

Farmers&Merchants Bank of Dauerville





#### 1. VIGNETTE DESCRIPTION

The bank just converted to a new item processing service provider and discovered that the service provider cannot handle the volume of transactions generated by the bank. The service provider claims:

- New servers need to be added and applications may need to be updated, which could take several days.
- 2. The bank needs to clean or replace all of their branch capture devices because the quality of images processed is poor, generating low Optical Character Recognition (OCR) read rates.
- 3. The number of items generated through the lockbox are too high, and the service provider doesn't have enough staff to process them.

Currently, the bank cannot balance its files or get its cash letter out.



Bank of Dauerville



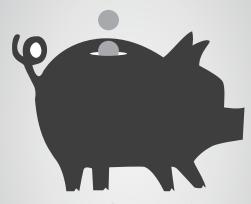


#### 2. IMPACT ASSESSMENT

What are possible financial and operational impacts to your institution resulting from a loss of item processing operations for two days? Five days? Ten days?

What other systems or service providers potentially have similar levels of impact?

Based on this discussion, is the business impact analysis up-to-date?



Farmers&Merchants Bank of Dauerville



What immediate steps are necessary to manage the financial, operational, and reputational aspects of this event?

Does your business continuity plan adequately address the loss of item processing capabilities?

With respect to the communications strategy, who are the critical audiences, and what are the main talking points that should be conveyed to each audience?







Bank of Dauerville





#### 4. VENDOR OVERSIGHT

How does your institution monitor critical vendors and service providers to ensure that they maintain service levels and security standards over time?

Have any business units observed deteriorating services or capabilities at any vendors or service providers?

How can your organization address issues with partners to improve service levels?



Bank of Dauerville





### **5. PROJECT MANAGEMENT**

Does your project management methodology typically include capacity planning, pilot testing, roll-back procedures, contingency planning, and similar risk-management practices?



Bank of Dauerville





#### 6. VENDOR SELECTION

What factors does your vendor selection process consider beyond financial condition and feature functionality?

Does your request-for-proposal (RFP) process clearly describe your institution's functional requirements, objectives, and necessary controls to potential service providers?



Bank of Dauerville

# **FDI**



#### 7. INSURANCE

Will your current insurance coverage provide adequate protection against loss associated with impacts from the scenario described?

Is the amount of your insurance coverage commensurate with the amount of potential loss?

Has insurance coverage been added or expanded to account for new activities?



Bank of Dauerville

## FDI@



#### 8. SOLUTION DEVELOPMENT

Select one or more characters in the vignette. Discuss the options these individuals could consider in response to the scenario.

- What actions could be taken?
- Who would conduct these actions?
- What decisions need to be made, by whom, and at what point in time?
- What are the authorities for making and carrying out these decisions?



Farmers&Merchants Bank of Dauerville

### **FDI**



#### 9. REFERENCES

#### REFERENCES

- FFIEC IT Examination Handbook, Outsourcing Technology Services Booklet
  - http://ithandbook.ffiec.gov/it-booklets/outsourcingtechnology-services.aspx
- FFIEC IT Examination Handbook, Development and Acquisition Booklet
  - http://ithandbook.ffiec.gov/it-booklets/development-and-acquisition.aspx
- FFIEC IT Examination Handbook, Business Continuity Planning Booklet
  - http://ithandbook.ffiec.gov/it-booklets/businesscontinuity-planning.aspx
- FIL-81-2000 Risk Management of Technology Outsourcing
  - https://www.fdic.gov/news/news/financial/2000/fil0081.html