ICBA BEST PRACTICES FOR COMMUNITY BANK CORE PROCESSORS

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The ICBA Best Practices for Community Bank Core Processors (“Core Processor Best Practices”) are designed to help core processors with some of the more important aspects of their community bank relationships. Combining the Core Processor Best Practices with the ICBA Community Bank Best Practices for Managing Core Processor Relationships, which is designed to help community banks manage this complex, critical and expensive technology investment, will create a successful strategic relationship for both community banks and core processors.

Over the years, the community bank-core processor relationship has evolved from a back-office record-keeping vendor relationship to a digital cornerstone of the bank’s relationship with its customers. The community bank-core processor relationship should be treated as strategic given the critical role the core processor has in supporting the bank’s long-term business objectives and continued success.

These Core Processor Best Practices address six key areas important to community banks—innovation, integration, voice, support, data ownership and access, and compliance.

**Innovation**
In today’s “always on” world, core processors need to recognize and support community banks’ commitment to offering customers innovative and secure solutions online, on-the-go, anywhere, anytime and on a variety of devices, and anticipate and innovate based on market direction. Early adoption and speed to market provide community banks a considerable competitive advantage. To achieve this objective, core processors should:

- Provide new products and/or enhancements that are suitable (both in pricing and functionality) for community banks and their customers on a timely basis.
- Provide customer-ready innovative products and services that offer net revenue growth opportunities for community banks.
- Offer market intelligence services and marketing training to equip community banks in promoting customer acceptance.

**Integration**
To innovate nimbly, community banks need the ability to efficiently and seamlessly integrate the core platform with other product offerings and ancillary services. Timely and seamless integration enables community banks to collaborate with their customers to tailor products and services to meet customers’ needs. To achieve this objective, core processors should:

- Ensure the core platform easily integrates with the full product suite it offers as well as third-party offerings, so all products should work together seamlessly.
- Produce an integration schedule after acquiring new product offerings detailing when the service will be available on each core platform.
- Develop resources and platforms that facilitate community bank innovation.
- Support third-party integrations and open-source applications and Application Programming Interfaces (APIs) and Software Development Kits (SDKs) priced appropriately for community banks.
Voice
A core tenant of providing value-driven products and services to community banks is listening to and acting upon the knowledge community bankers have related to their unique customer and community footprints. To accomplish this objective, core processors should:

- Offer ongoing opportunities for feedback, such as community banker and bank customer focus groups, user groups, strategic discussions, and multi-level, one-on-one interactions.
- Seek direct community bank input at the various stages of product development to ensure products meet the bank's needs.
- Always include community bank participants in the various stages of product, user acceptance and quality assurance testing before mass implementation. Input should be from a customer or employee usability perspective, not a technical perspective.
- Commit to a partnership approach to contract negotiations.

Support
Community banks need timely, tailored and recurring communication and education regarding new and enhanced products and services, disruptions in service, and technology and marketplace developments. Community banks' ongoing understanding of system capabilities and implementation is vital to their ability to stay competitive and respond successfully to their customers. Community banks expect experienced, professional and timely client support and problem resolution. To meet these expectations, core processors should:

- Support contract provisions stating explicitly that customer and organizational data belong to the community bank and granting the bank unequivocal access to this data.
- Support negotiated deconversion pricing that is mutually agreeable.
- Provide user-friendly access to the data crucial in identifying and tracking customer activity, profitability and predictive behavior.
- Provide data services supporting a community bank's needs to deepen its understanding of its customers.

Data Ownership and Access
Community banks and their customers generate data that is valuable to the bank's franchise. Customer profiles, transaction history and other data generated by a bank's customers belong to the bank. The ability to readily access and control this data is fundamental to the bank's operation and success. A core processor or any other third-party vendor should ensure the bank's data ownership and access. To address these areas, core processors should:

- Provide details in the contract outlining communication and education opportunities using a variety of forums, such as webinars, regional and national client conferences and meetings.
- Provide project management resources when rolling out new products and services or implementing system upgrades.
- Host annual strategic reviews for community bank executives and develop subsequent roadmaps for mutual buy-in.
- Send monthly or quarterly announcements noting any updates to the client portal.
- Maintain a communication and response culture that adapts to situation uniqueness and urgency.
- Support service-level agreements with penalties for non-compliance.
Compliance

Regulators expect bank management to engage in a robust analytical process to identify, measure, monitor and control the risks associated with all third-party relationships, including core processors, and to avoid excessive risk-taking that may threaten a bank’s safety and soundness. Additionally, community banks must ensure their products and services are compliant with all legal and regulatory requirements and any new requirements are implemented within the established deadlines. To assist community banks with these requirements, core processors should:

- Provide timely and current information to help community banks exercise their due diligence responsibilities.
- Provide implementation timelines and updates and allow sufficient time for community bank testing in advance of the compliance deadline for implementing new regulatory requirements.
- Keep data safe and secure consistent with legal and regulatory requirements and cybersecurity standards, and take immediate remedial action to address cyberthreats and compromises.
- Ensure that third-party service providers are properly monitored for compliance and risk management.
- Conduct an annual due diligence review and make findings available to assist community banks in fulfilling their vendor management requirements as part of the due diligence information.
- Support industry initiatives such as Sheltered Harbor and .BANK.
- Provide timely and transparent information about data breaches, audits and examinations.