"I am sure that no man can derive more pleasure from money or power than I do from seeing a pair of basketball goals in some out of the way place."

? James Naismith, the inventor of basketball, was born on this day in 1861

---

**In this Issue...**

- Ransomware Self-Assessment Tool
- State Financial Regulators Seek Public Comment on Prudential Standards for Nonbank Mortgage Servicers
- Most Significant Contribution for Banking Research Paper for 2020 Announced

---

**Ransomware Self-Assessment Tool**

With the recent ransomware attacks on U.S. hospitals, the threat cyber crime poses to our nation’s networks is once again at the top of state regulators’ minds. While financial institutions have implemented good cybersecurity practices, the rapid advancements in ransomware and its potentially devastating consequences require that every financial institution review and update its controls.

The Ransomware Self-Assessment Tool (R-SAT) has 16 questions designed to help financial institutions reduce the risks of ransomware. The Bankers Electronic Crimes Taskforce (BECTF), State Bank Regulators and the United States Secret Service
developed this tool. It was developed to help financial institutions assess their efforts to mitigate risks associated with ransomware and identify gaps for increasing security. This document provides executive management and the board of directors with an overview of the institution’s preparedness towards identifying, protecting, detecting, responding, and recovering from a ransomware attack.

- **Ransomware Self-Assessment Tool**
- **Cover Letter - Ransomware Preparedness Minimizing the Risk of Total Loss of Records**
- **2017 BECTF/CSBS/USSS Ransomware Best Practices**
- **Press Release**

---

**State Financial Regulators Seek Public Comment on Prudential Standards for Nonbank Mortgage Servicers**

CSBS reminds the public that it is currently seeking input on proposed regulatory prudential standards for nonbank mortgage servicers, an industry where the share of companies regulated by the states has expanded in recent years.

The proposal intends to:

1. Provide better protection for borrowers, investors and other stakeholders in the occurrence of a stress event that could result in harm;
2. Enhance effective regulatory oversight and market discipline over these entities; and
3. Improve transparency, accountability, risk management and corporate governance standards.
The public comment period began on Oct. 1, 2020, and will close on Dec. 31, 2020.

“With nonbank mortgage servicing now comprising more than 50% of the agency market, it’s critical that states have a common standard for assessing these entities’ safety and soundness and corporate governance,” said CSBS President and CEO John W. Ryan. “We look forward to receiving industry and stakeholder input as we craft final standards that enable robust oversight that balances consumer protection, prudential regulation and market viability.”

The main components of the proposal are:

- A “scaled” approach to covered institutions, with Enhanced Standards applied to “Complex Servicers” that are generally considered to have a higher risk profile.
- Alignment with existing and proposed federal standards to the greatest extent possible to avoid duplicative efforts and reduce regulatory burden on institutions.
- Baseline Standards that cover eight areas, including capital, liquidity, risk management, data standards and integrity, data protection (including cyber risk), corporate governance, servicing transfer requirements and change of control requirements.
- Enhanced Standards that apply additional coverage for capital and liquidity, plus requirements for stress testing and living will and recovery and resolution plans.

More information on the proposal is available here or by going to www.csbs.org and searching for Prudential Standards.
The Community Banking in the 21st Century research and policy conference committee announced last week its selection of “Shared Destinies? Small Banks and Small Business Consolidation” as the paper that made the “most significant contribution to banking research” at the 2020 conference.

The authors of the winning paper are Claire Brennecke, economist, Consumer Financial Protection Bureau, Stefan Jacewitz, chief of the Quantitative Risk Analysis Section of the Federal Deposit Insurance Corp. (FDIC) and Jonathan Pogach, chief of the FDIC’s
Financial Modeling and Research Section.
The conference, sponsored by the Federal Reserve, CSBS and the FDIC, was held virtually Sept. 30-Oct. 1, 2020.

Here is a summary of their paper from the 2020 Conference Volume:

“The paper investigates whether changes in the composition of businesses affect the composition of the banking industry. It finds that small-firm employment is positively associated with small bank deposits, income and small business lending, but not associated with large-bank balance sheets and income. The authors link their results to the propensity of small banks to be acquired. The findings are consistent with a view that, in the absence of small-business financial service demand, a large bank business model based on economies of scale may be more profitable than a small-bank business model based on comparative advantages in relationship lending. While many existing policies seek to support small businesses through the support of small banks, the authors’ results suggest supporting small businesses could be a potential mechanism for supporting small banks.”

Read a PDF of "Shared Destinies? Small Banks and Small Business Consolidation" or watch Pogach’s presentation of his team’s paper during Research Session 1 from this year’s virtual conference. The Session 1 moderator was Elena Loutskina, professor of business administration and the Peter M. Grant II Bicentennial Foundation Chair in Business Administration with the Darden School of Business, University of Virginia. The community bank discussant was Mike Butler, president and CEO of Radius Bank, Boston, Massachusetts.

Back to Top