Information Technology and Cybersecurity

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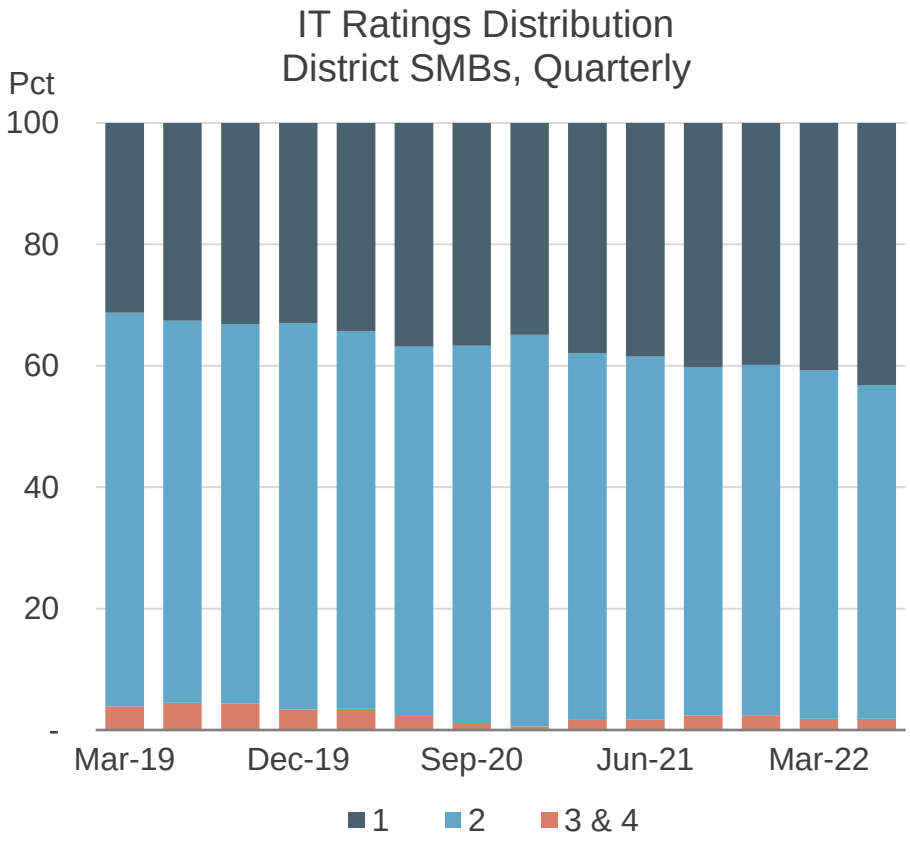
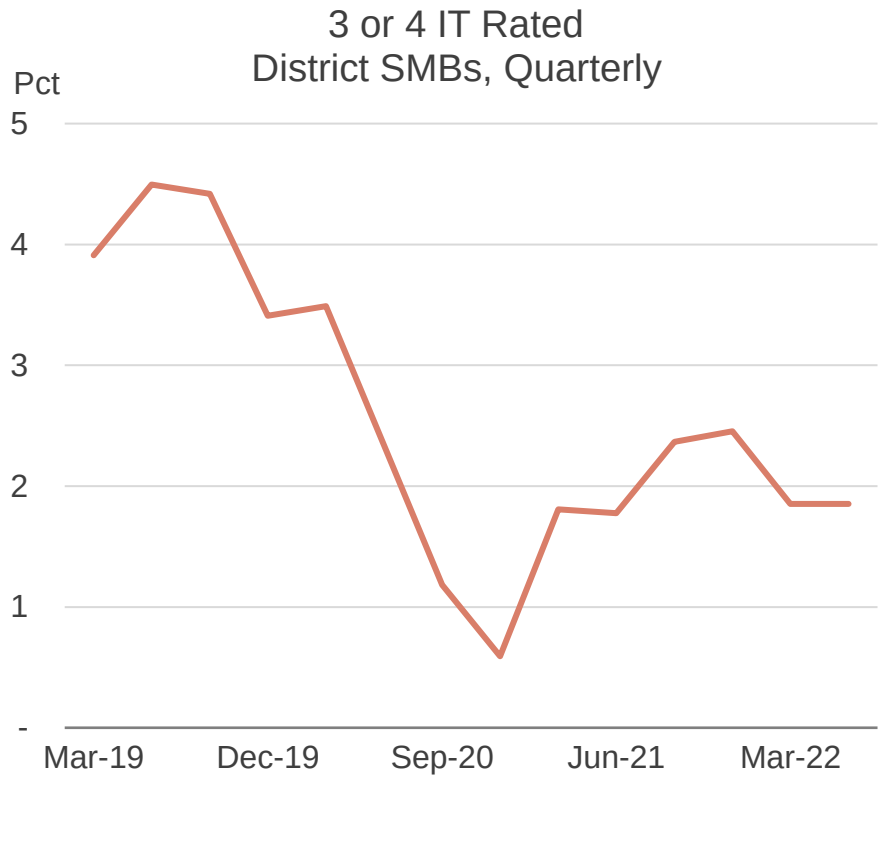
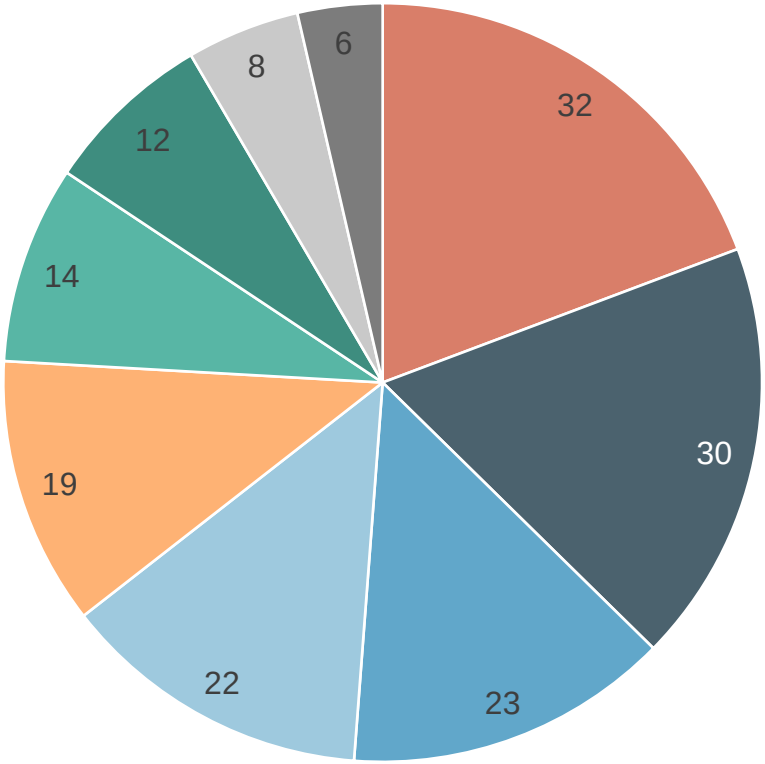
IT Ratings Remain Sound





Source: National Examination Database

Yet IT Findings Are Common



IT-Related Issue Categories
District SMBs, 2019-2022

- Business Continuity/ Incident Response Planning
- User Access
- IT Governance
- IT Audit
- Vendor Risk Management
- Risk Assessment
- Information Security Testing
- Patch Management
- Payments Risk

Source: National Examination Database

Cybersecurity Risk Remains Elevated

- Cyber risk is consistently cited as one of the highest risks to financial institutions.
- Ransomware attacks have grown in sophistication and can happen to any institution or vendor/service provider.
- Financial institutions should be completing cybersecurity assessments and have comprehensive incident response plans.

Critical Risk Management Topics

- Third-Party Risk Management
  - All vendors should be risk-ranked by criticality and procedures should be established and followed for due diligence and ongoing monitoring based on criticality
  - Ongoing vendor monitoring should at a minimum include a review of annual financial performance, technology service provider regulator reports (if available), and a comprehensive review of third-party service provider attestation reports
  - Ensure contractual arrangements contain sufficient language to secure any data that is hosted or processed
  - Consideration should be given to the risk management principles described in SR 13-19, Guidance on Managing Outsourcing Risk

- Patch Management
  - Ensure that known vulnerabilities (especially critical ones) are remediated in a timely manner
  - Consideration should be given to the sound risk management principles documented in the FFIEC IT Handbook on Information Security

Computer-Security Incident Notification Rule

- Financial institutions must notify their primary federal regulator within 36 hours of determining that a notification incident has occurred
- What kind of incident requires notification? An incident that has, or is reasonably likely to, materially disrupt or degrade a bank's:
  - Ability to carry out bank operations, activities, or processes; or deliver products and services to a material portion of its customer base in the normal course of business
  - Business lines, including operations and services that upon failure could result in a material loss of revenue
  - Operations or services, the failure or discontinuance of which would pose a threat to the financial stability of the US
- A bank service provider must notify each affected banking organization customer as soon as possible when the bank service provider determines that it has experienced a computer-security incident that has materially disrupted or degraded, or is reasonably likely to materially disrupt or degrade, services provided to such banking organization for four or more hours

Computer-Security Incident Notification Rule

- Financial institutions must notify their primary federal regulator within 36 hours of determining that a notification incident has occurred
- When in doubt, the financial institution is encouraged to still contact their primary federal regulator
- Review Final Rule and SR 22-4
- Contact information for Federal Reserve:
  - Contact your Central Point of Contact (CPC)
  - Contact the Board of Governors by e-mail at incident@frb.gov or phone at (866) 364-0094

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Reportable Incident Examples

- Your core banking platform is experiencing a widespread outage and recovery time is unknown
- A failed system upgrade or change results in outages where customers and employees can’t access information
- Your bank experiences a ransomware attack that encrypts system data
- An unrecoverable system failure that results in activation of the institution’s business continuity or disaster recovery plan (may be weather related)

**More examples can be found in the Computer-Security Incident Notification Final Rule*

What To Do If Your Bank Experiences An Incident

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