

BANKERS DIGEST

The weekly news magazine devoted to Southwest banking

June 2, 2014

www.bankersdigest.com

Volume 144, No. 21

Marrs Follows Crawford As CEO in Artesia, NM

Everett Crawford, chairman/CEO of First American Bank, Artesia, NM, announced at the April board meeting his plans to retire in December 2014. Crawford has served in banking for over 43 years and with First American Bank since 1996. He has served as



Marrs

CEO since 2000.

The board of directors announced that **Greg Marrs** will be the new CEO upon Crawford's departure. He is currently corporate president of First American and has served at the bank for the past 25 years. He will serve as interim CEO and Crawford as advisory CEO as they work through the transition to year-end. Marrs served the NM banking industry as 2010-2011 chairman of the Independent Community Bankers Association.



Crawford

During Crawford's tenure at First American, formerly First National Bank of Artesia, the bank experienced phenomenal growth and expansion throughout NM, and into Rio Rico, AZ, and El Paso, TX. Through his vision and leadership, First American, chartered in 1903, has grown from one office in Artesia to 18 locations in 12 markets; from \$155 million to \$1 billion by the end of 2014; and from a small town bank to a independent, full-service community bank 🏦

Dame Named Arvest Market President NCA

Tom Dame has been named local bank president for Arvest Bank in North Central Arkansas, according to Regional Executive Cliff Gibbs.



Dame

Dame began his career in banking in 1977 and has served as a bank director, CEO, CCO, and trust manager in communities across West KY and TN. Since relocating to North Central Arkansas, he has served the past 10 years as market loan manager for Arvest Bank-NCA.

Dame received a BS degree from the University of Tennessee and attended the Tennessee School of Banking at Vanderbilt University, the Graduate School of Banking at LSU, and the Executive Banking Institute at the University of Louisville.

He is affiliated with the American Bankers Association and has served on the ABA Accounting Committee, ABA Education Foundation Board of Trustees, Community Bankers Council, as well as the Kentucky Bankers Association board (KBA) of directors, and KBA board of trustees for the KBA School of Banking.

Dame also previously served as the lead consultant of ABA's accredited Bank Management Simulation, BankExec, and was a faculty member at the Kentucky School of Banking, the Iowa School of Banking, and the Wisconsin School of Banking.

Since 2000, he has served as a Rotary International member, previously as a board member and president 🏦

Arizona Bankers 111th Meeting Set for Sedona

The Arizona Bankers Association will return to Sedona for the 111th Annual Convention & Meeting at The Enchantment Resort, 525 Boynton Canyon Rd. This year's fete is set for June 8-10.

Activities begin on Sunday morning, June 8, with the Bankers' Cup golf tournament at the Seven Canyons Golf Club in Sedona. An optional Pink Jeep Ancient Ruins Tour is planned for the afternoon. The day's events conclude with a welcome reception.

The business sessions will begin on Monday, June 9, with breakfast and CEO sunrise roundtable (invitation only). The opening general session is set for the morning, followed by a luncheon, and early afternoon annual meeting. The general session will resume in the late afternoon. A Red Rock reception and the AZBA's annual banquet round out the day's activities.

On Tuesday, June 9, the events begin with a breakfast, followed by the final general session. The convention will adjourn before noon.

For more information, contact the Arizona Bankers Association 602/258-1200 🏦

Please route this issue:

In This Issue...

Combating ACH and Wire Transfer Fraud Requires Customer Education

Feature.....3

Charter Activity.....9

Classified.....10

FRAUD

Cybercrime:

Combatting ACH and Wire Transfer Fraud Requires Customer Education

By

Brian Thomas, CISA, CISSP, and

James Mihills, CPA

Dallas, Texas

www.weaver.com

Deposit fraud attempts against American consumers and businesses approximate \$15 billion annually, and a significant number of fraud attempts are initiated through ACH and wire transactions. Fraud risk is heightened with the increasing popularity of online banking, so it is critical that banks and their customers understand where vulnerabilities exist and how they can be mitigated.

Fraud schemes can be perpetrated in a number of ways. For example, customer email accounts can be hacked, enabling the fraudster to monitor the

customer's routine banking activities and glean account information needed to initiate a fraudulent transaction.

More common fraud techniques include phishing, spear-phishing, and appeals based on social engineering, which can be used to execute Corporate Account Takeover (CATO) plots. A phishing scheme might entail wide distribution of an email message that includes a bank's name and logo, along with a request that a recipient click on an embedded link. Spear-phishing is a more targeted phishing scheme. With such a scheme, the perpetrator may limit email distribution to recipi-



Thomas



Mihills

ents already identified as bank customers.

In either instance, social engineering tactics may be deployed that include asking recipients to click on a link for account verification purposes. That link could open a virus or malware, or could direct the account holder to a malicious website. All of these techniques are used to harvest login credentials, security challenge questions, site key questions or other vital information. Depending upon the scenario, the account credentials may be harvested for future CATO purposes or be utilized during a live "Man in the Middle" attack.

To help their customers mitigate the risk of ACH and wire fraud, education to customers provided by banks should address the following:

- Characteristics associated with phishing, spear-phishing, and other fraud schemes.
- Appropriate network, device, email account, and online banking security measures.

(continued on Page 8)



Main Street Checks is a full-service resource for checks and related products providing unmatched 3-tier service and exceeding the needs of community banks nationwide.

Discover today why Main Street is the ICBA's Preferred Service Provider.

866-410-4000 sales@mschecks.com



**MAIN STREET
CHECKS**



TEXAS

Broadway Opens Austin Banking Center on Congress Ave

Designed to offer the most innovative and convenient customer service, Broadway Bank, San Antonio, ushers in a new era in banking with its 2,692-square foot Congress Avenue Banking Center in Austin. It includes three private offices, two semi-private offices, three workstations, a conference room, and a bistro complete with iPads and charging stations. The banking center officially opened its doors on May 19 at 506 Congress Ave., Ste. 101. It also features a walkup "Smart" ATM and a night depository.

Cliff Bandy, senior vice president, private and business banker will be the Congress Avenue Banking Center go-to expert, bringing custom, innovative financial solutions to commercial banking, private banking and wealth management customers all across Austin. He has 33 years of diversified banking experience.

The new Congress Avenue Banking Center is an encore opening for Broadway, following the 2013 addition of the Midtown Regional headquarters at 38th St. and Lamar Blvd. in Austin. These two banking centers are part of Broadway's announced plan to have as many as six local branches by 2017. The remaining center locations are to be determined.

Broadway Bank, founded in 1941, has evolved from a small neighborhood bank into one of the largest independently owned banks in TX. With more than \$2.9 billion in total assets, the bank operates 39 locations 🏦



ARKANSAS

Bank of the Ozarks Inc. Announces 2-for-1 Stock Split

Bank of the Ozarks Inc. ("Company"), Little Rock, has announced that its board of directors has declared a two-for-one stock split of its common stock payable in the form of a 100% stock dividend. The two-for-one stock split is expected to be paid on or about June 23, 2014, to shareholders of record as of June 13, 2014.

The Company currently has approximately 39,829,271 shares of common stock outstanding, which includes shares issued in connection with the Company's recent acquisition of Summit Bancorp Inc., Arkadelphia. After the stock split, the current number of shares of common stock outstanding will increase to approximately 79,658,542 shares.

This is the fourth two-for-one stock split of the Company's common stock since its initial public offering in July 1997. The previous splits occurred in June 2002, December 2003, and August 2011.

George Gleason, chairman of the board/CEO of Bank of the Ozarks Inc., made the announcement.

Bank of the Ozarks Inc. is a bank holding company with \$5.03 billion in total assets as of March 31, 2014 and trades on the NASDAQ Global Select Market under the symbol "OZRK." The Company owns a state-chartered subsidiary bank, Bank of the Ozarks, that conducts banking operations through 165 offices in AR, TX, GA, NC, FL, AL, SC, NY, and CA 🏦

FEATURE (continued from Page 3)

- The importance of monitoring and reconciling bank accounts on a daily basis.
- Properly segregating internal duties and establishing dual control for electronic transfers.
- Restricting access for online banking functions.
- Bank procedures for authenticating customers and making callbacks.

Such customer education helps banks combat ACH and wire transfer fraud.

To mitigate the risk of ACH and wire transfer fraud, banks should establish internal controls commensurate with their risk profile. Common controls and processes used by banks in reducing risk of fraudulent transactions include appropriate authentication standards, callbacks, segregation of duties, IT security, and monitoring.

Online banking platforms and payment systems should be set up to require two-factor authentication. With two-factor authentication, a user needs two separate pieces of information to attain online account access. One factor should be something the account holder knows, such as the username-password combination. The other factor should be something the user has, such as a one-time code or a USB token containing a PIN number.

Banks should establish callback procedures to verify transaction details of wire transfer requests. Callback thresholds can be based on a number of variables, such as how the request was initiated (internet banking, fax, phone, etc.), dollar amount of the transaction, and whether a trans-

(continued on Page 12)

FAILED BANKS

OH Bank Fails; Total YTD 8

The Ohio Division of Financial Institutions closed Columbia Savings Bank, Cincinnati, on May 23, and appointed the FDIC receiver. The FDIC entered into a P&A agreement with United Fidelity Bank, fsb, Evansville, IN, to assume all of the deposits and to purchase essentially all of the assets. As of March 31, 2014, Columbia Savings Bank had approximately \$36.5 million in total assets and \$29.5 million in total deposits. The failure is the eighth in the nation and first in OH in 2014 🏦

Construction Inspection Services
Funds Management
Cost Estimating

Contractor Replacement
REO Inspections
Project Consulting

McCune Construction Services Group, LLC
Risk & Funds Management / Construction Consulting / Construction Management
Fort Worth, Texas Joe Griltz - 866-387-6983 cell: 817-726-2733
www.mccunecompanies.com

BANKERS DIGEST

P.O. Box 743006

Dallas, Texas 75374-3006

(USPS 041180)

PERIODICAL

ADDRESS CHANGE - When writing to us about your subscription, enclose the address label from your copy of Bankers Digest. You can also change your address or other information at www.bankersdigest.com under subscriptions.

FEATURE (continued from Page 8)

action appears to be unusual for the customer. In performing a callback, the customer's identity can be authenticated through the use of PINs, security codes, tokens, "out of wallet" questions (date and amount of last deposit, recurring direct deposits to the account, date and amount of last wire), or security questions established in advance with the customer. Authentication questions and answers should not be based on private information that can be easily obtained through theft (driver's license number, date of birth, social security number).

Segregation of duties is a critical component of fraud prevention and detection in electronic banking environments. For example, banks should establish dual control over wire transfers, requiring two separate bank employees to initiate and release a wire transfer in the wire system. Wire system user levels should be appropriately assigned to enforce this dual control, so employees should only be assigned one user account, and administrators generally should not have processing capability. Also, individuals processing electronic trans-

actions should be separate from employees with account reconciliation responsibilities. Lastly, banks should consider establishing wire approval authorities, which may be based on how the request was initiated or the dollar amount of the transaction. In approving wire requests, bank officers can evaluate the reasonableness of the wire request given the customer's normal activity.

A bank's IT networks require security patches and effective anti-virus and anti-malware tools. Bank employees also face threats from phishing, spear phishing, and social engineering tactics. Internal fraud prevention and information security education is required.

Monitoring efforts should include internal audits, technology audits, and network vulnerability assessments. Vulnerability assessments can include scanning internal and external hosts, and reviews of firewalls and IPS/IDS settings. Banks should also consider employing software tools that are designed to monitor wire and ACH payments to detect anomalies and potentially fraudulent transactions.

Wire transfer and ACH fraud threats will always be present. To mitigate those continual threats, customer education and internal control vigilance need to be ongoing endeavors as well. 🏠

About the authors: **Brian Thomas**, CISA, CISSP, is a partner in IT advisory services. He can be reached at 713.800.1050 or Brian.Thomas@Weaver.com. **James Mihills**, CPA, is a senior manager in financial institutions consulting advisory services. He can be reached at 817-882-7361 or James.Mihills@Weaver.com. Weaver is the largest independent accounting firm in the Southwest.

2014 Annual Meeting

The Independent Community Bankers Association of New Mexico

*Independent
Community
Bankers
Association
of
New Mexico*

Join us at the luxurious

**Hyatt Regency
Tamaya
Resort & Spa**

**Hyatt Regency
July 24 - 27, 2014**

*Register Online before June 30 and
be entered into a drawing for a free
2015 Annual Meeting Registration!*

Information and secure online registration, plus hotel reservations are
available at: www.icbanm.org

Questions? Call ICBA/NM at 505-327-2151