

# ICBA Best Practices for Community Bank Core Processors



*ICBA Best Practices for Community Bank Core Processors* is designed to highlight some of the most important aspects of the core processor and community bank relationship. Together with *ICBA Community Bank Best Practices for Managing Core Processor Relationships*, these best practices offer a framework to help community banks manage this critical and complex technology investment and set the stage for a successful strategic partnership between community banks and core processors.

The community bank-core processor relationship should be treated as a key strategic partnership beyond that of a technology vendor, given the critical role of core processors in supporting community banks' long-term technology and business objectives and continued success. Forward-thinking core processors enable early adoption and speed to market at a price supporting community banks' revenue growth, providing community banks with a competitive advantage. Core processors provide essential communication and education regarding new and enhanced products and services, modern technology, and marketplace developments.

Successful core processors adhere to a foundational tenet of their relationship with community banks: listening to and acting upon the knowledge community bankers have related to their unique customer and community footprints. However, community banks ultimately own the partnership with their core processors. Community banks and their core processors should be proactive and intentional in establishing consistent, frequent, and transparent communication to optimize the value of the relationship.

*ICBA Best Practices for Community Bank Core Processors* addresses seven key areas important to community banks—innovation, integration, voice, customer support, communication and education, data ownership and access, compliance and risk management, and contract negotiation and terms.

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# INNOVATION

In today's "always on" world, core processors must recognize and support community banks' commitment to offering customers innovative experiences and secure solutions to meet their needs and evolving behaviors as well as on-the-go, anywhere, anytime access via a variety of devices. Core processors should offer innovative solutions to ensure community banks can maintain their leadership and compete at parity. Early adoption and speed to market at an affordable cost provides community banks with a considerable competitive advantage.

To achieve these objectives, core processors should:

- ✓ Develop resources, solutions and platforms that facilitate community bank innovation.
- ✓ Provide new products and/or enhancements that are suitable in pricing, integration, 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.
- ✓ Deliver education on emerging innovation to ensure community banks understand how innovation fits into their strategic goals.
- ✓ 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 integrate other product offerings and ancillary services to the core platform efficiently and seamlessly. 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 its ancillary products and services available to the community bank, as well as the bank's chosen third-party offerings, so products work together seamlessly.
- ✓ Produce an integration schedule after acquiring new product offerings that details when the service will be available on each core platform.
- ✓ Maintain, and adhere to, product roadmap timelines on the bank's client portal.
- ✓ Support third-party integrations and open-source applications and Application Programming Interfaces (APIs) and Software Development Kits (SDKs), ensuring they are priced appropriately for community banks.
- ✓ Offer community banks opportunities to participate in "sandbox" proof of concepts and beta testing for new features.

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## **VOICE**

A foundational tenet 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:

- ✓ Disseminate information in a variety of channels to keep banks informed.
- ✓ Ensure account executives schedule check-ins with the bank's team on a regular basis.
- ✓ Offer ongoing opportunities for feedback, such as community bank focus groups, user groups, product advisory boards, strategic discussions, and multi-level, one-on-one interactions.
- ✓ Always include community bank participants in the various stages of new product development, user acceptance and quality assurance testing before mass implementation.

## **CUSTOMER SUPPORT, COMMUNICATION AND EDUCATION**

Community banks need timely, tailored, and consistent communication and education regarding technology, new and enhanced products and services, disruptions in service, and marketplace developments. Community banks' ongoing understanding of system capabilities and implementation is vital to their ability to stay competitive, prepare their staff for technical and process changes, 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:

- ✓ Provide project management guidance when rolling out new products and services or implementing system upgrades.
- ✓ Develop tutorials that demonstrate how to efficiently implement and deploy new solutions.
- ✓ Send announcements noting any updates to the client portal.
- ✓ Provide sufficient notice when changes occur, especially if they require community bank resources or impact bank clients.
- ✓ Maintain a communication and response culture that adapts to situation uniqueness and urgency.
- ✓ Provide adequate training opportunities so community banks can optimize the technical solutions they purchase.

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## 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. To compete, community banks require access to analytical solutions that provide actionable insights for serving their customers. Uncovering the needs and expectations of today's digital consumers requires tools that keep pace with both technology and the marketplace.

To address these areas, core processors should:

- ✓ Provide user-friendly access to the data crucial in identifying and tracking customer activity, profitability, and predictive behavior.
- ✓ Provide access to secure, cross-channel data analytics solutions at an affordable price so community banks can better understand and serve their customers and leverage market opportunities.
- ✓ Provide data services supporting a community bank's needs to deepen its understanding of its customers and deliver enhanced customer experiences.
- ✓ Develop systems that permit bank customer-authorized data sharing with third parties through APIs, which replace third-party collection and storage of customer online banking credentials and limit the amount of data accessed by third parties.

## COMPLIANCE AND RISK MANAGEMENT

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 that allow sufficient time for community bank testing and staff training in advance of compliance deadlines and 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.

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- ✓ Conduct an annual due diligence review and make findings available to assist community banks in fulfilling their vendor due diligence requirements.
  - ✓ Provide timely and transparent information about data breaches, audits, and examinations.
  - ✓ Support industry initiatives such as Sheltered Harbor.

## **CONTRACT TERMS AND NEGOTIATION**

Core processors must negotiate relationships with community banks that bolster their ability to compete and flourish. Contracts must clearly define terms, with reasonable fees for services and access to bank data, and provisions that assign liability to the technology partner when it is responsible for failing to meet service level standards or is unable to deliver the contracted services.

To achieve this objective, core processors should:

- ✓ Negotiate bank contracts that are reasonable, fair, and clearly disclose fees.
- ✓ Provide details in the contract outlining communication and education opportunities using a variety of forums, such as webinars and regional and national client conferences and meetings.
- ✓ Clearly disclose service level standards and penalties for missed standards.
- ✓ Deliver timely, accurate, and understandable activity statements and billing invoices.
- ✓ 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.
- ✓ Offer the ability to add coterminous agreements when adding ancillary solutions.

The information provided in this guide is not intended to provide nor constitute legal advice; instead, all information, and content are for general informational purposes only. Community banks are advised to consult with appropriate and knowledgeable legal counsel.