



cl@b2015

REGULATION, TECHNOLOGY & INNOVATION: BIT COIN and the Banking Industry



A Supervisory Perspective - Cyber Risk

- Cyber Risk is our **TOP** Risk!
- Cyber threats pose both **idiosyncratic** and **systemic risk** to the stability of financial markets through the disruption of critical payment, clearing, and settlement systems
- Cybersecurity is embedded in every risk discipline and can impact every service delivery channel
- How are we addressing this risk?
 - Encouraging *all* institutions to subscribe to threat and vulnerability information sharing sources such as FS-ISAC or US-CERT
 - Encouraging *all* institutions to complete the FFIEC – Cybersecurity Assessment Tool (SR 15-9)
 - Conducting horizontal supervisory reviews focused on cyber
 - Reviewing *all* institutions for compliance with related existing IT and vendor management guidance

A Supervisory Perspective - Vendor Management

- Vendor Management Risk – the risk service providers add to the process by performing operational functions on behalf of the firm - including compliance risk, concentration risk, reputational risk, country risk, operational risk and legal risk
- How to manage?
 - Risk assessment
 - Due diligence
 - Contract provisions and considerations
 - Incentive compensation review
 - Oversight and monitoring of service providers
 - Business continuity and contingency plans
- Federal Reserve issued guidance on managing outsourcing risk (SR 13-9)

A Supervisory Perspective – Payments & BIT COIN

- Federal Reserve is working with the industry to improve the US payment system (Press Release, January 26, 2015)
 - Goal is to improve the speed, safety, and efficiency of the US payment system
- Newer Payment Systems, such as Mobile Payments/Wallets, Virtual Currencies including BIT COIN, Pre-Paid Cards, *must* comply with existing legal requirements and supervisory expectations
 - BSA/AML
 - Consumer Protection
 - IT/Security
 - Outsourcing/Vender Management

Questions?