The Show-Me Banker

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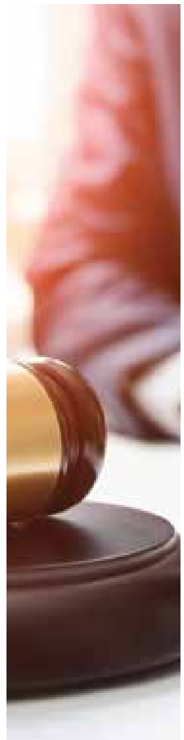

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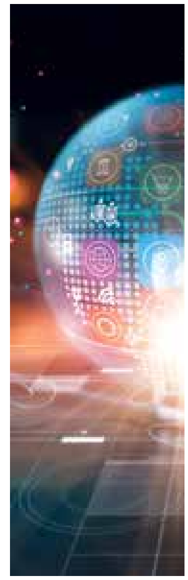

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PRESIDENT'S MESSAGE

Matthew Lauman

Farmers & Merchants Bank

"Not only is it a time to recognize and reflect, but it is also a time to continue giving back as well. Since it is also Financial Education month, it is good to look at financial literacy within our communities."

April is Community Banking month. It is a time to celebrate and reflect on staff members' achievements and involvement across this great nation who serve within their communities.

Not only is it a time to recognize and reflect, but it is also a time to continue giving back as well. Since it is also Financial Education month, it is good to look at financial literacy within our communities. Our bank, for example, has traditionally participated in the "Teach Children to Save Day" programs in our local schools during this month (although due to COVID-19, not this year). There are other ways, including holding town hall-style gatherings to cover topics ranging from savings to fraud avoidance. These are good ways to involve the community, educate them in the process and possibly add some new customers along the way?!

Not only is it a time to recognize and reflect, but it is also a time to continue giving back as well. Since it is also Financial Education month, it is good to look at financial literacy within our communities. Our bank, for example, has traditionally participated in the "Teach Children to Save Day" programs in our local schools during this month (although due to COVID-19, not this year).

Community banks are the heart and soul of most communities. For example, through this COVID-19 pandemic, we have witnessed countless community banks step up to the plate to serve their communities through the PPP loan program. This has been ongoing for some time (and still going as I write this article), but further evidence of how integral a role we play within our hometowns. We are ensuring the well-being, and in some instances, the survival, of our friends, our neighbors and businesses. While the fees being generated are a nice bonus for our banks, the true spirit of service to others should not be overlooked.

In closing, I would like to finish with this thought: Continue to demonstrate all the good that Community Bankers do. Celebrate and embrace involvement to help make our communities safer and stronger places to live and work. We are not Wall Street, we are Main Street, and if we continue to make a difference in each of our communities, that adds up to a large difference overall. ▪

FROM THE TOP

Noah Wilcox

Chairman of the ICBA

@NWWilcox

This past year certainly has delivered a different experience than I had imagined when I accepted the honor of becoming ICBA chairman. I've been teasing Pres Kennedy, ICBA's immediate past chairman, that when he passed the gavel to me, the floor fell out.

But when you step into a leadership role, you take the helm prepared to address the issues at hand. When I look back on ICBA's history, I see evidence of our leadership's strength and tenacity. Our past chairmen have guided us through some challenging circumstances. Just think of Cynthia Blankenship and the late Mike Menzies and Jim MacPhee, who were chairmen during the 2008 financial crisis and its aftermath.

So, when we got wind of the extent of COVID-19, I realized that my chairmanship would not fall into a traditional format. The pandemic seemed to slow things down and accelerate them simultaneously, with a lot of short-term decisions having long-term effects. But I'm an eternal optimist, so my tendency is to figure out how to make the best of a messy situation. In this case, we got to work.

We navigated an unprecedented mass loan experience with the Paycheck Protection Program (PPP), and we saved millions of small businesses. We reconfigured our business operations and created an environment where our teams can be efficient and effective remotely. We offered community aid and supported our customers who needed an extra buffer in difficult economic times.

Through ICBA, we have advocated with key agencies, members of Congress and now two presidential administrations. We met with former President Trump to advise on how the pandemic was affecting our communities. We have had numerous advocacy successes, including dedicated PPP funding for community bank lending, regulatory and tax relief, and relief from beneficial ownership disclosure mandates. And, perhaps most importantly, we found new ways to connect with and support one another.

Now, as we assemble virtually this month for ICBA Connect, we bear witness to the fruits of our labors. Despite everything, we remain a thriving community bank network, united in our common passion for and commitment to our communities.

This may be the most consequential year of my existence, and I will look back on this time as ICBA chairman with humility and pride. Despite enormous hurdles, we delivered true and meaningful support to community banks, small businesses and local communities. We rose to the challenge. I have no doubt we will continue that course into the future and look forward to what we will accomplish together. ▪

My Top Three

Things I'm grateful for:

1. Eternal optimism.
2. Making an impact.
3. Time to spend with family — and to write a cookbook.

Connect with Noah at Pres@NWWilcox

"Despite everything, we remain a thriving network of community banks, united in our common passion for and commitment to our communities."

think positive

Rebeca Romero Rainey

IBCA President & CEO

@romerorainey

FLOURISH

The art of storytelling began as a way to solidify cultural history and preserve details for future generations. Yet, to be retained, stories have to trigger us to remember them; they have to elicit an emotional response. In short, stories from the heart stick with us.

Our marketing efforts as community banks often center on the stories we tell, and they resonate because they unveil the beauty of our collective community experience.

For example, we've given home mortgages to the children we watched grow up in our backyards. We have supported retirement plans for those we sought advice from when we were kicking off our careers. We have kept our communities thriving by offering loans to new entrepreneurs putting down roots in our area. One story at a time, we've supported generations of people.

We can't underestimate how much that community connection matters. We are a culture unto ourselves, with deep roots in our communities, and those intertwined experiences demonstrate the strength of the bonds between us. This connected relationship means that when one of us flourishes, the other does as well. So, when we share our banking success stories, we also spotlight members of our communities.

Consider the small business that stayed open during the pandemic because we secured them a Paycheck Protection Program (PPP) loan or the expectant parents who built a new nursery through a home equity loan. Think of the local nonprofit that was able to continue its fundraising because of electronic payment options enabled by our banks or the family that was able to send emergency funds to an aging parent. These are the histories of our journey as a collective community, supporting one another in times of celebration and difficulty.

ICBA, too, embodies this rich history of community connection. Founded by a group of passionate community bankers, its members continue to fight to preserve the future of community banking. We carry that torch as we come together during this month's ICBA Connect and continue our work to advance our founding members' legacy at a national level.

As you read this month's ShowMe Banker, I hope its marketing insights inspire your community bank in its storytelling efforts. We cannot lose sight of our stories' power and the emotional connection that will link our past to our present and future. As a close-knit community, we must continue to share our stories for generations to come.

"Our marketing efforts ... often center on the stories we tell, and they resonate because they unveil the beauty of our joint community experience."

What you need to know

ICBA offers a "Tell Your Story" toolkit to empower you to share your community bank's impact. To find the toolkit, visit icba.org/marketingtoolkit. ▪

Connect with Rebeca at rebeca@romerorainey

A VIEW FROM THE CAPITOL

Congressman Blaine Luetkemeyer

Missouri's 3rd Congressional District

Bankers most likely know the Paycheck Protection Program (PPP) better than any other profession. Having been the vehicle for the government's most productive economic response to the pandemic, you have helped countless small businesses stay afloat and keep workers employed. As the lead Republican on the Financial Institutions Subcommittee, I spent a lot of time discussing the development of PPP last year — I spoke with many of you throughout that process — and now with the addition of being the lead Republican on the Small Business Committee, which has jurisdiction over the Small Businesses Administration, I am also responsible for overseeing the new administration's execution of PPP.

Since the program reopened at the first of the year, we've seen several challenges pop up. On top of unnecessary, politically-motivated restrictions imposed by the administration's 14-day exclusive lending period, error codes are causing massive processing delays. The SBA has stated it will stop processing all loans — even those already in the system — when the program expires on March 31. As of March 16, there was roughly $95 billion left in the program. There is absolutely no reason that small businesses who took the appropriate steps to access the program should not get relief simply because the SBA is experiencing delays. What's more, as is often the case when the government is the private sector's fault, banks will take the blame. That is unacceptable.

Recently, the Small Business Committee Chairwoman Nydia Velazquez and I negotiated a short extension to the program to give SBA time to iron out its problems and ensure qualified small businesses receive the relief they need. Specifically, the bill extends PPP for an additional 60 days then gives SBA another 30 days to process all loans in the pipeline. Importantly for banks, the expedited loan forgiveness process that was put in place in December will remain in place. The House passed the bill on March 16, and we expect the Senate to follow suit before the end of the month.

Given the current burn rate, the extension should provide the right amount of time to distribute the remaining funds while the program comes to a permanent close. As Ronald Reagan said, "Nothing lasts longer than a temporary government program." While the need for PPP lasted longer than we all had hoped, there is light at the end of the tunnel. With vaccines being disseminated across the country and the economy reopening, small businesses will soon have the best relief possible: a return to being fully operational and welcoming customers without restrictions. That should mark the end to this successful, temporary government program. ▪

"Recently, the Small Business Committee Chairwoman Nydia Velazquez and I negotiated a short extension to the program to give SBA time to iron out its problems and ensure qualified small businesses receive the relief they need."

Kris Dekker

Spencer Fane LLP

Peter Riggs

Spencer Fane LLP

LEGAL EAGLE SPOTLIGHT

1. What business trends were accelerated or exacerbated by COVID-19 in 2020?

As we look back on what was a truly historic year, it bears noting at the outset that the disruption and suffering that so many people experienced in 2020 can hardly be overstated. The loss of life, of human connection, of jobs, and of economic opportunities, was unlike anything we have seen in modern times. We should never lose sight of the human impact of this pandemic and, as we look forward to hopefully better days in 2021, we must remain mindful of the devastating impacts of COVID-19 on so many people's lives.

From an exclusively economic perspective, the most significant story of 2020 was the degree to which federal stimulus was able to significantly mitigate the impact that the pandemic had on the economy. Once it became clear that COVID-19 was spreading rapidly in the United States and restrictions on person-to-person contact would be required, analysts predicted waves of commercial bankruptcies across numerous industries. Ultimately, however, while it was an active year for commercial bankruptcies, the volume of filings was substantially less than predicted, predominately because of government stimulus, in the form of PPP and other loans, stimulus payments, and expanded unemployment benefits that helped maintain consumer spending and prevent even greater job losses.

The impact of the pandemic across different sectors of the economy was by no means uniform. Certain sectors faced devastating impacts, while others thrived. Not surprisingly, many companies were able to adapt to the pandemic using new delivery models for their products and services, some of which may continue after the pandemic.

Physical Retail

Since the emergence of online retail, physical retail (retail operating in physical locations rather than online) has been in decline, and the pandemic has accelerated that decline. In 2020, the pandemic-related restrictions caused physical retail to experience a significant drop in foot traffic. Compounding the problem for physical retail is that the restrictions, in many cases, pushed consumers to find online alternatives, which could very well impact consumer behavior beyond the pandemic. Notable retailers that sought bankruptcy protection in 2020, include JC Penny Co. Inc., Neiman Marcus Group Inc., Lord & Taylor, Guitar Center, Tailored Brands (including retail brands Men's Wearhouse and Jos. A. Bank), Ascena Retail (including retail brands Ann Taylor and Loft), GNC, J. Crew, Brooks Brothers, Stein Mart, Pier 1 Imports, Century 21 Department Stores LLC, True Religion, and Sur La Table.

The decline in physical retail has also impacted commercial real estate. Struggling retailers became unable to pay rent, which impacted income and property values for commercial property owners. Two major mall owners filed for bankruptcy protection this past year: CBL Properties and PREIT.

Other Businesses Dependent upon Physical Presence

Some otherwise strong businesses suddenly found themselves in crisis as a result of a sudden shift in consumer behavior, most notably those businesses that depend on the consumer's physical presence. Several such companies sought bankruptcy protection in the fitness center space (Yoga Works, Cyc Holdings, owner of Cyc Fitness, Gold's Gym International, 24 Hour Fitness Worldwide, Inc., among others), the restaurant industry (California Pizza Kitchen, FoodFirst Global Restaurants, owner of Brio, Garden Fresh Restaurants, owner of Souplantation and Sweet Tomatoes, and CEC Entertainment, parent company of Chuck E. Cheese, among others), and movie theater chains (Studio Movie Grill Holdings, Cinemex USA Real Estate).

The travel industry also suffered significantly from the restrictions and health concerns arising from the pandemic. While the airlines were beneficiaries of a $25 billion government bailout, other travel-related businesses such as hotels, rental cars, and ride hailing services were not as fortunate. Rental car company Hertz is the most prominent example that wound up in bankruptcy in 2020. Other downstream vendors such as VRBO and AirBNB owners also saw significantly reduced revenues on account of declines in travel overall, and customer weariness associated with booking non-standardized rental units during a pandemic.

Energy

The sharp decline in personal and business travel and daily office commutes, combined with price wars in global markets, has sent oil and gas prices to historic lows and accelerated a multi-year decline for oil and gas companies in 2020. According to a recent analysis by Haynes and Boone LLP, 45 oil and gas drillers filed for bankruptcy during the first 11 months of 2020 citing some $54 billion in debts. Similarly, in the oil field service industry, 57 companies filed for bankruptcy protection during the same period, citing $41B in debts.

Bright spots

Of course, not all segments of the economy suffered. The effects of Covid-19 have accelerated the prospects of online retailers such as Amazon, connectivity services such as Zoom, home improvement stores such as Lowes and Home Depot, home fitness equipment manufacturers such as Peloton, entertainment services such as Netflix and video game platforms, and big box retail such as Walmart and Target.

The travel industry also suffered significantly from the restrictions and health concerns arising from the pandemic. While the airlines were beneficiaries of a $25 billion government bailout, other travel-related businesses such as hotels, rental cars, and ride hailing services were not as fortunate.

These businesses boomed in large measure due to changes in consumer behavior resulting from pandemic-related restrictions and concerns.

2. What are some top concerns for business owners and employers in the realm of bankruptcy and restructuring?

While 2020 was an active year for commercial bankruptcies, the volume of filings was not as substantial as predicted in the spring. As mentioned above, this is in large part because of government stimulus. Additional recently-enacted stimulus and the rollout of vaccinations give reason for optimism in 2021, but significant uncertainty remains, and we anticipate still a further decline in the economy before any improvement.

Office real estate may become an increased area of concern in 2021. A shift to remote work in many industries may cause many businesses to re-evaluate their office space needs. That could lead to reduced demand and ultimately reduced rent and property value for owners of office real estate.

With respect to commercial loans, many lenders adopted a "wait and see" approach during 2020, with most being willing to grant deferral and forbearance agreements to their borrowers. The patience of lenders may wane, however, as non-performing loans create a drag on portfolio performance. In view of that, we anticipate a moderate uptick in loan enforcement in 2021.

For business owners who are considering reorganization as a means to maintain their business operations but who have granted personal guaranties with respect to their business's debts, those owners will want to first confirm whether the business's bankruptcy triggers additional liability under their personal guaranties before they undertake any action for reorganization.

3. What changes may be coming up (or what recent changes have taken place) due to regulations or public perceptions?

Most people believe, based on guidance from medical professionals and government officials, vaccination efforts should allow COVID-related restrictions to be eased sometime in 2021, hopefully putting many businesses that have been impacted by those restrictions back on the path to recovery. While uncertainty remains about how quickly the restrictions can be eased and how soon thereafter the economy will recover, we have at least some clarity about what to expect with regard to that timeline. This greater clarity should help businesses plan and provide banks greater comfort in extending bridge financing, maturity extensions, and forbearances to their customers, enabling those customers to get through the remainder of the pandemic. Greater certainty should arrive as the vaccination efforts continue over the coming months and the public health picture comes into clearer focus.

Despite our anticipation that pandemic restrictions are likely to ease during 2021, some economists still believe there may be a surge in commercial bankruptcies at some point this year as government stimulus tapers off. While additional government stimulus is still planned, some think it may be ultimately insufficient to keep many businesses from filing for bankruptcy, raising a concern about whether there will be sufficient judicial bankruptcy resources and debtor-in-possession financing for small businesses.[1] In the event a bankruptcy surge of significant magnitude begins to

Continued on page 8

Continued from page 7

emerge, the government may address these concerns, but additional legislative reform is unlikely at the present time.

4. Is the need for bankruptcy relief being exacerbated by COVID-19?

While the pandemic has certainly put an economic strain on many businesses, most notably those relying on the physical presence of customers, such as hospitality, restaurants, retail, and theaters, the unprecedented economic stimulus injected by the government in 2020 appears not only to have staved off any increase in commercial bankruptcies, but perhaps actually decreased them, at least for the time being, relative to historical levels. Through November of last year, 30,310 commercial bankruptcies were filed in the U.S. Assuming a uniform monthly pace of filings, that would result in approximately 33,065 filings for 2020. By comparison, in 2017, 2018 and 2019, there were 39,050, 38,044 and 38,536 commercial bankruptcies filed, respectively. [2] 2020 did see an increase in Chapter 11 filings, with the largest amount of commercial cases filed (6,735 through November 2020) since 2012 (7,289 Chapter 11 cases).[3]

Looking forward, both parties of government seem intent on extending additional stimulus as we move through 2021 in a continued effort to save businesses and jobs, and the vaccination efforts provide real reason to believe that COVID-related restrictions could be eased at some point this year. In view of those developments, there is optimism that COVID will not ultimately force significantly greater numbers of companies into bankruptcy than would have otherwise have filed without the impacts of COVID.

That said, undoubtedly, there are many companies that have merely survived the pandemic thus far and have depleted cash reserves and other capital to do so. Once that capital is spent and government stimulus tapers off, these companies may need to consider bankruptcy.

There also are businesses who may not absorb the full impact of the pandemic for several years yet. For instance, if companies ultimately find work-from-home arrangements to be economical, effective and popular on a long-term basis to a degree that allows them to reduce their office footprints, the office landlords may not feel the impact of that reduced demand until the leases begin to expire. And some businesses may never return to their pre-COVID revenues, because their customers' preferences may have changed during the pandemic, such as consumers who acquired a new-found preference for online, delivery and curbside services, all of which could lead to additional bankruptcies long after the COVID virus has been contained.

5. How might businesses position themselves for the best outcomes? Are there alternatives?

Be proactive. Every business should evaluate what it needs to sustain its operations through the end of the COVID-related restrictions. In connection with that, businesses will want to consider whether their industry is likely to recovery quickly or more slowly once those restrictions are eased. Once the capital needs of a business are reasonably determined (understanding, of course, that uncertainty still exists regarding just how long it will be until those restrictions are eased and the economy returns to pre-COVID strength), it should identify its sources of potential capital. For many small businesses, this will primarily be its lender. Businesses should engage in conversations with their lenders as early as possible. Most banks, thus far, with encouragement from government stimulus and a desire to maintain their relationships with their customers, have liberally granted their borrowers some form of payment deferral when requested. When justified, banks have also agreed to restructure long-term debt, understanding that the pandemic, while still causing immediate economic strain, will eventually come to an end.

Look to your bank for advice. Some banks have become not only a source of credit to its customers but also a growing resource of business information, even offering classes and workshops covering topics such as finance, management and leadership, sales and marketing, human resources, and information technologies. Most banks will be able to provide their business customers with the latest information regarding COVID-specific lending programs, such as the Paycheck Protection Program and Economic Injury Disaster Loans that were previously-enacted by Congress. Because the government appears committed to extending additional COVID-specific stimulus programs throughout 2021, forming a good relationship with your lender will position you well to take advantage of these programs as they become available.

Business who are suffering from COVID-related restrictions may also want to consider whether they can adapt their operations to help mitigate the impacts of COVID. Many businesses in the restaurant, retail and grocery industries have been successful in quickly implementing new delivery and curbside services. In some cases, these new services have been so successful, that business owners will likely want to consider continuing these services after the pandemic is over.

Unfortunately, business that have been significantly impacted by the pandemic may need to consider bankruptcy. In some circumstances, this may mean winding down operations and liquidating, but in other circumstances, this could mean reorganization, which entails obtaining some form of debt relief, but results in the business operation continuing rather than winding down. With regard to reorganizations, in 2019, Congress enacted the Small Business Reorganization Act of 2019, creating a faster and more efficient reorganization option for small business debtors. Originally, this option was available only to businesses with debt not exceeding $2,725,625, but in reaction to the economic fallout from the COVID pandemic, Congress expanded this option, making it temporarily available through March 27, 2021 to businesses with debts up to $7,500,000. For small businesses in need of debt relief, reorganization under the Small Business Reorganization Act is a far more viable option from a cost and efficiency standpoint than the standard Chapter 11 bankruptcy, which was previously the only option available for reorganization. The goal of this new reorganization option is to allow more small businesses an opportunity to remain in operation. ■

[1] https://www.brookings.edu/wp-content/uploads/2020/09/Greenwood-et-al-conference-draft.pdf
[2] https://www.abi.org/newsroom/bankruptcy-statistics
[3] Id.

Peter Riggs is a partner at Spencer Fane LLP in the firm's Kansas City office. He is an experienced litigator and regulatory attorney that advises clients across the financial services industry in litigation, government and internal investigations, and bankruptcy and creditors' rights matters.

Kris Dekker is a partner at Spencer Fane LLP in the firm's Kansas City office. He helps banks, financial institutions and other lenders of varying sizes close their transactions efficiently, representing them in all phases of lending.

2021 MIBA PAC HONOR ROLL

Contributors to the MIBA Political Action Committee are recognized for their generosity on the association's website and at the MIBA Annual Convention and Exhibition. Different levels of contribution have been set to recognize supporters of our Political Action Committee fund and to make the association's membership more aware of this important facet of our work on behalf of the political agenda of community banks across Missouri.

Note: personal or corporate campaign contributions to any PAC are not deductible in any amount for federal tax purposes.

PRESIDENT'S FAIR SHARE LEVEL
$10 per Million in Deposits up to 250M Cap

- Adrian Bank
- Bank of Advance
- Bank of Iberia
- Bank of Louisiana
- Bank of Old Monroe
- Bank of Salem
- Community Bank of Pleasant Hill
- Community Bank of Raymore
- Community State Bank of Missouri,Bowling Green
- Exchange Bank of Missouri, Fayette
- Exchange Bank of NortheastMissouri, Kahoka
- Farmers & Merchants Bank,St. Clair
- First Independent Bank, Aurora
- Metz Banking Company, Nevada
- Midwest Independent BankersBank,Jefferson City
- Peoples Bank & Trust Co., Troy
- Peoples Bank of Altenburg
- Regional Missouri Bank, Marceline

PLATINUM LEVEL
$750 and up

GOLD LEVEL
$400-$749

- Commericial bank, St. Louis
- Legends Bank, Jefferson City

SILVER LEVEL
$200-$399

- Bank of Crocker

INDIVIDUAL

MEET YOUR

MISSOURI BANKER

Name: Garrett Jones | **Title:** Vice President

Bank Name: Bank of Odessa

We mainly specialize in residential lending and helping our customers with their personal and agricultural needs.

1. Where are your main bank and branches located? What is the market like?

Our Main Branch is in Odessa, Mo. We have a second branch as well that you would see driving through the downtown of Odessa at our four-way. That was our original location dating back to the late 1800's! We serve a lot of customers local to Odessa and the Lafayette county area as well as eastern Jackson county and Johnson county, Mo. We mainly specialize in residential lending and helping our customers with their personal and agricultural needs.

2. What is something unique about your bank?

I find that our financing types and how we manage to make deals work are our most unique characteristics. We get calls from all over the central part of the state because a friend, a realtor, or even their current bank told them to call us because it's something "we could probably get done." We have a way to get creative or think outside the box to help structure a loan or project, whereas another bank was limited in certain areas.

3. How did you get started in the banking business?

I went to the University of Missouri to pursue a business degree, not knowing what specific field I wanted to end up in. I had always been intrigued by money and finance, as that was what made the world go round. As graduation approached, I applied to many major corporations in the Kansas City Area in which I had heard the best reviews from friends who had also worked there. One day, I received a call from someone I knew and was told the local bank where I grew up was hiring and here I am eight years later!

4. What is the most important thing you've learned from this career so far?

It's harder and harder to trust people these days. I grew up hearing stories from my grandparents and older customers that it was on a handshake when they bought their first car or house. If someone looked you in the eye and shook your hand, it was as good as gold. Nowadays, it seems even those who appear to be your best customers would burn your bridge if it helps them make $100.

5. Tell us about the bank's community investment efforts.

I would consider our bank one of the biggest investors of our community. We realize it's the community that keeps us in business, so it's our job to help give back and help our community grow. We do so in many ways, such as donations for kids for either their sports teams or even 4H projects. We also give in many forms such as scholarships, fundraisers, and recently helping in funding a new multi-sports complex and community center that will be coming to Odessa soon!

6. What's your favorite thing about your bank/banking in general?

My favorite thing about banking is seeing the results of my job. Whether it is someone coming back in and thanking me for giving them "a chance" to start their business or helping them buy their first car or house. I've only been at the Bank of Odessa for eight years now, but as time goes by, I've seen more and more of my customers running successful businesses or paying off their first loans and thanking me for a start. Many of the customers I inherited from our previous lenders who have retired always have to tell me about their first car loan or house loan done by a handshake. They brag about how great they were to work with and how they would not be where they are today without the Bank of Odessa's help. I hope to have the same influence on as many people by the end of my career.

7. If you didn't have a career in banking, what other career would you choose?

After trying to put together a great article for The Show-Me Banker, I can say it would not be journalism! And if I could take 15 strokes off my golf game, maybe even a run at the PGA! Since that is not happening either, I could see myself starting my own business in a skilled trade. I have always enjoyed working with my hands and physical labor.■

WHY CYBERSECURITY KEEPS ME UP AT NIGHT

(AND HOW WE CAN ALL GET BACK TO SLEEP)

By Brad Prost, JMARK Business Solutions

Let's talk about cybersecurity.

Wait! Come back! I know what you're thinking: "It's always cybersecurity with these I.T. guys! Don't they have anything else to talk about?"

It's true. Those of us in I.T. talk about cybersecurity a lot. We think about it a lot. We worry about it a lot. Cybersecurity keeps us up at night — sometimes literally, when there are patches to be installed or urgent vulnerabilities to be addressed.

Hopefully, it is eye-opening to you that we are still talking about security even after all this time. And hopefully, that impresses upon you just what high-priority security should be when it comes to your technology. This is us trying to call attention to an issue so important that it often precludes talking about the I.T. topics we'd prefer to be getting into.

In truth, if cybersecurity keeps me up at night in worry, I.T. strategy keeps me up at night in excitement. That's what I want to talk about; I'd love to get into all the ways technology can make your bank more productive, dynamic and competitive. But getting into that without first making sure that your systems are safe would be jumping the gun because having a secure, stable technology environment is what buys you the opportunity to invest in I.T. strategy.

2020's Other Big Story Was Cybercrime

Look, given everything that happened last year, you can be forgiven if you missed the news about the increase in cybercrime. That's a big part of what we "I.T. guys" are here for — to take care of cybersecurity so that you can focus your attention on other things. But you should be aware of the data and trends in general, if only so that when it comes to planning and budgeting to protect your bank, you are aware of just how dangerous things have become and just how critical it is to invest in security.

Just a few of the stats that are keeping my eyes open at three in the morning:

- There were more cyberattacks in the first half of 2020 than in all of 2019. (Crowdstrike)
- The number of cyberattacks grew again from July to August 2020 by 30%. (SDC Executive)
- On average, only 5% of most companies' files are properly protected. (Varonis)
- Data breaches exposed 36 billion records in the first half of 2020. (RiskBased Security)
- The average time to identify a breach in 2020 was 207 days. (IBM)
- The average lifecycle of a breach was 280 days from identification to containment. (IBM)
- The average ransomware payment rose by 33% in 2020 to $111,605. (Fintech News)
- 65% of attackers used spear-phishing as the primary means of infection. (Symantec)
- 95% of cybersecurity breaches are caused by human error. (Cybint)
- More than 77% of organizations do not have an incident response plan. (Cybint)
- There were 3,932 data breaches in 2020, more than double the 1,506 breaches of 2019. (RiskBased Security)

Need I go on? Because sadly, I could.

How about a few statistics specific to banking, just for fun (you know, since we all get a kick out of panic-inducing data)?

- The average financial services employees have access to nearly 11 million files from the first day on the job. (Varonis)
- It takes an average of 233 days to detect and contain a data breach in banking. (Varonis)
- The average cost of a financial services breach is $5.85 million. (Varonis)

While we're on the topic of nightmares, let's talk a bit about the effect that the COVID-19 pandemic had on cybercrime.

- Since the beginning of the pandemic, the FBI reported a 300% increase in cybercrimes. (IMC Grupo)

- The increase in cyberattacks targeting banks in 2020 was 238%. (Fintech News)
- Cloud-based cyberattacks rose 630% in Q1 2020. (Fintech News)
- Remote work has increased the average cost of a data breach by $137,000. (IBM)

These statistics make it clear that the bad guys are relentless when working to find a way into your network. Just as with so many other things that changed in 2020, there will be no going back. Cybercrime is a rising concern, and that trend will continue to move upward.

Getting Back to Sleep

So, what can you do to increase your bank's security posture and take the upper hand in the battle against cybercrime?

Some cybersecurity solutions are more easily and quickly implemented than others. Still, it is important to note that every security component, large or small, plays a vital part in keeping you safe. Think of cybersecurity as made up of individual bricks in a wall. Any missing brick leaves a gap that might allow something to slip through. Yet every additional brick you add does not stand alone and strengthens the surrounding pieces of the wall.

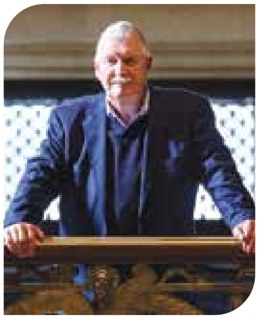
If you have yet to do so, implement two-factor authentication (2FA) and a password management policy throughout your bank. (I know, I know, the only phrase you hear more often than "cybersecurity" from us I.T. guys is "better passwords!" But there are few things you can do that are easier yet will have such a large impact.) Explain the heightened risks to your employees and start ongoing end-user security training to keep everyone in the company sharp and up to date on recognizing suspicious activity and threats.

Pair these initial actions with an evaluation of your current security plan. Talk to your provider about how patching and updates are executed on your systems, as well as monitoring alerts and unexpected behavior across your network. Then go deeper and discuss what happens should a breach of any sort occur. Talk about immutable backups and a technology restoration and continuity plan. Look into your cyber-insurance policy and make sure that it is aligned with the risk your bank is willing to accept as well as your current revenue. You may also want to consider developing an emergency customer communications plan in the event of a data breach.

Most importantly, don't let up. The cybercrime syndicates that are out there will keep pushing to find a way into your network; you must keep pushing back. The bright side is that there are also plenty of good guys ready to work just as diligently to keep you safe. Better security is possible, and with the right planning and effort, you can make your bank a more difficult and less desirable target and regain some of the peace of mind that leads to a good night's sleep. ▪

Questions? Contact Brad Prost at 417-837-4855 and bprost@jmark.com.

MIBA LOBBYING
REPORT



Andy Arnold

Arnold & Associates

It's the mid-way point of the 2021 edition of the Missouri General Assembly. Spring break, a 10-day break, is underway, and as I write this article, I am hurtling down I-55 on my way for a little R&R in Mobile, Alabama, on the Robert Trent Jones III Golf Trail.

At the break, we have succeeded in having a mandate removed from a bill that would have required Missouri financial institutions to bank any business selling the supplement Kratom, an herb from Southeast Asia that has been banned in several countries and the U.S. We have also promoted a revision in the states PACE law and the Division of Finances priority, another regulatory revision bill in both the House and Senate.

This session has been anything but normal, with a week off in the House in January due to COVID and a week off in the Senate due to the extreme cold weather in mid-February. The House has been playing catch-up with marathon hearings both in number and bills heard. The Senate is more measured.

The House's key issues are Education reforms — educational savings accounts, open enrollment, school accreditation and Charter school expansion to any community of $30K or more. The House has also found time to move forward a bill to mandate biodiesel fuels' sale rather than clear diesel and a bill restricting Missouri law enforcement from enforcing any federal gun law. The Senate priorities are police reforms, wayfare (collecting sales and use tax on internet sales), income tax cuts and raising fuel excise taxes 12.5 cents over the next five years.

With these and other issues beginning to percolate, the next nine weeks should be interesting! ■

NEW MEMBERS

Country Banker Systems, Inc.
Will Ohlde
Phone: 785-446-2257

Country Banker Systems — a powerful loan analysis software company. We strive to help lenders be the best they can be. The software includes trend analysis, global analysis, risk rating, proforma reports, loan presentations, accrual adjustments, and more! ■

NEWS
FROM YOU

Community Bank of Raymore Announces the Appointment of Their Newest Board Members, Beverley Brewington, Jerry Martin, and Mason Banks

Beverly Brewington

Executive Vice President / Chief Financial Officer

Jerry Martin

Advisory Director

Mason Banks

Advisory Director

Beverley Brewington is currently the Executive Vice President/ Chief Financial Officer at Community Bank of Raymore. Ms. Brewington has been with CBR since 1994.

Jerry Martin has been an Advisory Director on the Board since January 2008. Mr. Martin semi-retired as Senior Vice President/Loan Officer of CBR. Jerry celebrated 50 years in banking August 2019 and currently works part time as the Post Closing Loan Review Officer for Community Bank of Raymore and Community Bank of Pleasant Hill.

Mason Banks joined Community Bank of Raymore Board of Directors as an Advisory Director in August 2020. Mr. Banks is a local small business owner and long-time resident of Raymore.

Community Bank of Raymore is an intricate part of the Raymore, Peculiar, and Harrisonville communities supporting schools, local non-profit organizations & charities. Giving our customers the best professional service as well as developing a business relationship is our goal and purpose as your local community bank.

Community Bank of Raymore welcomes Beverley, Jerry, and Mason to the board and the knowledge-based prospective that they will contribute.

Mid America Bank Appoints New Board Member

Shawn Burcham

Board of Directors

Mid America Bank has announced that Shawn Burcham has been named to Mid America Bank's Board of Directors. Burcham is founder and CEO of PFSbrands and GRITT Business Coaching.

"We are delighted to welcome Shawn to Mid America Bank's Board," said President Mark Luebbert. "As a successful businessman in our community, the skills and knowledge he'll bring to our Board and Bank will be of great value," commented Luebbert.

In addition to his successful entrepreneurial efforts, Burcham is an accomplished speaker, best-selling author, business advocate and is passionate about helping others become more successful in work and in life. Burcham resides in Holts Summit with his wife and three daughters.

Midwest Independent Bankersbank To Help Shape The Future Of Instant Payments

Midwest Independent BankersBank will be a leader in the industry's charge to provide American consumers and businesses with instant payment services that deliver control, convenience, and certainty by participating in a pilot program for the Federal Reserve's upcoming instant payments offering, the FedNowSM Service.

The FedNow Service will provide an important payments infrastructure when it becomes available in 2023 or 2024. Financial institutions and their service providers will be able to use the service as a springboard to bring the benefits of safe, efficient instant payments to communities across the country.

"We are proud that we'll help the Federal Reserve develop its first major new payment system in four decades," said Sheila Noll, EVP/Chief Operations Officer. "We look forward to working side by side with the Fed and other pilot participants to help ensure the service meets stakeholder needs."

Midwest Independent BankersBank will help shape the FedNow Service's features and functions, provide input into the overall user experience, ensure readiness for testing and be the first to experience the FedNow Service before its general availability. In the initial advisory phase, participant input will help to further define the service and adoption roadmap, industry readiness approaches and overall instant payments strategy.

For more information on the FedNow Pilot Program and the FedNow Service, visit FedNow.org.

"FedNow" is a service mark of the Federal Reserve Banks. A list of marks related to financial services products that are offered to financial institutions by the Federal Reserve Banks is available at FRBservices.org.

MIB is a "bankers' bank" which provides a wide array of correspondent banking services to approximately 500 financial institutions throughout the Midwest. Based in Jefferson City, MIB's banking services are provided exclusively to financial institutions. The website for MIB is www.mibanc.com

Pony Express Bank Announces New Hires

Kevin Page

Assistant Vice President of Finance and Corporate Administration

Pony Express Bank is excited to announce the hiring of Kevin Page as Assistant Vice President of Finance and Corporate Administration. Kevin joins his sister Lynsey Waldman (VP of Marketing) as the 5th generation in their family to choose a career in community banking. Kevin will work alongside his father, Scott Page (CEO & President) and uncle, Tom Page (Executive Vice President) as they begin the process of transitioning the 130-year-old bank into its next era of family-owned leadership.

"I am incredibly excited for my son Kevin to join our team here at Pony Express. He brings a youthful energy and an intense desire to learn this business from the ground up. We hope this strategic hire will serve as a signal to our employees, customers, and the northland community that Pony Express Bank is committed to the continued service of your financial needs, both now and into the future." CEO Scott Page said in making the announcement.

Kevin graduated top of his class at Liberty North High School in 2013 before attending Texas Christian University to pursue degrees in Finance and Accounting. In 2017, Kevin graduated Magna Cum Laude from TCU's Neeley School of Business with Honors and the distinction of Neeley Fellow. Kevin spent the last four years working with JTaylor & Associates, a national consulting firm based in Fort Worth, TX specializing in healthcare mergers & acquisitions.

"I'm extremely excited for the opportunity to join the family business and to contribute to the legacy my great-great grandparents started more than a century ago. Some of my very first memories are here at Pony Express Bank and I look forward to making many more in the years to come. Kansas City and the Northland have always held a special place in my heart and I'm grateful to be back home serving my community!" said Kevin Page in the release.

The Regional Missouri Bank (RMB) Employee Promotions

Annette Nannemann

Executive Vice President

Michael Roberts

Executive Vice President/Controller

Beth Roby

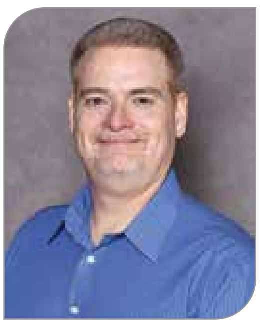
Executive Vice President/Branch Operations Officer

Kevin Fischer

Executive Vice President/Branch Loan Supervisor

Gary Fowler

Senior Vice President/Business Relationship Manager



Carl Turner

Vice President/ Information Security Officer

Joseph Cater

Vice President/ Commercial Banker

Holly Keiser

Assistant Vice President/Mortgage Underwriter

Greg Hedges

Assistant Vice President/Commercial Banker

Jackie Roberts

Assistant Vice President

REGIONAL MISSOURI BANK
Member FDIC

MARCELINE, MO — The Regional Missouri Bank (RMB) Board of Directors announces the following employee promotions from their recent Board Meeting.

Annette Nannemann — promoted to Executive Vice President. Annette joined RMB in 1989. Ms. Nannemann has worked as a Teller, Assistant Vice President of Operations, Vice President/Cashier, and Senior Vice President throughout her career at RMB. Annette will continue to serve as the BSA Officer and Cashier for the bank.

Michael Roberts — promoted to Executive Vice President/Controller. Michael joined RMB in 2013. Mr. Roberts has worked as a Customer Service Representative, Internal Auditor, Credit Analyst, Loan Officer, and Vice President of Asset/Liability Management throughout his career. Prior to joining RMB, Michael had eight years of banking experience. Mr. Roberts has completed the Barret Graduate School of Banking.

Beth Roby — promoted to Executive Vice President/Branch Operations Officer. Beth joined RMB in 2012. Mrs. Roby has worked as a Customer Service Representative, Consumer Loan Underwriter, Private Banker and Vice President of Marketing throughout her career. Prior to joining RMB, Beth had six years of banking experience.

Kevin Fischer — promoted to Executive Vice President/Branch Loan Supervisor. Kevin joined RMB in 2007. Mr. Fischer has served as an Ag Loan Specialist throughout his career. Kevin has completed the Barret Graduate School of Banking, University of Missouri Extension's Ag Lenders School, and served on the Board of Directors for the Missouri Young Bankers Leadership Division.

Gary Fowler — promoted to Senior Vice President/Business Relationship Manager. Gary joined RMB in 2000. Mr. Fowler has worked as a Teller, Collection Manager, and various lending positions throughout his career. Gary has completed the Missouri Bankers Association School of Agricultural and Commercial Lending and served on the board for the Moberly Chamber of Commerce.

Carl Turner — promoted to Vice President/Information Security Officer. Carl joined RMB in 2007. Mr. Turner has worked in various Information Technology positions throughout his career. Carl is a certified Bank Technology Officer and Community Bank Security Officer.

Joseph Cater — promoted to Vice President/Commercial Banker. Joseph joined RMB in 2016. Mr. Cater has worked as an inside salesman, Loan Review and Assistant Vice President of Lending throughout his career. Joseph has completed the Missouri Bankers Association School of Lending and School of Bank Management and is a Randolph County Excel Graduate.

Holly Keiser — promoted to Assistant Vice President/Mortgage Underwriter. Holly joined RMB in 2020. Mrs. Keiser has worked as a Branch Manager, Ag Relationship Manager, Loan Assistant, teller throughout her career. Prior to joining RMB, Holly had 19 years of bank experience.

Greg Hedges — promoted to Assistant Vice President/Commercial Banker. Greg joined RMB in 2020. Mr. Hedges has worked as a Teller, Banking Trainee and Business Banker throughout his career. Prior to joining RMB, Greg had seven years of bank experience.

Jackie Roberts — promoted to Assistant Vice President. Jackie joined RMB in 2021. Ms. Roberts has worked as a Teller, Bookkeeper, Consumer Loan Officer, Branch Manager and Retail Manager throughout her career. Prior to joining RMB, Jackie had 24 years of bank experience. She has completed the Missouri Bankers Association Compliance Lending Classes, Women in Banking Conference and been recognized for her sales skills.

Regional Missouri Bank has been your local, community bank since 1908. Patrick Kussman, President and CEO stated, “Our goal is to support the growth of the communities we serve. Regional Missouri Bank is locally owned and has a very rich history of being involved in each of our communities. We are large enough to serve any of your financial needs, but small enough to care and keep our customers as the priority. Our bankers are your friends and neighbors. Because we live and work in the communities we serve, RMB employees strive for the success and financial advancement of our neighborhoods. RMB clients receive friendly, prompt and personalized service from our knowledgeable staff. Please join us in congratulating these employees on their recent promotions.” ▪

A BACKGROUND ON ...

ADRIAN O. BREEN

Adrian Breen believes in hard work and discipline. He likes a quote by Henry Saunders, a UCLA Bruins coach, often attributed to Vince Lombardi: "Winning isn't everything, it's the only thing." Another quote is from Ashley Hodgeson: "The strongest people aren't always the people who win, but the people who don't give up when they lose."

Born in New York, Adrian moved to Cincinnati with his family when he was in second grade. His mom always emphasized the importance of sports. "She told, you are going to play sports, but you are going to get an education, you are going to learn work ethic and competitive nature, and it will all carry over." After high school, Adrian went to Morehead State University in Kentucky on a football scholarship as a finance major and football quarterback. It made sense to become a banker eventually. His great-grandfather owned a bank, his grandfather was an attorney for the bank and his father was a banker.

Adrian finished his sophomore year at Morehead, and he was elected as a team captain. As captain, he was allowed to go to Army basic camp for six weeks at Fort Knox to develop his leadership skills. He was 20 and thought it would be cool to learn how to fly an Apache helicopter. It didn't work out; his vision disqualified him. Still, he wishes everyone could have a boot-camp experience. It gave Adrian profound respect for the sacrifices military families go through.

Adrian learned many lessons during boot camp, and it has been a huge influence on his life because of the discipline, sacrifice and hard work required. "You stayed up late, and they get you up early, "Adrian said. "There was always something going on, like the next drill, the next exercise or night watch. You learn to do more with less."

After boot camp, Adrian went back to Morehead. In 1987, Adrian was a free agent for the Cardinals. He was cut before the season started and after university classes had started. Next, the Cincinnati Bengals signed Adrian to play quarterback before the 1987 football strike began. He played for the Bengals but broke vertebrae in his back. Adrian healed without surgeries, but has arthritis as a result.

After the 24-day football strike in 1987, the Bengals offered to bring Adrian back. He said no. Meanwhile, Adrian had transferred to Cincinnati's Xavier University because of signing with the Bengals, but he had to take additional classes because of the transfer. He married Lori in 1988.

Adrian was hired as a teller at 5/3 (Fifth Third) Bank in Cincinnati. He worked seven days a week and went to school full-time. The Kroger grocery store chain had 5/3 Bank branches inside their stores. Nobody wanted to work on the weekend, but Adrian needed the money. "Lori would go to bed, and I would sit in the corner with a desk and a light, stay up and do homework," he said.

Several people had a significant impact on Adrian's career.

Adrian met George Schaefer, Jr. during the 12+ years he worked at 5/3 Bank. The bank had a tremendous growth spurt between the late 1980s and the 2000s. Adrian never reported directly to George, but he worked with several members of George's executive team. George understood that banking is a people-and-relationship-driven business. Also, George was competitive. "He was a hard-driven, hard-working leader," said Adrian. "I learned something every time I was around him."

George's executive team was also phenomenal. They were all competitive and driven, but they were only interested in financial advocacy and building long-term relationships. "We gave customers what they needed," said Adrian.

After Adrian graduated, he entered a management training program the following Monday. Adrian went out to branches as an assistant manager as he went through the program and was promoted later as a manager.

Each bank manager ran their branch as if it was their own business. "You had to know

your business and produce," said Adrian. "You would do loans, credit cards, mortgages, originate, be a small business lender and manage staff. It was fast-paced and demanding. The job exposed you to all areas." After three years of managing a bank, Adrian applied for and took a commercial lender position.

When Adrian left 5/3 Bank, it had grown "by leaps and bounds," said Adrian. He moved to Park National Bank for five years, where his new boss was a CEO named Dan DeLawder. Headquarters were centralized in Newark, Ohio. Adrian worked in the southwest corner of the state, just north of Cincinnati and above Northern Kentucky.

Adrian's new job exposed him to the community banking model. "I saw how powerful it was," he said, "and I cut my teeth in the community banking world."

Another big influence was David Crader, Adrian's predecessor at the Bank of Missouri. "I've met a lot of community bankers," said Adrian. "David was the best community banker I've ever met. No offense to anybody: he's just that good. He brought me in as his successor, mentored me and then retired, but he continues to mentor me now. He's a great sounding board."

The most rewarding part of Adrian's career is watching people develop and become successful. "I appreciated that people took the time to develop and mentor me," he said. "I enjoy the people side of it and the positive impact we have." His work has allowed him to provide money for buildings, help companies and provide financial literacy guidance. It is all part of the Bank of Missouri's tagline, which is "Live Well. Bank Well." He said, "Banking is a part of life. That's what I enjoy most about it."

Adrian has three suggestions for bankers coming into the industry:

1. "You have the life you were born into, and you have the life you make for yourself. How hard you are willing to work and what price you are willing to pay determines whether you succeed. Everyone wants to be successful, but successful people don't post about the hard work it takes to get there.

2. "It's important to have a work-life balance. I am very lucky. I have a great wife who is always really good about keeping me grounded. If you love what you do, it doesn't even feel like work to you.

3. "Be fair and do the right thing. Never sell a product of the month to hit a goal. If we are not growing and being successful, it is because we are not doing the right thing daily. Prepare and develop employees so they can serve customers. The science of banking is the numbers. The art is how you help people navigate the journey and meet their goals and dreams."

Adrian sees many benefits in MIBA membership. "MIBA has a great leadership group in place," he said. "The association is a reflection of the people who lead it, and they are the backdrop for everything we do in banking." The association also offers camaraderie and friendship. When the pandemic began, CEOs from banks across the state jumped on communicating about the changing rules and requirements. "That says a lot about members of the MIBA," said Adrian. "Members put community and customers above competing."

When the pandemic began, banks got creative about using Zoom, conference calls and electronic signatures. "The automation is more efficient than what we did before," said Adrian. As Adrian looks toward the end of the pandemic, he thinks community banks will be challenged. The last year has expedited the need for digital solutions and forced everyone to adopt more technology. Before the shutdown, 25 people could work remotely at his bank. Now, 200-225 can do it. "That is a big game-changer," he said.

The pandemic meant community banks could not meet in person. Adrian's bank did what it could to bridge that gap. "Customers are very loyal and love having a trusted adviser they can meet with in person, but lower or higher rates can erode that value statement if you are not careful," said Adrian.

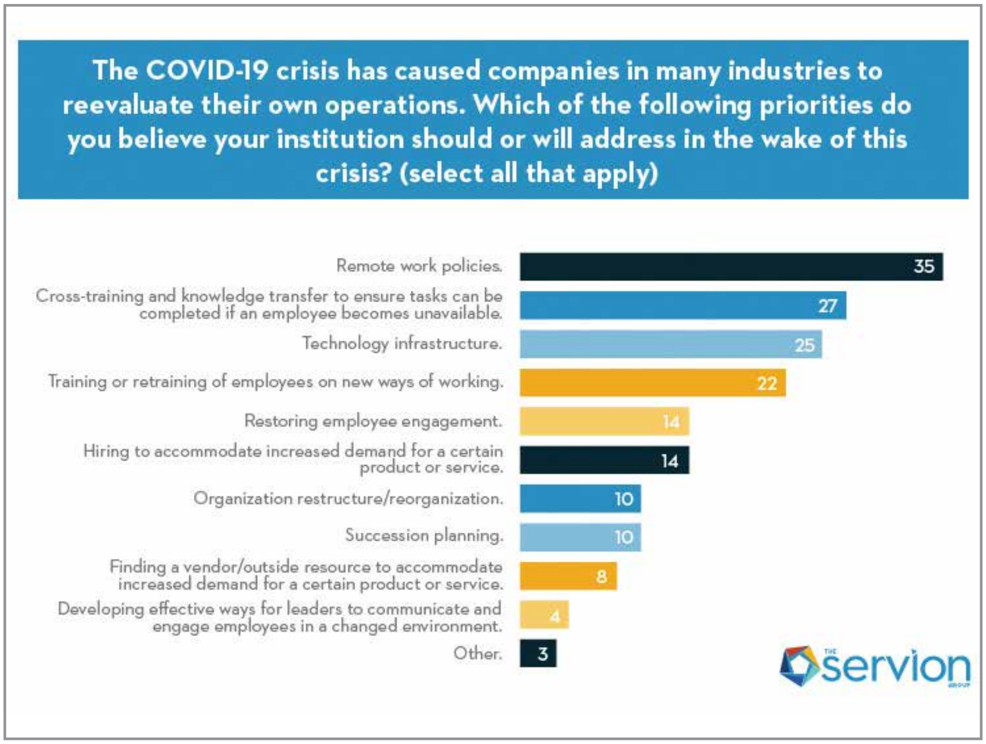
Adrian thinks community banks need to figure out their digital platforms while also proving to their customers that a community bank has a place. "When you start to go into a digital world," said Adrian, "it isn't just the mobile app. It's internal operations, having a call center, training, and considering many different areas that will need to be refined and improved for the future."

The bank's strategic plan for 2021 is Operation Optimal Balance. It is about staying relevant in the lives of bank customers. "Customers are deciding when they are going to interact now, not the bank," Adrian said. Bankers' hours have eroded steadily with the introduction of ATMs, phone access, computers, cell phones and tablets. "When someone calls with a problem, it could be their hardware, an application, or the device they are on. We have to be experts who are versed in all that," said Adrian.

Another challenge is the competition with other banks and each customer's out-of-channel experience. Adrian said, "Customers come in and see someone at the bank and go, 'Oh, really? Problems take two seconds on Amazon and an hour with you?' Banks have to keep up with those experiences as well as with other banks."

Adrian is a grandpa, and he spends most of his free time with family. He has three grandchildren; his son has two boys, and his daughter gave him a granddaughter. Everyone enjoys golfing, boating, and shooting skeet or trap together. The family also celebrates the Fourth of July together. ▪

TOP 4 POST-COVID PRIORITIES FOR COMMUNITY BANKS



This graph shows the survey question and all the available responses.

After a dark year, there appears to be some light at the end of the COVID-19 tunnel. As such, many banking leaders are thinking about their post-COVID priorities. A recent survey by The Servion Group sought to gauge what banking leaders believe is most important as their banks emerge from the crisis.

The survey asked, "What priorities do you believe your institution should or will address in the wake of this crisis?" The four particularly popular answers discussed below reveal that the pandemic era's challenges may lead to permanent changes in the way banks operate.

1. Remote Work Policies

The No. 1 survey response shows community banks are now giving some deep thought to their post-COVID remote work policies and with good reason.

According to The Financial Brand, work from home ability will be key to attracting and retaining talent in the future: "Flexible working arrangements are no longer a perk — they are becoming table stakes. Post-COVID, employees will see a loss of this newfound freedom as though they are not trusted by management despite the evidence that they're performing more than well enough to be trusted.

Moreover, research from the International Workplace Group found that 80% of employees wouldn't take a job that didn't offer work-from-home flexibility. And, according to Buffer's 2020 State of Remote Work Report, a remarkable 98% of employees said they want to work remotely at least part-time for the rest of their careers.

Community bank leaders are right to be thinking about the role of remote work in their workplaces. Leaders must engage with their employees, find out what they really want, and find a balance between home and office work that fits both the bank and its employees' needs.

#2. Cross-Training and Knowledge Transfer

Community banks were faced with new challenges when employees had to quarantine due to being diagnosed with COVID, exposed to it, or to care for a loved one who had the virus. The unexpected absences of employees often left knowledge gaps within the organization and made it difficult to get things done. Survey respondents indicated that cross-training would be a major priority going forward, so there are multiple employees who know how to perform certain tasks, and nothing is dependent on one person.

#3. Technology Infrastructure

Technology infrastructure received the third-most votes in our survey. Applying and building on the lessons learned from the COVID-imposed work-from-home environment is something FI leaders should set as a goal. For community banks, it will be important to think about:

- Data security
- Customer data security
- Hardware and software designed for the modern digital environment
- Communications tools, including phone systems, meeting software and more
- Integrity and strength of IT security of vendor partners

#4. Training or Retraining Employees on New Ways of Working (Reskilling)

Community banks want to adapt employees' skills and roles to a post-COVID environment. Putting the right people in the right places, and ensuring people have the right training, will help banks build resilience. Don't be afraid to make bold moves and try new operating methods that make better use of your employees' skillsets.

Leaders must engage with their employees, find out what they really want, and find a balance between home and office work that fits both the bank and its employees' needs.

Global management firm McKinsey & Company calls this "reskilling" and offers several ideas to get started:

1. Rapidly identify the skills your recovery business model depends on — for example, if you are moving from an in-branch focus to providing more digital services, you may need to bring on people with different skills or shift current employees who have the desired skills into new roles.

2. Build employee skills critical to your new business model — help employees thrive in these four areas: digital skill, cognitive skill, social and emotional skill and adaptability/resilience skill.

3. Start now, test and change — start reskilling your people now. Keep track of what works and what doesn't, then try again. The idea is to progressively prepare your workforce to handle new challenges.

4. Act like a small company to have a big impact — companies of under 1,000 employees are usually better at reskilling because they tend to be more agile and less bureaucratic. Large companies can do it too. It just tends to take longer.

5. Budget for learning — companies slashed learning budgets after the 2008 crisis, which only forced them to spend heavily later. Keep learning in your budget this time around to avoid wasting years of opportunities to develop the efficiencies that come from real-time learning. ▪

About The Servion Group
Founded in 1987, The Servion Group partners with community banks around the country to help them deliver mortgage, title, realty, business lending and financial advisory solutions to customers. Visit myservion.com or contact Mike Hart, account executive, at 417-894-2563 for more information.

THE SKY WAS THE LIMIT FOR SPACS IN 2020

BUT ARE CLOUDS ON THE HORIZON FOR 2021?

By John Sten, Partner, Armstrong Teasdale, Steven Foristal, Partner, Armstrong Teasdale, Allison McFarland, Associate, Armstrong Teasdale, Brittney Herron, Associate, Armstrong Teasdale

In 2020, SPACs raised approximately $80 billion — about as much as the last 10 years combined. By most estimates, there were over 235 public SPAC offerings last year, with an average public offering of $334.8 million. SPAC fundraising in 2020 accounted for about 50% of the IPO market share.

Incredibly, by mid-February 2021, SPACs had raised more than $38 billion, with an average of $296 million for 128 SPAC IPOs. That is nearly half of the total amount of money raised in 2020 and exceeds the total raised in 2019 — all in just two short months. The increased popularity of SPAC money raised has finance professionals wary and bracing for a seemingly inevitable burst of the SPAC bubble. However, it is difficult to predict when that burst will occur, particularly as market professionals, and even celebrities and athletes, buy into the trend. What is certain is that as the popularity of SPACs increases, the controversy surrounding SPACs will too. This could have an impact on the banking sector in many ways. For example, a number of the companies being acquired by SPACs are in the fintech and alternative banking space, allowing them to develop more bank-like products to compete with traditional banks. Further, the businesses that SPACs acquire have relationships with financial institutions that may be altered or disrupted through the public company reverse-merger process.

What is a SPAC?

Despite being around for years, the general investing public is not well educated about SPACs. Simply put, a SPAC is an entity formed with no operations or specific business purpose. You may also hear a SPAC called a "blank check company."

Typically, a SPAC is formed by a management team, referred to as the "sponsor." There are two clear stages of a SPAC's life cycle: (1) the initial public offering (IPO) and (2) the business combination. First, investor funds are raised through an IPO with the stated intention of subsequently acquiring or merging with an unidentified existing privately held company. Once the money is raised, the funds are put in a trust to await the next step — the business combination. The funded public company has about 24 months to find one or more businesses with which to combine.

Once the SPAC has identified an initial business combination opportunity, it negotiates all of the terms of the combination at arm's length with the target company and executes the business combination. This opportunity is then presented to the SPAC shareholders for approval under federal proxy rules. If approved, the private target company, in essence, reverse merges with the publicly traded SPAC and then carries on its business — but now as a public reporting company.

Challenges with Anticipated SPAC Business Combinations in 2021

Meanwhile, potential investors looking to jump on the SPAC bandwagon should be conscious of an impending scarcity of viable privately held operating companies that is likely to occur as the market becomes more saturated with SPACs — particularly as management teams who have seen success with other SPAC mergers establish credibility and establish more SPACs. With the increased competition, it will become more difficult for SPACs to acquire an attractive private company.

Additional concerns are likely to arise with SPAC business combinations in 2021. The SPAC acquisition due diligence process is largely completed by the SPAC's management or sponsor and facilitated with the target company's help. There is a heightened concern that without external due diligence review, fraud in the merger will become more common. For example, target companies may provide misleading or insufficient materials to the SPAC. Also, sponsors may move forward to consummate an acquisition with a target company for the limited purpose of the direct financial gain to them, and without concern for investors' interests — potentially overlooking financial reporting or internal control issues in the process.

This has already started to happen. Following a Hindenburg Research report, several shareholders filed a securities fraud class actions against a zero-emissions vehicle company that merged with a SPAC in June 2020. The allegations include fraud and false statements under Section 10(b) and Rule 10b-5 of the Exchange Act, as well as claims against individual officers and directors. The buyer has also been accused of failing to conduct adequate due diligence of the target. The SEC and the Department of Justice are looking into the matter as well.

We also anticipate an uptick in private shareholder litigation stemming from these transactions, including: (1) securities class actions against the new public entity (which is subject to the same scrutiny as any public company); (2) misleading or fraudulent misrepresentations or omissions in proxy statements (or other statements) concerning the target company; and (3) claims that SPAC directors breached their fiduciary duties of care and loyalty to the shareholders by failing to conduct adequate due diligence of the potential target.

For instance, an investigation into potential claims against the board of directors of a holding company for possible breach of fiduciary duty and other violations of federal and state law in connection with a business combination was announced in February 2021. The investigation concerns whether the board breached its fiduciary duties to shareholders by failing to conduct a fair process, including the dilution of ownership interest in the combined company.

Another area that portends an increase in litigation and regulatory scrutiny is the increasing cost and difficulties in getting director and officer (D&O) insurance coverage for SPAC sponsor teams. Typically, SPAC sponsors obtain D&O coverage to protect themselves from potential claims and as a means of attracting established directors to the SPAC management team prior to the IPO. Obtaining D&O coverage has become increasingly difficult; however, fewer insurers write these policies, and the price for them is skyrocketing. For example, from August to October 2020, a $20 million D&O policy cost more than tripled from approximately $400,000 to roughly $1.5 million. While there are other factors, the perceived risk of SPACs certainly plays a part in that increase. Many insurers are now enhancing their own due diligence processes, such as considering the management team's track record, the due diligence process of the SPAC and the industry that the SPAC is targeting, among other factors.

The SEC Will Look Closely at SPACs in 2021

With the explosion of SPAC activity, it is not surprising that regulatory authorities, especially the U.S. Securities and Exchange Commission (SEC), have taken notice and have become more involved in regulating and overseeing these investment vehicles. For example, on Dec. 22, 2020, the SEC Division of Corporate Finance issued CF Disclosure Guidance: Topic No. 11, which outlines disclosure considerations for SPAC IPOs and business combination transactions. This guidance is intended to bring about clear disclosure by SPAC sponsors, management and other affiliates so that public investors understand their financial incentives and potential conflicts, both at the time of the SPAC IPO and during the business combination transaction.

Incoming SEC Chairman Gary Gensler has also indicated that heightened scrutiny and increased regulation of SPACs are forthcoming in 2021. In particular, Gensler could increase oversight on projections and insider trading and build on the recently issued disclosure requirements, especially concerning disclosure of conflicts of interest. With increased scrutiny and disclosure requirements, we can expect to see an increase in investigations and litigation arising out of SPAC transactions or potential SPAC transactions.

SPAC IPOs Will Face Competition in 2021

On Dec. 22, 2020, the SEC approved the NYSE-proposed plan to allow companies to raise capital through direct listing IPOs instead of solely selling existing shares of the company. This means that a company can now sell, on its own behalf, newly issued shares directly to investors to raise new capital without a traditional underwritten offering. Under the new rule, the NYSE recognizes two types of direct listings: (1) "Selling Shareholder Direct Floor Listings," which are consistent with the prior rules where a company lists shares on the NYSE in connection with the direct sale of shares by existing shareholders; and (2) "Primary Direct Floor Listings," where a company lists shares on the NYSE and sells shares itself in the opening auction on the first day of trading, either in addition to or instead of, facilitating shares by selling shareholders. This is yet another method for companies to go public without engaging in the traditional IPO process and could reduce companies' popularity choosing to go public via SPACs. ▪

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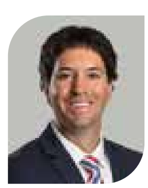

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DO'S, DON'TS, AND MAYBES

A set of simple rules to streamline portfolio management in 2021.

By Jim Reber

ICBA Securities

If my recent aggregate conversations with investment managers are an indication, there is still a lot of seat-of-the-pants decision-making going on out there when it comes to portfolio strategies. And I hasten to add this is not a criticism; it's merely an observation. Why should we expect anything else?

Banks are still sitting on a lot of cash. The bond market is giving mixed signals, with short rates being anchored at near-zero levels while the Treasury yield curve is its steepest in three years. Bond portfolios still have substantial unharvested gains, and net interest margins are at record lows. PPP 2.0 has been launched as a new fiscal stimulus wave about to be unleashed on consumers and governments.

Given this bewildering set of variables, perhaps we can create a (relatively) simple set of ground rules that portfolio managers can refer to while trying to make sense of it all. I want to emphasize that "maybe" is the unspoken theme to these guidelines, as every community bank has its own risk/size/earnings/ownership profiles. But here goes:

Do: Stay invested. Cash yields zero and will remain there for the remainder of the year, at least. A simple bond that yields even 50 basis points (.50%) will probably produce a spread to your cost of funds and provide collateral for pledging purposes. An example of a bond that yields 0.50% is a callable agency with a five-year maturity and one year of call protection ("5/1 callable").

Don't: Keep buying the same old bonds just because. In just the last three years, community bank portfolios have changed tenor significantly. You know that banks own fewer tax-free securities since tax rates were cut in 2017, but did you know that both general market munis, and taxable munis, have picked up the slack? The other big "new" bond sector is multifamily mortgage-backed securities (MBS), which follows.

Do: Take action to normalize your bond portfolio's cash flow. As low as returns (and spreads) are, the cost of eliminating optionality is an all-time low. Case in point: a five-year non-callable agency (aka "bullet") yields about 0.47%, which means an investor surrenders three measly basis points to remove all cash flow uncertainty. In a different sector, MBS, a similar set of dynamics is at play. In this column recently, you've read that "prepayment friction" pools that consist of low-balance loans can slow down refinance activity. The same outcomes can be achieved with "yield maintenance" provisions on multifamily MBS.

Don't: Worry (too much) about rates rising to the point that your collection of bonds is underwater from a market price standpoint. If your community bank is typical, it will benefit from a general rise in rates. For one thing, since banks own a whole lot of bonds at prices above par, interest rate increases will cause the current bonds' yields to improve. For another, the rest of your bank's earning assets will pretty quickly show some improvement, whether

2021 ICBA Bond Academy announced

ICBA Securities and its exclusively endorsed broker Vining Sparks will present the ICBA Bond Academy this spring. This virtual program, scheduled for April 19-22, is designed for the entry-level portfolio manager. Attendees will learn the fundamentals of fixed-income products and strategies. Up to eight hours of CPE credit are offered. For more information, visit www.icbasecurities.com.

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the loan portfolio consists of floaters or shorter-duration fixed-rate credits. Community banks' asset/liability positions are built for rising rates.

Do: Stay on top of your portfolio's effective duration to put your mind at ease about all of the above. We have seen this important barometer of price risk whipsaw over the last year. At last look, most portfolios had returned to their pre-pandemic duration of around 3.0 years, but that's taken a lot of buying of a lot of longer-maturity bonds to get there. In mid-2020, they had shrunk, on average, to about 2.5 years. That's a 20% increase in two quarters.

Maybe: Invest in some bond education for your staff and you. As the economy (and travel) begins to open back up, some virtual, some live, some hybrid, will be a whole range of investment school options available. There is also plenty of archival information accumulated over the last year as trade associations, brokers-dealers and consultants have figured out digital delivery channels. So ask around your providers for offerings that may suit your needs.

And by all means, do continue your due diligence and documentation of your actions. Investment portfolios have grown remarkably in the last year. They are likely to be a substantial driver of bank profits for the foreseeable future. ■

Jim Reber (jreber@icbasecurities.com) is president and CEO of ICBA Securities, ICBA's institutional, fixed-income broker-dealer for community banks.

UNCOVERING FEE-INCOME AND YIELD OPPORTUNITIES IN A CHALLENGING MARKET

By Nellie Andriyanova, BHG Bank Group

With the right lending partner, community banks can strengthen and diversify their loan portfolio through new income opportunities.

The pandemic has brought a lot of change to financial institutions, including how to engage with your borrowers, serve their needs, and drive additional revenue into your bank. For many, this includes looking at partnering with alternative lenders.

With the right lending partner, community banks can strengthen and diversify their loan portfolio through new income opportunities. A strategic partnership can provide you with access to quality loans that align with your business goals and enable you to work toward your growth plans — without additional time or cost.

These five questions can help you quickly uncover a potential partner's credibility and commitment so you can focus on increasing your revenue while mitigating your risk:

1. What is your track record of success?
Gauge how the lender has endured market changes. The economy is still recovering, and this won't be the last downturn — seek to understand how they navigate uncertainty. You want a resilient partner that can originate quality loans for your portfolio at any time, has a track record of success, and can adjust its business model to meet your needs.

2. How do you make lending decisions?
Quantitative analytics and historical borrower data are key, as they uncover variables that predict risk. Utilizing data is commonplace today, but a partner that dives deep into the analytics can make better predictions when originating loans, resulting in a stronger return on the portfolio you purchase.

3. How do you attract borrowers?
You want access to expertise and experience. The best way to attract the highest quality borrowers is through selective targeting and investing in marketing. Partners that execute innovative, highly targeted campaigns across every marketing channel and are precise in who they lend to offer a unique advantage in the marketplace. This ultimately creates a better loan offering for your bank.

4. How does your underwriting process create efficiencies for our bank?
Evaluating credit files is time-consuming. Your partner should offer a simplified underwriting process with consistent loan packages, so you can quickly and easily analyze files to make informed purchasing decisions.

5. What is your commitment to service?
Borrowers seek out their local community bank because of the personalized level of service you provide. Your partner should also place a high value on service to ensure a positive borrower experience every step of the way.

The pandemic has been challenging for community banks across the country, but it has also posed a new opportunity for banks to partner with alternative lenders to drive fee income and new revenue streams into your business. Adding high-performing assets and maximizing yields can help boost your profitability for those who are willing to seek out new partners this year. ▪

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Program

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Instructors

Dr. Freddie Barnard is a Professor Emeritus of Agricultural Economics with Purdue University and has a wealth of experience in agricultural lending. He was a pioneer in the development of the Farm Financial Standards and has taught extensively at various U.S. banking schools and meetings on agricultural finance and analysis.

Other speakers include lending professionals, industry experts and university faculty.

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For more information or special accommodations, please contact Angela Freemyer at (573) 882-4087 or muconf4@missouri.edu. If you have questions regarding program content, please contact Ryan Milhollin at (573) 882-0668 or MilhollinR@missouri.edu.

IMMUNIZING YOUR TECHNOLOGY PLAN

By Emily Twillman, CSPI

There is no shame in changing course when aiming for success. — Robert Herjavec

We've surpassed another milestone; surviving a full year from the COVID-19 global pandemic that forced a government shut down last March. That doesn't surprise many, as community bankers have always been known for rallying through the storm and upholding their communities. 2020 has proven once again that community bankers will continue their efforts to do whatever it takes to get the job done.

From working endless hours filing PPP loans to their nimble pivot adapting digital banking transformation, community bankers went above and beyond to ensure their customers' needs were exceeded. While digital banking transformation has been in hot pursuit over the past decade, it became the priority as bank lobbies started shutting down.

Digital banking transformation is a broad term that encapsulates both digital technology advancements and the ability to track data and analytics to formulate a more accurate depiction of growth opportunities. In a survey completed by Harland Clarke, 74% of financial institutions surveyed experienced more than 10% growth in digital banking adoption.

While it would be easy to remain complacent, community bankers need to do what they do best: prioritize their customers' needs, grow customer relations, analyze risks and potential growth opportunities, and take action. As digital banking remains at the forefront, financial institutions need to continually evaluate and evolve this channel.

We firmly believe community bankers will continue to drive technological change. While the days of implementing digital transformation every 3-5 years when a contract expires are likely behind us, it's more important than ever to select a vendor that's agile and keeps up with industry trends.

Banks need to continuously evaluate processes, seeking to improve the customer experience to remain competitive. As financial institutions prepare for transformation, below are a few suggested areas to incorporate into your digital strategy:

Identify Key Goals & Initiatives

Brainstorm goals and write them down. Are you seeking to improve your operational efficiencies, transform your customer experience, identify competitive advantages, or grow your bottom line with a new business strategy?

Although it's crucial to be mindful of the customer experience and evaluating new trends, don't overlook

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opportunities to create internal efficiencies as you're building your roadmap. Identifying your objectives will help achieve your mission.

Assemble Key Employees & Hold Accountable

It's important to select the right employees to provide input and share their vision. Include personnel from all levels that will be involved in implementing the new process or service. Identify roles and assign responsibilities to hold each member accountable. Giving employees a voice will help them invest in the banks' vision and strategy.

Identify & Assess Potential New Processes, Software Applications or Vendors

Evaluate how new technology, software applications or processes will impact your customer and your bottom line. Ensure implementing a new software application is within your budget and will fulfill the majority of your requirements.

Take your time on vendor due diligence. Confirm they understand your goals and timeline, have a similar mission and values that align with your FI and offer excellent customer service. We also recommend requesting a demo, asking for current customer references, and inquiring on the implementation and training process to know the expectations set forth for your team.

Data security should also be top of mind to ensure your customer data will be protected. And finally, ask about their roadmap and what enhancements they're planning to implement. Ensure they are forward-looking and will meet future demands.

Strategize Implementation & Customer Communication

Devising an implementation strategy is integral to the success of launching your new vision. Identify key players and delegate their roles accordingly. Assess the project scope to ensure daily duties are met and time is allocated to meet deadlines while simultaneously executing your new strategy.

If your new solution is customer-facing, ensure customers are notified in advance and are aware of the upcoming changes. Communication is key to a seamless transition. This will help customers prepare for the transition and more willingly embrace change. During go-live, ensure customers know who they can contact for assistance and access training materials for quick reference via print or video.

Evaluate Your Process, Software Application or Vendor

Measure your success by identifying vital areas of improvement (or decline). Survey or personally reach out to your team members and customers for feedback. Evaluate your results and determine the next steps. Always be forward-thinking on further enhancing the customer experience or identifying problematic areas seeking a more efficient process. There's always room for improvement; stay ahead of the competition.

While the banking landscape continues transforming to keep up with industry demands, community bankers have upheld their mission and remained focused on building personal relationships and anticipating their customer's needs. Enhancing the customer experience, offering new products, and drawing the customer closer will help grow the bottom line and accelerate growth. ▪

About CSPI:

As a valued software and service provider leading the FinTech industry for 33 years, CSPI continues to focus on the needs of today's progressive community banks and credit unions to meet the growing demands of account holders by providing core solutions, digital banking, document management and item processing.

We are core-agnostic and support API-first technology to create real-time integration for our Aurora Advantage Digital Banking product suite. Our dedicated team strives to enhance the user experience, deliver innovative solutions, significantly increase productivity, and provide exceptional service that exceeds your expectations. We believe if our customer succeeds, we succeed.

Emily has been working in the community banking industry for 15 years. She started as a Teller for The Callaway Bank and then expanding her proof knowledge at Computer Service Professionals, Inc. as a Senior Software Support Representative. As Emily's passion to help community bankers grew, so did her role at CSPI.

Emily currently serves as the Product Sales Specialist, where she assists in the development of CSPI's marketing and sales plans, and provides demonstrations of CSPI's Aurora Online and Mobile Banking, Aurora Document Imaging and Item Processing solutions.

She enjoys developing and maintaining key business relationships with community bankers and interacting with state and national banking organizations.

How Are Banking Strategies Evolving in 2021?

By Shane Ferrell, CSI

To understand how bankers will prioritize their digital strategies in light of the tumultuous year that was 2020, CSI — a leading provider of fintech and regtech solutions — polled banking executives from around the country, representing 272 financial institutions from across the asset-size spectrum. This survey data was then collected and used to create an executive report to help bankers gain insight into the industry's hottest topics and strategies.

What Did Bankers Have to Say?

It's hardly surprising that, when asked about the future of the industry in CSI's 2021 Banking Priorities Executive Report, digital transformation thematically unified every priority. While taking stock of their 2020 performance and assessing the year ahead, banking executives almost unanimously agreed: digital use will likely not return to pre-COVID levels.

Bankers began the survey by reflecting upon the past year with this question: please rate your bank's response to the COVID-19 pandemic in the following areas on a scale of 1 to 5, with 5 being the highest.

- In CSI's survey, 97% of bankers acknowledged an irrevocable change in consumer behavior when asked whether they expected digital channel use to increase at their institution even after the virus stabilizes.
- Bankers gave themselves good scores in two areas related to their pandemic response: maintaining in-branch safety (4.3/5) and Paycheck Protection Program (PPP) Loan Disbursement (4.3/5).
- However, bankers identified key areas for improvement as well, including transitioning to digital channels (3.8/5) and managing a remote workforce (3.7/5).

The takeaways? To facilitate seamless transitions to digital, institutions must better understand digital channels and how customers

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want to use them. And as bankers navigate the challenges of the pandemic and manage remote workforces, a cybersecurity debrief should be conducted to identify all the challenge areas. Reviewing internal controls to ensure all networks, devices, accounts and systems are adequately patched will also enhance cybersecurity for remote workforces.

Addressing the Top Challenges for 2021

The CSI survey also explored the challenges facing bankers this year, asking respondents to identify which one issue will most affect the financial industry in 2021.

- Over one-third of bankers (34%) identified cybersecurity as the top industry issue in 2021. As institutions face this evolving threat, cybersecurity frameworks, such as the CIS Controls, help identify strengths and weaknesses to ensure budget dollars are effectively allocated. Beyond basic cyber hygiene, a robust framework should include due diligence on third-party service providers' cybersecurity controls and appropriate safety mechanisms like biometrics to protect customers.

- As more consumers use digital channels, nearly 20% of bankers rank meeting customer expectations as the top issue this year. Customers increasingly demand seamless experiences, but prioritizing new technologies and striving to balance digital with the human element creates a dilemma for institutions. While embracing the appropriate technologies is essential, effective digital transformation requires a strategic view of immediate customer demand. The right data leveraged from a robust CRM tool can better inform you of products and services matched to consumer needs.

- With regulatory agencies struggling to keep pace with changing technologies, 17% of bankers name regulatory change as the top issue. Data privacy and BSA/AML modernization are among the highest priorities in the realm of regulatory compliance. Institutions must continue to foster a culture of compliance and a robust change management framework to keep their finger on the pulse of regulatory change.

Evolving Strategies for Growth in 2021

Consumers — many of whom were reluctant to try digital channels — now demand digital offerings that are seamless, secure and convenient. Financial institutions need to leverage new and existing technology to meet these expectations if they want to retain customers and attract new ones.

To grow market share, bankers will continue reframing their strategies to examine new customer segments, geographic markets and product types. But without employing customer data to inform digital transformation strategies, an institution's customer acquisition and retention could suffer. The established data must drive these strategies as they continue to evolve. According to CSI's report, bankers prioritized the following technologies to meet the challenges above:

- Digital Account Opening topped the list of technological advances for nearly 59% of executive respondents. Naturally, the pandemic drove many customers to fulfill financial needs digitally. Even when the need for digital channels has stabilized, customers' desire to seamlessly open an account will remain.

- Mobile Banking Apps followed closely behind digital account opening, with 44% of executives planning to prioritize this technology. Utilizing digital banking apps should incorporate an integrated design across all channels to deliver consistent functionality. Some customers are new to digital, so creating user-friendly processes for those late adopters is essential.

- Digital Lending has exploded during the pandemic, with 43% of executives reporting this feature as one of the highest technological priorities. As the economic slowdown met high borrower expectations, digital lending became an essential component of a digital banking strategy.

- Customer Relationship Management (CRM) tied with digital lending among bankers' priorities for 2021. Better utilization of CRM to capture existing customer data empowers banks to meet customers' needs through existing channels, such as digital account opening and mobile banking apps.

Download the Full Executive Report

Get a comprehensive breakdown of the survey data — including insight on digital transformation, cybersecurity, compliance and more — by downloading the 2021 Banking Priorities Executive Report csiweb.com/2021-banking-priorities-executive-report/. ▪

Shane Ferrell is Vice President of Product Strategy at CSI.

REGULATING FINTECH:
ONE SIZE DOES NOT FIT ALL

By Carl White, Federal Reserve Bank of St. Louis

Just as with banks, there is no single licensing or regulatory agency that oversees fintech companies. Depending on their activities, they can be licensed or supervised by local, state or federal regulators on a functional or activity-based basis.

Prudential (safety and soundness) regulation and licensing are generally handled at the state level for services such as lending, money transmission and insurance. For example, PayPal, one of the oldest fintech firms, has money transmission licenses in all 50 states and has a regulator for each state or territory in which it operates.

Because it offers consumers financial services, PayPal is also subject to regulation by the Consumer Financial Protection Bureau (CFPB). The consumer protection laws most applicable to fintech firms relate to rules regarding lending and discrimination; the CFPB also has the authority to level civil penalties against fintech firms that engage in unfair, deceptive or abusive acts and practices. The Federal Trade Commission also has some oversight of these firms. Fintech companies that offer automated financial planning services and sell investment products — dubbed robo-advisers — may be required to register with the Securities and Exchange Commission or the U.S. Department of the Treasury's Financial Crimes Enforcement Network.

Enter Banks

An increasing number of fintech firms have chosen to partner with banks to offer traditional banking services, and several have gone the extra step and obtained a bank charter. Fintech firms that partner with banks need to meet the required licensing requirements and submit to supervision from state regulatory authorities; their bank partners are still supervised by federal and state banking agencies, depending on the charter type.

In cases where fintech firms provide services to a bank or its customers, there may be third-party risk management guidelines with which banks must comply, such as auditing and monitoring their fintech partners. Federal banking regulators thus have an indirect role in supervising the bank-related activities of fintech firms.

The partnerships go the other way too. The shift toward digital banking has led many community banks without adequate in-house resources to contract with fintech firms for back-office support, such as software, loan servicing and accounting. These arrangements can increase banks' operational risk, so regulators hold banks responsible for meeting regulatory requirements for in-house and outsourced technology needs.[1]

Fintech firms that obtain traditional bank charters and become known as challenger banks, like Varo, generally get all the benefits of being banks — access to deposit insurance, the payments system and the Federal Reserve's discount window, among others.[2] But with those benefits comes more stringent oversight by federal or state banking supervisors and consolidated supervision by the Federal Reserve if the new bank is part of a bank holding company.

Alternate Charters

Partnering with a bank or obtaining a bank charter are not the only ways fintech firms can offer banking services. The decision by the Federal Deposit Insurance Corporation (FDIC) to grant deposit insurance to some fintech companies that have applied for an industrial loan company charter gives many of them the option to provide a full array of banking products without the ILC's parent company being subject to consolidated supervision by the Federal Reserve, as banks are.[3]

The FDIC finalized a rule in December 2020 mandating that an ILC which was granted deposit insurance and its parent company must enter into a written agreement with the FDIC outlining safety and soundness and financial support expectations for any such company not subject to oversight by the Federal Reserve.

Special-purpose charters represent a novel way for fintech companies to offer banking services without partnering with a bank or obtaining a banking charter. In 2018 and again in 2020, the Office of the Comptroller of the Currency (OCC) announced fintech firms could apply for special-purpose national bank charters; the charter proposed in 2018 was geared toward lenders, while the 2020 version was targeted to payment companies. The OCC's authority to issue these charters has been challenged, and cases are winding their way through the court system.

States are also experimenting with special-purpose charters. The Wyoming Division of Banking, for example, recently granted special-purpose depository institution charters to digital assets firms Kraken Financial and Avanti Bank. However, it is not always clear whether institutions granted a special-purpose or other type of novel charter are eligible for federal deposit insurance, access to the payments system, or access to the discount window.

Encouraging Innovation

State and federal regulators are also working behind the scenes with fintech firms, sharing information and providing opportunities to experiment with product offerings. Innovation hubs like the FDIC's FDiTech and the Federal Reserve's Fintech Innovation Office Hours provide standing opportunities for fintech firms and traditional banks to get answers to their regulatory questions about fintech.

The regulatory sandboxes launched in several states allow fintech firms to test their products with the public before licensing and registration. More than half of all states have joined the Multistate Money Services Businesses Licensing Agreement, a program launched by the Conference of State Bank Supervisors that seeks to simplify and harmonize the money transmitter licensing process.

Looking Ahead

As the banking landscape continues to evolve and bank customers embrace new technologies, banks and other businesses will seek new ways to efficiently and innovatively offer their products and services. Institutions will choose the structure that they feel works best for them to accomplish their business goals.

Although not all banking services innovations are taking place in the banking system, state and federal regulators are working with banks and fintech firms to find ways to ensure these innovations and activities can operate in the regulated banking system. ▪

[1] Bank regulators' authority to examine and regulate third-party vendors, including fintech firms, is outlined in the Bank Service Company Act and the Gramm-Leach-Bliley Act. For more details on this issue, see this Congressional Research Service report (PDF).

[2] Varo, based in San Francisco, obtained its national bank charter in July 2020.

[3] The Competitive Equality in Banking Act of 1987 exempts most parent companies of ILCs from being considered bank holding companies, thus relieving them of oversight by the Federal Reserve. The complete list of permissible banking activities differs by ILC chartering states.

FEDERAL RESERVE BANK of ST. LOUIS
CENTRAL TO AMERICA'S ECONOMY®

Carl White
Senior Vice President

Carl White has 32 years of experience in the Supervision Division of the Federal Reserve Bank of St. Louis. He is currently senior vice president of the Supervision, Credit, Community Development and Learning Innovation Division. He has served in various other roles within Safety and Soundness, beginning his career as an examiner.

Mr. White has served as lead instructor and course developer on numerous Fed System training courses, including an international assignment in Brazil. In addition, he served as the central point of contact for the District's largest state member bank before and during the financial crisis. He and his team were nominated for the District's President's Award for Innovation as a result of efforts to implement and enhance off-site loan review and examination processes.

Mr. White holds a bachelor's degree with a major in finance from St. Louis University.

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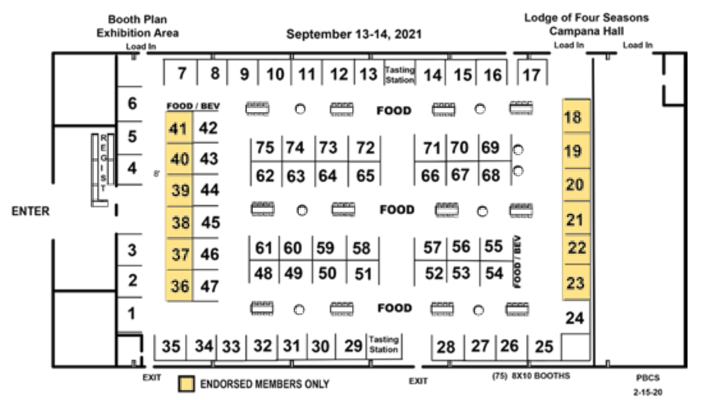
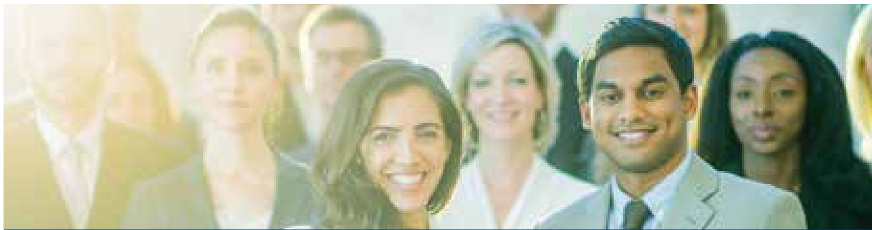


MIBA EXHIBIT HALL TRADITIONALLY SELLS OUT BY JULY 1ST!



MISSOURI INDEPENDENT BANKERS ASSOCIATION

ANNUAL MIBA SCHOLARSHIP AWARDS
FOR MEMBER BANK EMPLOYEES OR THEIR DEPENDENTS

The MIBA's employee/dependent scholarship program provides greater penetration to and more benefit for our member banks and their employees. This year, the MIBA will award 16 $500 scholarships again, with four awarded to member banks in each of the four membership regions. Each member bank CEO selects at their discretion a deserving employee or an employee's dependent who wishes to further their education in either a graduate or undergraduate curriculum. The award may be used for the furtherment of any type of educational goal by the selected "winner." It will be up to you, the CEO, to select an individual who truly warrants this scholarship assistance. Some banks hold their own "drawing" to select the applicant. This scholarship program is designed to meet the financial needs of community bank employees more than to recognize scholastic achievement. The determination of such needs will be left to the sole discretion of our member CEO submitting the application. We feel this award opportunity will be a valuable addition to our member banks' employees in furthering their education either in the field of banking or helping to make possible continuing education for their dependents. "Winners" will be drawn by lottery from each of the four MIBA member bank regions. Four $500 scholarships will be awarded in each of these regions. A check will be forwarded after the selection process to the submitting bank CEO for presentation to their bank employee/dependent. Applications have been mailed, and we are asking that each member CEO submit only one application per charter and that all applications be returned by April 16 for the drawing to be held at our May 2021 Directors and Officers Seminar. Bank CEOs with winning employees/dependents will be notified shortly thereafter. We hope you will find this a valuable tool in enabling you to assist worthy employees in attaining their educational goals. We thank you for your membership and support.

DATES AND EVENTS

MIBA

APRIL

TUES, APRIL 3, 2021 *2 p.m.-3:30 p.m.*
E-SIGN Series: The E-SIGN, BSA & CIP Compliance Trifecta

WED, APRIL 7, 2021 *2 p.m.-3:30 p.m.*
Board Reporting: Requirements, Timing, Delivery Options, Risks & Concerns

THURS, APRIL 8, 2021 *2 p.m.-3:30 p.m.*
Remote Workforce Series: Moving to the Cloud: Remote Management of Risks to Customer Data

TUES, APRIL 13, 2021 *2 p.m.-3:30 p.m.*
Reg CC Compliance & Review: Check Holds, Remote Deposit Capture & Reg D Changes

WED, APRIL 14, 2021 *2 p.m.-3:30 p.m.*
Advanced C&I Underwriting: A/R & Inventory Financing

THURS, APRIL 15, 2021 *2 p.m.-3:30 p.m.*
Collection Series: Regulatory Alphabet for Collections Compliance

MON, APRIL 19, 2021 *2 p.m.-3:30 p.m.*
New Time Limits for ACH Warranty Claims Effective June 30, 2021

TUES, APRIL 20, 2021 *2 p.m.-3:30 p.m.*
Commercial Loan: Workouts, Restructuring & Loss Mitigation

WED, APRIL 21, 2021 *2 p.m.-3:30 p.m.*
Debit Cards 101

THURS, APRIL 22, 2021 *2 p.m.-3:30 p.m.*
Global Cash Flow Analysis for Underwriters & Credit Analysts

MON, APRIL 26, 2021 *10 a.m.-11:30 a.m.*
2021 Cannabis Update: Legalization, Banking Issues & More

TUES, APRIL 27, 2021 *2 p.m.-3:30 p.m.*
E-SIGN Series: E-SIGN Security & Fraud Detection

WED, APRIL 28, 2021 *2 p.m.-3:30 p.m.*
Call Report Basic Lending Schedules: Coding, Classifications & Loan Loss Allowance

THURS, APRIL 29, 2021 *2 p.m.-3:30 p.m.*
Hot IRA Issues: Divorce, IRS Levies, Creditor Claims & Misunderstood Rules

MAY

MAY 4-5, 2021
Consumer Lending Bootcamp: Two Day Seminar-
Jefferson City, Missouri

MAY 6, 2021
Essentials in Banking: Part I
Jefferson City, Missouri

MAY 13-14, 2021
Directors & Officers Seminar: Hybrid
Lake Ozark, Missouri

MAY 25, 2021
2nd Qtr CBC Meeting
Jefferson City, Missouri

JUNE

JUNE 9, 2021
Elder Abuse: One Day Seminar
Jefferson City, MO

ADVERTISER INDEX

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We are helping financial institutions drive efficiencies, lower risk and liability burdens, control cost and grow business. We deliver these benefits to you by competently and effectively providing the following end-to-end solutions:

- **Cash Replenishment / Courier Services**
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  (We own and operate the ATM Fleet for you, including vault cash and transaction processing)
- **ATM Rentals** (Events like county fairs, festivals, etc.)
- **ATM, ITM, TCR Sales/Service**
- **Smart Safe Program** (Remote Deposit Capture for Cash)

Over the years ATM Solutions has evolved into a leading provider of turnkey solutions. These solutions combined with owning and operating our own armored fleet create a uniquely good experience for your customers, and employees alike.

ATM Solutions Inc. One Source, One Solution

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MIBA

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