core to provide the most compelling technology and compliance with regulations around technology," said **Lisa Gold Schier**, senior vice president of business innovation and endorsed solutions at ABA.

Finally, these well-established vendors provide stability. "That's comforting for many of the banks who work with those established cores," said Gold Shier. If a bank chooses to partner with a newer vendor, and that vendor disappears in a decade, the bank will be forced to undergo the grueling task of switching cores.

However, as with any large company, great size often makes for slow change. ABA's Core Platforms Committee, made up of 19 bankers from small and mid-sized

institutions, narrowed down a list of concerns related to core services to three key areas of focus: easy access to customer data, more transparent contracts, and open API. "Open API architecture will help banks with technology, allowing them to partner and integrate with companies that offer emerging technologies," explained Gold Schier. "That will allow them to be more nimble in serving their customers."

Directing change in an industry dominated by a few large players is a tall order, and over the past decade the largest players in the core software space have become larger. In June 2017, Misys and D+H combined to create Finastra, making the joint company the third-largest financial services technology company in the world.

(continued on p. 20)



## There's an easy way to make sure your health insurance rates go unchanged through January 1, 2021.

When your bank joins our Association Health Plan (AHP) through the Wisconsin Bankers Association on or after July 1, 2019, **you won't need to renew your contract until January 1, 2021**. That's a solid guarantee brought to you by your Wisconsin Bankers Association membership and UnitedHealthcare.

### AHP highlights include:

- Opportunity for cost savings.
- Flexible plan options.
- National network.
- Convenient resources including wellness programs and digital tools.



Contact Brian Siegenthaler, Wisconsin Bankers Association – Employee Benefits Corporation at 608-441-1211 or [bsiegenthaler@wisbank.com](mailto:bsiegenthaler@wisbank.com) to learn more.

 Wisconsin Bankers Association  
EMPLOYEE BENEFITS CORPORATION, INC.

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Health Plan coverage provided by or through UnitedHealthcare of Wisconsin, Inc.  
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# Tornadoes, Cyberattacks, and Spies

## Upcoming WBA Secur-I.T. Conference is just around the corner!

The 2019 WBA Secur-I.T. Conference, held Sept. 17-18 in Wisconsin Dells, will bring together technology, operations, and security banking professionals from all around the state of Wisconsin for education and networking. Attendees will benefit from over seven hours of presentations from nationally recognized speakers and local professionals, network with more than 125 banking peers, and meet exhibitors who offer products and services to improve their banks' technology, security, and customer experience.

The conference will begin with *Blurred Lines between Physical and Cyber Security*, presented by **Ben Hayden** of SHAZAM. This session will focus on how the separate threats to both physical security and cybersecurity are often one and the same. You'll walk away with knowledge on how hackers can use the vulnerabilities in your physical facilities to gain access and how criminals can use online resources to exploit your



► Visit [www.wisbank.com/secur-it](http://www.wisbank.com/secur-it) for the full agenda or to register.

employees and plan their crime.

After a quick break, **Rayleen Pirnie**, RP Payments Risk Consulting Services, will present *Crisis Communication Plans*, a session covering tornadoes, cyber-attacks, email mishaps, vendor breaches, and everything in between. Adequately addressing crisis incidents, while still alleviating customer concerns, requires timely and effective communication with internal and external stakeholders. After Pirnie's presentation you'll have the tools, such as the three stages of effective crisis communication plans, to help your bank successfully overcome any security threat. The afternoon will continue and conclude with several workshop sessions after Pirnie's presentation.

Day two of the conference will begin after breakfast with a Government Relations Update and a Data Breach

Panel Discussion. Then attendees will learn about *Emerging Trends in Banking Technology: Decision Time for Community Banks*. This session will focus on the customer demand for enhanced retail delivery channels and how community banks can compete with big banks, credit unions and non-banks to offer attractive, ground-breaking tools to help retail customers improve their financial health. **Jack Vonder Heide**, Technology Briefing Centers, Inc., will provide an overview of the technology landscape we can expect to see in the next two years and the critical steps banks must take to develop solid, forward-looking strategies to retain and attract retail customers.

Former CIA Chief of Counterintelligence **Jim Olson** will close the conference with his thrilling and informative session *To Catch a Spy: The*

### Get Team Pricing!

Discounts are available for multiple attendees from the same bank, so send your whole team! The registration fee of \$350/attendee includes conference materials, Tuesday refreshments, lunch, and reception, as well as Wednesday breakfast and refreshments. If your bank brings multiple attendees, each person after the first registrant will receive the discount of \$300/attendee. To receive this discount, you must register everyone at the same time.

### *Art of Counterintelligence.*

Olson will describe his undercover career in the CIA, his past training, and the current role of the CIA in the Global War on Terrorism, as well as other issues affecting the safety and security of American citizens. By the end of this session, attendees will be taken on an actual espionage operation Olson and his wife carried out in Moscow at the height of the Cold War.

Register online today at [www.wisbank.com/secur-it](http://www.wisbank.com/secur-it).

## This Year's LEAD360 Conference is a MUST And WBA has a tool to help you get there...

Here's the deal, LEAD360 is coming up and if you work in the marketing, sales/customer service, retail management, or financial literacy area of your bank, you need to go.

It feels like we're constantly talking about how much banking is changing, but what are we going to do about it? The LEAD360 Conference is the state's go-to event for banking professionals in these areas to gather and learn. This is an opportunity to build a strong network



within your field and not just learn about the changes in banking, but understand how they apply to your bank and

find ways to incorporate new processes into bank practices. Sessions at the conference will include speed networking, and breakouts on topics like storytelling in marketing, relationship building, and digital transformation.

We've also developed a new tool for you to use before this conference. It's hard to get out of the bank, and it's hard to get approval to go to events. We totally get it. That's why we developed the "Justification Toolkit."

This toolkit includes an email template that you can use to explain to your supervisor why you should go to LEAD360 and how the bank will benefit from your attendance. Additionally, the toolkit contains a cost analysis worksheet, which you can use to determine the total cost of attending LEAD360, including variables like mileage and lodging.

Access the toolkit and cost analysis worksheet at [www.wisbank.com/LEAD360](http://www.wisbank.com/LEAD360).

## Core Processing

(continued from p. 18)

Fiserv completed its \$22B acquisition of First Data Corporation on July 29, making the combined companies the largest merchant service platform in the world. Just a few days later, on July 31, FIS closed its \$43B acquisition of Worldpay, Inc., adding to its payment processing services. "The top three core processors are huge and getting larger," said **Viveca Ware**, group EVP – regulatory policy at ICBA, who manages the core processing efforts. "It's not a matter of turning one ship, but of turning multiple ships to meet the demands of the marketplace."

# Surveying the Core Processing Landscape

*Banking industry keeps an eye on the horizon amidst change*

## Research and Development

What are you investing in right now when it comes to financial technology and/or integration capabilities?



"CSI currently is investing significant effort toward a variety of technology initiatives, including CSIBridge, which is our open API platform. It allows our internal systems, our NuPoint core, to seamlessly integrate with customer-facing systems like digital banking, and it also allows third parties to easily integrate with financial institution data."

– **Steve DuPerrieu**  
vice president of product management for Computer Services, Inc. (CSI)

"Fiserv is focused on driving purposeful innovation through the development and delivery of new solutions, strategic partnerships, and investments in innovative technology. We are committed to providing technology solutions that enable our bank clients to deliver differentiated services and reap the full benefit of emerging trends, including the move toward open banking and the delivery of open APIs, and the growing demand for real-time interactions."

– **David McIninch**  
SVP of strategy, marketing & product management, bank solutions at Fiserv

"Finastra's Fusion Phoenix core presently meets many of the requirements of an open banking platform, but we continue to make incremental investments to more quickly adapt to the constantly evolving demands of the market and our clients, as well as technological advancements and disruption. It's a continuous journey demanding differentiation and flexibility, and Finastra is committed to leading that development."

– **Troy Land**  
vice president of retail, community markets at Finastra

## » Moving Mountains

Established core providers are being pushed to innovate faster by two pressure sources. First is changes within banking as an industry. "Today's core processor is the bank's most important strategic partner and requires ongoing strategic management," Ware explained. "It's no longer in the back room." Instead, the processor is responsible for much of the bank's customer interactions. That means if

something is broken or not integrating properly, it's more than a handful of personal bankers or bank technology staff who notice something is wrong... tens of thousands of bank customers will, too. "The industry is changing so quickly based on customer expectations, banks need to quickly adopt technology that allows them to meet their customers' needs," said Gold Schier. "That's what we're looking for from the cores,

being able to integrate with technology that allows the banks to compete."

The second source of pressure is fintech, specifically newer firms who are trying to elbow their way into the core vendor space with cutting-edge technology platforms and lightning-speed adaptability. "Some of the fintech companies are forcing the cores to sharpen their pencils," said Tweddle.

While ICBA has not invested

in or endorsed any core providers, their ThinkTECH Accelerator is entering its second year of operation and has already produced some notable fintech breakouts including MK Decision, which announced a partnership with ICBA's payments services subsidiary, ICBA Bancard, and Invest Sou Sou, winner of a FinovateSpring Best of Show Award. The Accelerator,

(continued on p. 21)

## Core Processing

(continued from p. 20)

in partnership with The Venture Center in Little Rock, Ark., provides an outlet for community banks to directly engage and partner with early-stage fintech companies focusing exclusively on community bank product development. "As part of that process, we include the core providers because, at some point, they'll need to integrate in some form," Tweddle explained. In addition, the ICBA ThinkTECH Network, launched in 2018, provides member banks with a directory of fintech companies in a variety of

industry, including other core processors and bankers," said Gold Schier. "We feel like we've started an industry dialogue about how we can serve the community by fostering relationships between banks and their processors."

ICBA has also reported positive reception to their outreach with established core providers. In January 2018, they released the Core Processor Resource Guide with best practices for community banks and their core processors. "Our goal was to equip our bankers and their core processors with tools to strengthen that relationship," said Ware. "We were thrilled with the reception

from how they're coming to market," said Gold Schier. Additionally, ABA has invested in Summit Technology Group, a fintech company which helps banks transition to the cloud, and formed a strategic partnership with Alloy Labs Alliance, a shared innovation lab and accelerator. "They help banks foster a culture of innovation and look at how they can effectively and efficiently utilize bank-driven technology," Gold Schier explained. "It's not looking at a shiny object and implementing it."

### » On the Horizon

So, what's next in bank core processing? Banks should

from challenger cores continue to force evolution within the industry. "It's an ecosystem where any given bank can plug and play different solutions that are relevant to their particular niche or strategy," he said.

In Wisconsin, WBA has been working on legislation to help foster better data sharing between banks and their technology vendors, including core processors. FIPCO, a wholly owned subsidiary of the WBA, has been working closely with several core providers over the past few years to develop and implement various integrations

## Research and Development

What are you investing in right now when it comes to financial technology and/or integration capabilities?



"For over 50 years FIS has led the financial technology industry in delivering solutions that support banks while helping them compete effectively in the markets that they serve. FIS is acutely focused on supporting community banks by delivering our clients the most advanced, flexible, and cost-effective technology solutions available."

— Rob Lee  
EVP, head of digital and banking at FIS

**"Openness and integration to third-party solutions has always been an important focus for Jack Henry. Community bankers are dealing with increasingly large, complicated technology experiences, and we always want to make it easy for them to use whichever provider they feel is the best to solve their unique business case. This means that we are amenable to exposing technology connectivity and willing to facilitate real-time connectivity that optimizes the user experience."**

— Stacey Zengel  
vice president of Jack Henry & Associates  
and president of Jack Henry Banking

» Visit [www.wisbank.com](http://www.wisbank.com) for longer statements. «

areas, including mobile banking, lending, and security.

To turn some of that pressure into action, ABA reached out to core providers Finastra, FIS, Fiserv, and Jack Henry requesting they spell out how they will adapt to address bankers' concerns, specifically around data access, contracts, and open API. "They're all engaging with us, and we're receiving a lot of communication from the

we received." In addition to receiving thousands of downloads, the guide was also shared by core processors with their current and prospective bank clients.

Another way ABA is working to support the banking industry is by supporting new technologies. The association recently invested directly in emerging core banking provider Finxact. "Finxact has the potential to drive market change, and we'll also learn

expect further change as both the established providers and the newcomers adapt to consumers' technology demands. "We hope to see increased ability to access technology from third parties and more transparent and open relationships that are focused on helping banks meet their customers' needs," said Gold Schier. Tweddle predicts a "plug and play" system as the pace of change and increased competition

with *Compliance Concierge*, FIPCO's loan and deposit account software. The association will continue to monitor the core landscape and provide member banks with the information and tools they need to serve their customers.

*Seitz* is WBA operations manager and senior writer.

\*Listed alphabetically, not by market share.

# Ensure Security at Your Financial Institution

By Ben Hayden

As manager of SHAZAM's risk consulting business, I have the unique opportunity to help institutions of all sizes fortify their defenses, with both information and physical security programs. We work with clients of all asset sizes, across the country and assist financial institutions with "all things risk." This may mean information technology audits, BSA and ACH audits, as well as network penetration testing, vulnerability assessments and social engineering. In our work, we've noticed recurring findings that many institutions share. We strive to strengthen not only our clients' security, but the security of all financial community institutions. Addressing these common findings is a part of that process.

## Information Technology Audit Programs

### Access management.

When conducting an IT audit, the majority of recurring findings are related to poor logical access management. This can include a wide variety of issues, but often focuses on poor control of Microsoft Active Directory. Many institutions have a high number of users with "domain administrator" privileges, don't restrict logon hours, allow nonexpiring passwords, haven't deleted unneeded or unused service accounts, or haven't removed terminated users from the system. Attackers look



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Ben Hayden



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shazam.net](http://www.shazam.net)

for these types of accounts. Digging deeper, we find that many institutions don't have a process for reviewing user access to wire platforms, core systems, internet banking or other systems. We hear the term "least privilege possible," which is a good security principle... but it's not being followed consistently. Review why administrator accounts are needed. Chances are they're being used for privileges that can actually be—and should be—assigned to user accounts.

### Configuration standards.

Industry best practices tell us to use configuration standards found in "hardening documents." These standards are usually provided by firewall, switch and IDS/IPS manufacturers and the documentation outlines how to secure each system effectively. Download a free (usually) copy from the manufacturer's website. Make it a priority to update system configurations based on these standards.

**Inventory.** Institutions failing to maintain current hardware or software inventories is another common issue. It's your stuff—know where it is! Institutions should

maintain an inventory of their assets, including what operating system and version each is running. In addition, a software inventory should be maintained. If needed, find a tool that will do this for you; knowing what software is on the system is critical. By having a software inventory in place, unwanted programs or even malicious programs, can be more easily located and this process can lead to reductions in system latency. In our reviews, we often find that these inventories are out-of-date and vulnerable programs exist.

**Track findings.** Once an audit is complete, it's important that institutions track their findings, assign them to a specific person, or establish deadlines to correct the issues. While there are many tools available to help with audit tracking, a simple spreadsheet can be created listing the audit's origin, responsible person, risk or priority level, and a deadline for remediation. This process is important to the security of your networks and systems.

### Manage Risk

Many institutions fail to manage their overall exposure when they don't adequately assess, track, mitigate or accept risks. While they may adequately assess the risk through a risk assessment, they fail to fully mitigate risks for those items deemed higher risk. More threatening, however, is improperly lowering a risk score of a specific product or business line. Institutions do this to "accept" risk, yet lower

These [security] risks should be analyzed with the same priority and level of concern as credit or liquidity risks.

risk items are easily forgotten. This simply isn't proper risk acceptance. Institutions should assess the risk of the product in question *only* after careful scrutiny. If there is a business need for the risk, move forward with an acceptance process that encompasses both senior management as well as the board of directors.

### Security Vulnerabilities

Security vulnerabilities are often found during network penetration tests or vulnerability analysis. The following items include text from the Common Vulnerabilities and Exposures (CVE) database, and from findings identified by Nessus, a vulnerability assessment solution used by SHAZAM Secure.

**Security protocol.** Most findings we identify are related to institutions still running transport layer security (TLS) protocol, version 1. This protocol uses cryptography to encrypt communication over a network using a symmetric key system. Originally, many governing bodies listed June 2016 as the deadline for depreciation of TLSv1, although it was eventually extended to 2018. Resolve this issue now by upgrading to TLSv1.1 or TLSv1.2.

**SSL certificates.** Many institutions have findings related to SSL certificates which can't be trusted. An SSL certificate verifies that the data being shared is from a trusted source. When the certificate is correctly installed

## Did You Know?

*Wisconsin Banker* occasionally prints informative articles submitted by Gold, Silver, and Bronze WBA Associate Members. Interested in sharing your expertise? Please contact WBA's **Nick Loppnow** at 608-441-1208 or [nloppnow@wisbank.com](mailto:nloppnow@wisbank.com) or email [sales@wisbank.com](mailto:sales@wisbank.com) for more information about purchasing Sponsored Content space in WBA's electronic publications.

(continued on p. 25)

## Vendor Relationships

(continued from p. 1)

The very first question to ask is "how important is this contract?" because the answer will help determine how much to invest and whether outside assistance is required. "The criticality of the relationship that you're building, whether it's in terms of cost, your customers, or a particular product line, will help determine the amount of time and effort you put in," said **Shane Bauer**, FVP/Compliance, BSA & Security at Bankers' Bank, Madison. Hypothetically, a bank could put in weeks or months of work to negotiate the most beneficial contract possible with their office supply vendor, but they'd get a much better return on that time and effort by focusing on a technology or data contract instead.

The next question management should consider is "how does this contract fit into our strategic plan?"; the answer will help the bank define needs, wants, and wishes. "Make sure you understand what you want to get out of the contract," Bauer advised. "What do you absolutely need to have, what will you ask for, and what will you wish for? Knowing that will help you stand your ground on the most important points." Understanding how the contract fits with the bank's strategic plan will also guide negotiations on terms. "One of the questions to think about is how the contract fits within the bank's strategic plan," said **Patrick Neuman**, attorney at Boardman and Clark, LLP. For example, many core data processor contracts, among others, have early termination fees. "Do you plan to remain independent for the next five years? If so, a five-year term is fine," Neuman explained. "However, if a sale or merger is on the table, then it may be worthwhile to take a hit on pricing in the short term to avoid a large termination

### Three Common Mistakes to Avoid

#### » Not bundling.

Using the same vendor for multiple services but not bundling those services together can be an expensive oversight. "If you bundle services from the same provider you tend to get a better rate and they're typically coterminous," Flynn explained. "If you have overlapping contract expiration dates, it could make it harder to leave that vendor in the future."

#### » Glossing over the boilerplate.

"Not paying attention to the boilerplate provisions in a contract can be a mistake," said Neuman. "Nobody wants to read this stuff, but there really are a lot of important terms in the boilerplate that sometimes get overlooked." For example, venue and jurisdiction. If the vendor is located in a different state, the contract likely says that any contractual dispute suits or arbitration need to be brought in the vendor's home state. This puts the bank at a big disadvantage – it's dealing with unfamiliar law and will likely need to hire local counsel, increasing the bank's expense.

#### » Not shopping around.

Many banks are not fully aware of the scope of today's vendor marketplace, especially when it comes to technology providers, according to Flynn. "Don't get comfortable and complacent with a specific vendor, or you could miss significant reduction in expenses or new products and features," she said. "The marketplace is changing so rapidly, especially with the card processing mergers taking place. Sometimes it's beneficial to look around at other providers."

fee or negotiating specific termination fees in connection with a sale."

Finally, banks must consider time constraints when embarking on contract negotiations. Two of the biggest mistakes in contract negotiations are waiting until it's too close to the expiration date to do a thorough review of the contract and missing the expiration date altogether, triggering an auto-renewal. "Set a realistic timeframe for the project," said **Kelly Flynn**, national sales director – contract optimizer at John M. Floyd & Associates. "If your contract expires within the next six months, you're not giving yourself enough time to really evaluate the contract and whether or not you want to put it out to bid." She recommends starting the process 12-18 months prior to the expiration date. Avoid auto-renewals if at all possible, especially for technology contracts. "As technology advances, costs should go down," Flynn explained. "So, if you let a five-year technology contract auto-renew without sending a nonrenewal letter, chances are you'll end up overpaying.

Let the vendor know they will need to earn your business each term." Starting early gives the bank time to set accurate pricing targets. "Efficiency is crucial to a community bank's survival, and much of that starts with making sure you are not overpaying your vendor compared to what the bank next door pays for similar services," said **Charlie Kelly**, partner at Remedy Consulting.

#### » Choosing a Partner or Flying Solo

After determining the importance of the vendor's services, how the contract fits with the bank's overall strategic plan, and any timing constraints, the next step for bank leadership is to decide whether to enter into the contract negotiation using only in-house talent or to seek assistance from an outside partner. The primary benefits to keeping negotiations in-house are cost, speed, and simplicity. The bank does not need to pay for the services, doesn't need to spend extra time vetting and contracting with a third party before beginning negotiations, and eliminates the complexity of managing another third party.

However, for contracts that meet a certain importance threshold, the cost of keeping negotiations in-house could outweigh the cost of acquiring outside help. "If the cost of getting the contract wrong greatly exceeds the cost of getting assistance, you should get assistance," said Bauer, noting that core processor contracts are where banks most often seek outside help. By working with a third-party consultant or attorney, the bank gains access to valuable experience and information they wouldn't otherwise have. "Many banks simply do not negotiate their core contract frequently enough to know how much they pay compared to their peers, so they do not understand their negotiating strength," Mr. Kelly explained. "This can usually only be solved by bringing in a consultant that has a database of previous negotiations that can provide guidance to the bank."

The number of banks choosing to negotiate important contracts on their own is shrinking, but flying solo still may be the right choice for some institutions. The most important considerations

(continued on p. 24)

## Vendor Relationships

(continued from p. 23)

when keeping things in-house is to centralize information. "If you're going it alone, the biggest thing is to stay organized," said Mr. Kelly. "Assign one individual to do the research and own the negotiation. Get organized internally so you know what you are trying to accomplish in price, product, and contract terms and conditions." However, even when electing to negotiate on their own, most community banks today hire an attorney for a legal review of their core data contracts, according to Neuman. "What you're looking for is someone who has experience with these vendors," he said. That familiarity, he explained, can save time and money for the bank because the attorney will see how the

contract changes from year to year, allowing revision requests based on previous versions of the contract.

To find the right partner to guide negotiations, the bank should ensure the individual negotiator they'll be working with has deep industry experience. Requesting and verifying client references is one way to do so. It's also critical that leadership make the decision to work with an outside consultant early in the process. "If you're ultimately going to have someone do it for you, make that decision sooner rather than later," Mr. Kelly said. "The later they join, the less effective they can be."

In the end, the most important factor to keep in mind when negotiating third-party contracts is that the

negotiation is the *beginning* of a relationship, one that is an important component of the bank's ability to serve its customers. "The best contract is one where both sides walk away feeling like they got something valuable out of it," said Bauer. "Even though you're playing poker and laying your cards down carefully, you're not trying to beat them. You want to build a good relationship."

*Seitz* is WBA operations manager and senior writer.

*Bankers' Bank* is a WBA Gold Associate Member.

*Boardman & Clark, LLP* is a WBA Gold Associate Member.

*John M. Floyd & Associates* is a WBA Bronze Associate Member.

*Remedy Consulting* is a WBA Associate Member.

### Regulatory Resources for Contract Negotiation

» FDIC: [www.fdic.gov/news/news/financial/2008/fil08044.html](http://www.fdic.gov/news/news/financial/2008/fil08044.html) and [www.fdic.gov/news/news/financial/2019/fil19019.html](http://www.fdic.gov/news/news/financial/2019/fil19019.html)

» Federal Reserve: [www.federalreserve.gov/supervisionreg/srletters/sr1319a1.pdf](http://www.federalreserve.gov/supervisionreg/srletters/sr1319a1.pdf)

» FFIEC: <https://ithandbook.ffiec.gov/it-booklets/retail-payment-systems/retail-payment-systems-risk-management/operational-risk/vendor-and-third-party-management.aspx>

» OCC: [www.occ.gov/news-issuances/bulletins/2013/bulletin-2013-29.html](http://www.occ.gov/news-issuances/bulletins/2013/bulletin-2013-29.html)

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Looking forward to seeing old friends and making new friends at the WBA Management Conference in September!



# Business Email Compromise on the Rise – Is Your Bank Protected?

By Darryl J. Lund

According to Beazley's 2019 *Breach Briefing*, business email compromises (BEC) continue to evolve, growing 133% year-over-year from 2017 to 2018. These ransomware attacks and banking Trojans target all industry verticals and organizations of all sizes, with financial institutions topping the list of most targeted industries for 2018 (27% of the BEC incidents they responded to in 2018 were at a financial institution).

Business email compromise (BEC) is a social engineering attack in which a cybercriminal uses compromised email credentials or spoofs a legitimate email address in order to induce an employee to make a wire transfer or other electronic payment to



## Association Update

Darryl J. Lund



» Jeff Otteson at [jeffo@mbisllc.com](mailto:jeffo@mbisllc.com)

a bank account controlled by the cybercriminal or, in some cases, to transfer sensitive data such as W-2 forms. And these criminals continue to design more sophisticated attacks. No longer obvious phishing emails, BEC attacks today involve reconnaissance and can sometimes go undetected for long periods of time.

When responding to a BEC incident, Beazley's Breach Response Team (BBR) advises organizations to closely examine affected email

accounts and preserve evidence regarding how the attacker has specifically manipulated the accounts. Attackers may have created forwarding rules or used stolen credentials to access additional systems.

Beazley has managed thousands of data breaches since the launch of Beazley Breach Response in 2009 and is the only insurer with a dedicated in-house team focusing exclusively on helping clients handle data breaches. The BBR Services team works directly

with BBR insureds during all aspects of incident investigation and breach response and coordinates the expert services that BBR insureds need to satisfy legal requirements and maintain customer confidence. In addition to coordinating data breach response, BBR Services maintains and develops Beazley's suite of risk management services, designed to minimize the risk of a data breach occurring.

MBIS now writes approximately 125 banks with Beazley, providing access to these services.

If you have any questions about MBIS or want more information, please contact **Jeff Otteson** at [jeffo@mbisllc.com](mailto:jeffo@mbisllc.com).

**Lund** is WBA executive vice president – chief of staff and president of **EBC** and **MBIS**.

## Ensure Security

(continued from p. 22)

on the institution's web server, a secure connection is established. A registered certificate authority issues these certificates to ensure authenticity.

Out-of-date certificates create vulnerability to man-in-the-middle attacks. These occur when an attacker secretly relays, and possibly alters, communication between two parties who believe they are directly communicating with each other. It's important to take these steps to make sure your certificates work to keep information safe:

1. Confirm that the top of the certificate chain sent by the server is from a known public certificate authority. When the top of the chain is an unrecognized, self-signed certificate, or when intermediate certificates are missing, the certificate may fail.

2. Make sure the certificate chain contains a certificate that is valid at the time of the scan. If the scan occurs before one of the certificate's "Not Before" dates, or after one of the certificate's "Not After" dates, it can fail.

3. Ensure that the certificate chain doesn't contain a signature that doesn't match the certificate's information, or it doesn't contain a signature that can't be verified. Bad signatures can be resolved by getting the certificate re-signed by its issuer.

**Cipher strength.** Medium strength ciphers are less than 112 bits (but more than 64) or using 3DES encryption. Using poor encryption makes your organization susceptible to attackers. The fix is to configure applications to use higher strength ciphers.

## Internet Key Exchange

**(IKE).** Essentially, IKE version 1 supports aggressive mode with pre-shared key (PSK) authentication. "Aggressive mode" refers to the nature of the encryption between the two entities taking part in the key exchange. Using aggressive mode means the identity of the two entities in the key exchange isn't encrypted. Using this type of authentication allows an attacker to crack the PSK of a virtual private network (VPN) gateway. The easiest fix is to upgrade to IKE v2 as IKE v2 doesn't allow aggressive mode. If upgrading isn't an option, IKE v1 allows for "main mode," which encrypts the identity of the entities involved in the key sharing. If none of these are an option, use very strong keys.

## Protect Your Institution

Cybersecurity and IT risks present some of the scariest challenges to financial institutions. To compound the problem, a recent IBM study conducted by the Ponemon Institute, an independent research firm, found the average amount of time from breach to discovery is 197 days. This means the attackers could be in your network for more than six months before you know it!

For the security of your institution and your account-holders, don't treat audits or security testing as a compliance "check the box." These risks should be analyzed with the same priority and level of concern as credit or liquidity risks.

*Hayden manages SHAZAM's risk management services. SHAZAM is a WBA Gold Associate Member. Learn more at [shazam.net](http://shazam.net) and follow @SHAZAMNetwork.*

# Spotlight on Community Advocates

Wisconsin's bankers are the definition of "community advocates" in all that you do every day to improve your local economy through your bank's products and services, as well as through your generous philanthropy of time and money. This column shares and celebrates the diverse backgrounds, experiences, perspectives, and innovation of some of the extraordinary bankers in this state.



Rose Oswald Poels

## O&A

The following is a brief interview between WBA President and CEO **Rose Oswald Poels** and The Park Bank (Madison) Vice President Business Development **Pablo Sanchez**.



Pablo Sanchez

### Rose: How did you first get into the banking industry?

**Pablo:** I was considering working at Chili's with my roommate. My roommate's father was a banker and pulled me aside and advised me to consider working at the bank part-time as I finished with school. I took his advice and got a job as a teller. I really enjoyed interacting with customers,

especially the small business owners. It was a small office, so I got the opportunity to learn a bit about each of the other roles at the branch. During the slow times of the day, I was able to help the manager, commercial lender, and the relationship banker with various tasks. This was a big help as I was considering banking as a career.

### What is your favorite aspect of your role at your bank?

What makes Madison a great place to live is the many wonderful organizations that are focused on our community, so I especially appreciate that through my job I am able to focus on the banking needs of non-profits. I also enjoy having the opportunity to help our business clients grow their business with financing options, cash management, and creating personal wealth. Overall, my role allows me to meet with diverse individuals and organizations and get to know them, which is very personally rewarding.

### What do you wish the general public understood about the banking industry?

I wish more people understood the role banks play in developing a strong local economy. Deposits at the bank help fund projects of economic and cultural importance in our community, from start-ups and mom-and-pop shops to child daycare centers, apartment buildings, restaurants, and entertainment venues.

### Where do you believe the industry's greatest challenges are in the next three to five years?

When I began in banking, a client needed to walk into a brick-and-mortar branch to do almost all of their banking, and now, clients can do all of their banking from home or at the office, giving bankers fewer opportunities for face-to-face interactions with our clients. Advances in e-banking mean our clients can access their bank in more ways than ever, and we will need to be agile as we adapt to what our consumers want and need, all while still maintaining our ability to provide personalized service to our clients.

### What are some of the most rewarding aspects of your work as a banker?

One of my most memorable experiences recently was through a financial literacy training program that Park Bank purchased to implement at a local high school. This training program teaches, assesses, and certifies students in financial literacy using the latest new media tools including 3D gaming. The program covers banking, credit scores, insurance, credit cards, student loans, mortgages, taxes, stocks, savings, 401ks, and other critical financial concepts. As the liaison between the bank, the school, and the tech company, I was able to introduce this program to the students and was a resource to the students as they went through the program. Financial literacy is so important to the success of young adults, and it was so rewarding to teach these students important topics that would help them throughout the rest of their lives. I am proud to say that all of the students passed the Financial Education Certification at the end of the program!

*Oswald Poels is WBA president and CEO | [ropoels@wisbank.com](mailto:ropoels@wisbank.com) | 608-441-1200 | Twitter: [@RoseOswaldPoels](https://twitter.com/RoseOswaldPoels)*



*Do you know a banker who should be recognized as a Community Advocate for the work that they do? Nominate them today by emailing Rose at [ropoels@wisbank.com](mailto:ropoels@wisbank.com)!*

## Remodel Update:

WBA has office furniture and supplies available! Visit [www.wisbank.com/wba-office-remodel](http://www.wisbank.com/wba-office-remodel) for more information and updates as construction progresses.

# Bankers Marketplace

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