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AMERICAN BANKER

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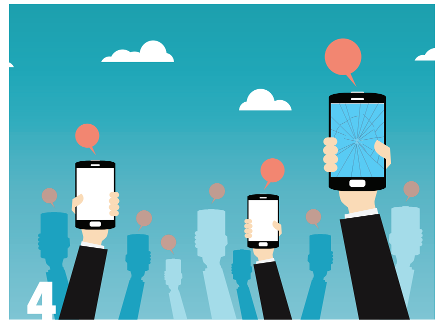

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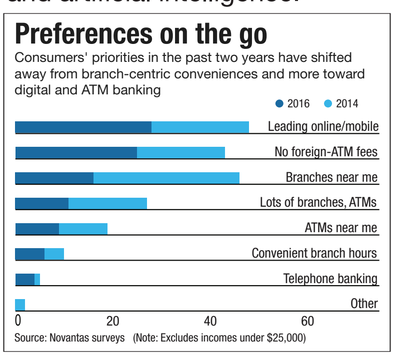
Banks in Arms Race To Upgrade the ATM

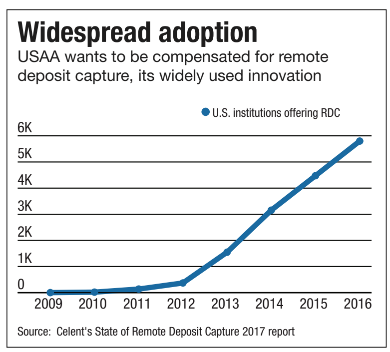
Big banks are investing heavily to reinvent a boxy machine that has gracefully reached middle age even as the industry turns its attention to much hipper technology like blockchains and artificial intelligence.



MOST SHARED

USAA: 'We Are Seeking Fair Value' on RDC

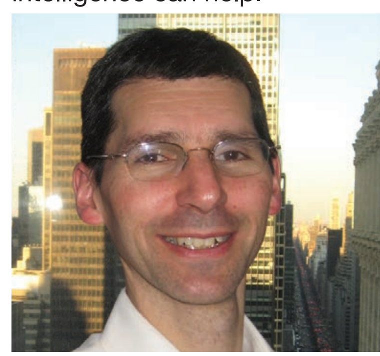
A dozen years after it pioneered remote deposit capture as a convenience for active-duty military members, the company now says any bank or credit union using RDC is infringing on its innovation.



PODCAST

How to Catch 'Rogues' Threatening Your Bank

Some of the biggest risks facing any bank come from within. Risk management consultant Andrew Waxman discusses how cognitive psychology and augmented intelligence can help.



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Editor's Note

BY BONNIE McGEER

Myth Busting's Part of Job in Impact Investing

Scott Davis has faced so much skepticism about what he does at U.S. Trust that he now welcomes the chance to challenge people's misconceptions.

"I'm actually starting to enjoy getting the question" about returns on impact investing, says Reeves, a portfolio manager at the Bank of America Wealth Management unit. "It really gives us the opportunity to highlight the benefit of our approach, and why our approach can lead to better investment outcomes."

The question is usually phrased with a negative spin: Don't impact investments – which are made with the intention of fostering social or environmental benefits – underperform?

Put another way, don't you have to sacrifice profits for purpose?

Reeves and others involved in the impact sector answered with a resounding "no" during a recent conference titled "Diversity Driving Revenue" that the investment bank Big Path Capital hosted in New York City.

Interest in impact investing is expected to continue growing, fueled in part by women and millennials, and more financial institutions are taking notice. But the idea is still outside the mainstream, so fittingly a portion of the panel discussion with Reeves focused on the myths that participants spend the most time debunking. Disbelief about financial worthiness is one they all seemed to have in common.

Sunwoo Hwang, the founder and chief executive of Sixup, said he doesn't emphasize the social mission behind his San Francisco startup, partly to avoid that extra layer of skepticism.

Sixup is an online lending platform that aims to help high-achieving, low-income students attend four-year colleges. Borrowers can get $5,000 to $15,000 a year to fill the gap between the financial aid they recieve and the cost of their tuition.

This target group carries a lot of stigma in the financial community, Hwang said. "These students get lumped into subprime, loser prime, risky prime," he said.

To get past the preconceived notions, Hwang started using the term "future prime" instead, which he said has helped overcome some initial resistance to his pitch about why these students are a worthwhile investment.

For Elizabeth Chou, of New Markets Venture Partners, a bias in favor of established funds is her biggest hurdle.

"Everyone thinks that investing with small managers or emerging managers is risky," she said.

But large firms rely on track records established over the years by fund managers who might no longer be involved in that portfolio, said Chou, who is a partner at New Markets. And sometimes the interests of large firms do not align with those of investors.

"I spend my life telling people that investing with established managers is actually riskier," she said.

Reeves is part of the socially innovative investing team at U.S. Trust – S2I for short. It launched in 2010 around a suite of investing products that took onto account diverse environmental, social and governance factors, he said. But a few years in, U.S. Trust found that many of its high-net-worth clients started to "cluster" their attention on specific themes.

"As a result, starting in 2013, we developed two new portfolios that are much more focused in nature, one of which is called our Women and Girls Equality Strategy – we call it WAGES for short – and the second is our Human Rights and Recognition Strategy – which we call H2R for short," Reeves said. "And those are really kind of extensions of our diversified approach with just a greater focus on diversity, inclusion, social justice and the like."

Despite the social goals, Reeves said the team is entirely data driven and gathers insight from many sources. "We consider ourselves to be quantitative investors really," he said.

But two questions they ask about every potential investment likely differ from those of mainstream portfolio managers.

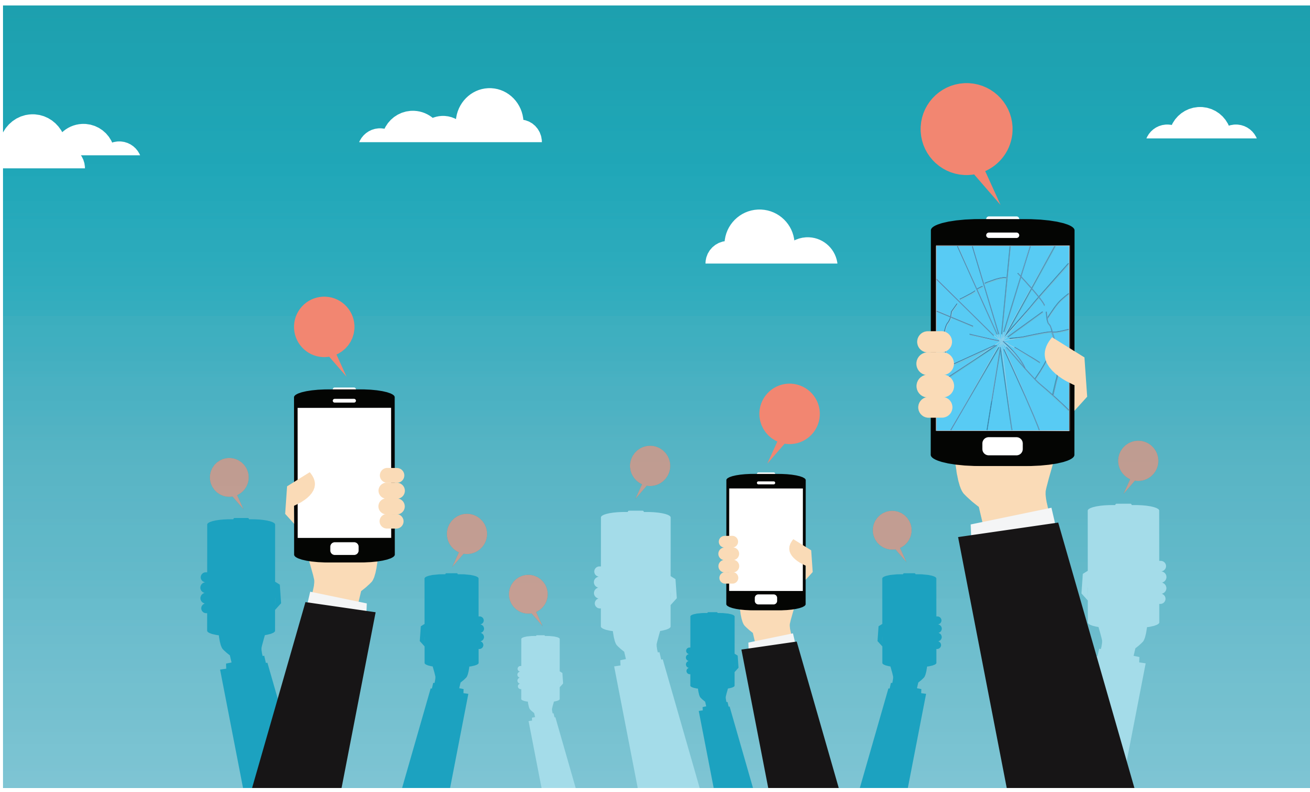
The first is, do companies have the right intentions? In other words, "do they have the right policies around things like family benefits?" Reeves asked. "Are they transparent about their hiring practices and their track record around hiring and promotions?"

The second is, are those policies actually leading to the right outcomes?

An emphasis on both intention and results helps weed out pretenders that are just "green washing," Reeves said. "You can't cheat the hard numbers."□

Briefings

SOCIAL MEDIA | WORKPLACE CULTURE | COMMUNITY BANKING



'Do You Understand Your Brand Is Being Destroyed?'

How a New Jersey bank ended up in a political and social media firestorm

By Kate Berry

IT'S A SITUATION THAT HAS BECOME depressingly familiar for big banks. A negative story makes the rounds on the internet and quickly turns viral.

But a relatively small bank, the $5.2 billion-asset Lakeland Bank in Oak Ridge, N.J., found itself in that position after a former bank executive said she resigned because a top House Republican targeted her in a letter to a member of the institution's board of directors. The bank is a unit of Lakeland Bancorp.

The accusations, initially aired by WNYC-FM 93.9 public radio, gained traction on liberal-leaning websites and soon turned into a firestorm for the bank. A Facebook post by Lakeland, which largely skirted the issues involved, was deluged with dozens and then hundreds of comments, most of them calling for a boycott of the bank.

"Do you understand the speed and power of social media?" Mike O'Brien of Bloomfield, N.J., wrote on Facebook. "Do you understand that your brand is being destroyed, right now, today, and that you have maybe five hours to get in front of this thing? Do you think that this kind of stuffy corporate legalese is going to put out the fire? Get serious."

The episode demonstrates how swiftly bad news can swamp financial institutions, even small banks and credit unions that generally aren't in the cross hairs of by activists or political provocateurs.

At issue are claims by Saily Avelenda, a former senior vice president and assistant general counsel at Lakeland, who said that she was pressured to leave after Joseph O'Dowd, a board member, received a letter from Rep. Rodney Frelinghuysen, R-N.J. The letter, which was posted by WNYC, was a form-letter plea for fundraising but included a handwritten note from Frelinghuysen that accuses a bank employee of being a "ringleader" of NJ 11th for Change, a local political group that is opposing the congressman.

"Needless to say, that did cause some issues at work that were difficult to overcome," Avelenda told the radio station.

The bank posted a two-paragraph response that did not confirm whether Avelenda had worked at the bank.

"We recently received communications from members of our communities and customers concerning a news report involving an individual who identified herself as a former employee and noted her outside civic involvements," the bank posted on Facebook in May.

"Lakeland Bank does not comment publicly on the status of our current or former employees."

It then emphasized that its employees have the right to political expression. The bank said its code of ethics "specifically provides that it is the philosophy of Lakeland Bank to promote our employees' full awareness and interest in civic and political responsibility such that each employee has the opportunity to support community activities or the political process in the manner that she or he desires."

But the response appeared only to inflame the public, which responded with hundreds of comments taking the bank to task. "Shame on you," "Get out" and "Move your money" were common themes in the responses.

Thomas Shara, the bank's president and chief executive, did not return a call and email seeking comment. Frelinghuysen, who chairs the powerful House Appropriations Committee, and O'Dowd also did not return calls seeking comment.

Frank Eliason, a partner at the consulting firm BrainTrust Partners and a former head of global social media at Citigroup, said the bank's response invited more questions and criticism.

"The juicy story is a House Republican forced a bank employee out, and that taps into social media anger," Eliason said. "This is one of the problems banks have in general, which is that they are not really viewed as being one with society, and it plays into the views that people have of the GOP and the banking world generally that they are 'in' with politicians."

Jennifer Abernethy, president of Socially Delivered, a global social media management firm, said Lakeland is getting linked to President Trump and the message is "for consumers to get their money out of there. It doesn't look good."

The bank did not appear to have a Twitter handle, which likely was another strike against it. "Right now people are buzzing about them on Twitter, and they're not there," Abernethy said. "The subliminal message that sends is, 'We don't care; we're not up to speed,' and they're not modern enough to partake of the conversation."

Getting caught in a social media brouhaha can be particularly tricky because of the politically charged nature of public discourse these days.

"No matter what you write or say, you're going to offend 50% of your customers," Abernethy said. "Staying silent is the worst thing to do. They need to let everyone know that they are working with the utmost integrity and ethics to resolve this situation."

But Eliason said the bank may have inadvertently caused more problems by describing its ethics policy as one that does not limit the political activity of employees. "There are multitudes of problems, because they are getting into employment law and a situation where an employee is using freedom of speech," Eliason said.

Fifth Third Delivers

Maternity concierge service boosts retention of moms as employees

WHEN KATIE OCKERMAN WAS PREparing for the arrival of her twin daughters last summer, she was concerned about balancing the demands of motherhood with her job at Fifth Third Bancorp.

But a unique new program at the Cincinnati company eased her concern.

The maternity concierge program is akin to a personal assistant who can handle any task a new mom might find overwhelming, whether finding a pediatrician, planning a child's birthday party or grocery shopping.

It launched in January and within five months more than 170 women had taken advantage of it, said Teresa Tanner, Fifth Third's chief administrative officer. Though the $140 billion-asset company already had a maternity leave policy, it was not enough to keep some women from dropping out, even if they might have preferred to keep working.

"We've had all these programs around for decades now, but we're not getting results," Tanner said. "We've got to step back and say, 'What are we missing?'"

Ockerman, a branch manager who has been working at Fifth Third for 10 years, said it was helpful to have someone she could call on for things like meal prep, party planning or finding child-friendly activities in her neighborhood.

"When you become a mom, you have all these concerns about, can I do both?" Ockerman said of parenting and working full time. "This made me feel like they supported their employees, they understand, and they gave us something to lean on. That just makes my drive for this company even higher. I want to work for them if they're supporting me. It made a big difference."

According to Julie Nugent, a vice president at the nonprofit Catalyst Research Center for Corporate Practice, the maternity concierge program is unique to Fifth Third. She doesn't know of other programs quite like it, though she said forward-thinking companies are making greater efforts to include men in their parental leave policies and to help new moms transition back into the workforce after the birth of a child.

Fifth Third already offers six paid weeks of medical leave for new mothers and will add another four paid weeks to that beginning in August. But women who had recently completed maternity leave still left the bank at twice the rate of all other female employees. Women make up 60% of Fifth Third's total workforce, but just 23% of its senior managers and executives.

Maternity leave alone was not cutting it, so Tanner turned to the mothers at Fifth Third for some insight. She started with a simple question: "What's hard?"

As they listed the responsibilities associated with a new child, Tanner realized the company could help by taking some of those tasks off their to-do lists. Fifth Third already had been working with Best Upon Request to offer its Cincinnati-area employees general concierge services, like grocery shopping and vacation planning, so she approached the company about building out a service for moms.

The firm has embedded two full-time employees inside Fifth Third's headquarters to help moms of newborns and kids up to a year old. Fifth Third declined to say how much the service costs, but described it as a "six-figure investment."

Tanner advised other companies interested in retaining women to ask them what the barriers are to staying in the workforce after the birth of a child and how the company can better support new mothers.

"If we want diversity at the most senior level of the company – and we do – we have to figure out how to keep women and allow them to grow their careers," Tanner said. *– Laura Alix*

Will a Spinoff Pay Off?

Eastern turns its innovation lab into a separate company

EASTERN BANK'S LATEST ENDEAVOR IS a story of gain – and loss.

The $9.8 billion-asset Eastern has spun off Numerated Growth Technologies, a startup that lets banks make small-business lending decisions in as little as five minutes. The venture, with the financial backing of FIS and several community banks, has raised upwards of $9 million in seed money.

But as a condition of the deal, Eastern Labs, the Boston mutual's 3-year-old innovation unit led by Dan O'Malley, joined the spinoff. To ensure success, "the whole existing lab team needed to go with the new company," said O'Malley, Numerated's chief executive and Eastern's former chief digital officer.

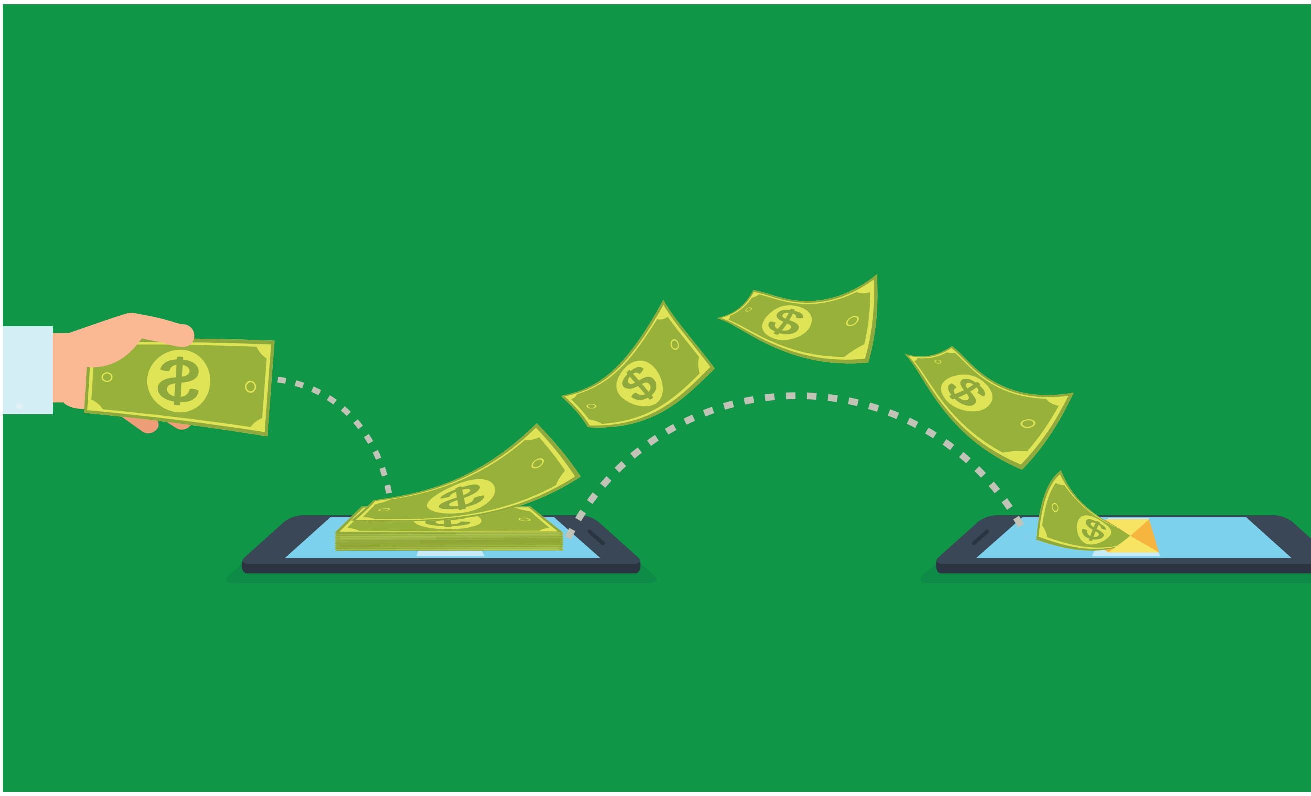
Eastern has been using Numerated's technology to market Business Express Loans of up to $100,000, generating nearly $100 million of volume since late 2015. Now, Eastern envisions a bigger earnings stream from offering the service to other institutions to help them compete against fintech firms that are luring borrowers with quick application and approval processes.

Numerated works by using client institutions' credit policies to underwrite real-time loans. At the same time, it sends email and direct mail to whip up demand.

Eastern is Numerated's biggest investor, with a minority stake that could deliver significant rewards if an initial public offering is held.

So far at least three banks have licensed the technology, including First Federal Lakewood in Ohio, which is also one of Numerated's investors. Eastern, which did not reveal Numerated's other investors or clients, said it intends to rebuild its innovation unit. *– John Reosti*

BankTechnology



No Cash to Pay Kids for Chores? Just Tap the App

Ex-trader says his 8-year-old daughter was the inspiration for a joint account

By Penny Crosman

SOME PARENTS NEVER SEEM TO have cash on hand to pay their children's allowances. Others worry that the cash they hand over could be spent on alcohol or worse. But now there's an app to help..

Current is the brainchild of Stuart Sopp, a former top trader at Morgan Stanley, Citigroup and Deutsche Bank who has attracted several high-profile investors.

One of his backers is David Solomon, Goldman Sachs' president and co-chief operating officer. Another is the Expa entrepreneurship lab, which is led by Uber co-founder Garrett Camp and Foursquare co-founder Naveen Selvadurai.

The Current app links to a parent's bank account and comes with a Visa debit card issued by Metropolitan Commercial Bank in New York. Parents can set up recurring payments – say, $10 a week – and one-time payments from their bank account to the Current account.

Parent and child can see the current balance and all transactions in the app, along with geographic data that lets parents check out an unfamiliar retailer.

Through the app, parents can block certain types of merchants, prevent the card from being used at an ATM, and set spending limits. A "pause the card" feature means if the child loses it, all transactions can be blocked.

Current will charge $36 a year for its service.

Sopp said there's a need for a joint account that can be managed with a smartphone app. "Children now get their first smartphone at the average age of 10.3. Normally it's a hand-me-down iPhone, and they're getting regular allowances and having less and less time for extracurricular jobs because they're studying to get scholarships in college," he said.

Teenagers lack a digital payment solution that's safe and secure, Sopp said.

"They're using cash from their parents on an ad hoc basis because the parents have less and less cash on them," he said. "The kids don't trust the parents because they say, 'Hey I'll pay you $10 for mowing the lawn,' but they don't have the cash and they forget."

And the incumbent solution, the prepaid card, is expensive and easily lost, Sopp said.

The Current app provides kids with three buckets for their money: spend, save and give. Current has connected to all 2 million U.S. 501c charities, so a child can give $10 to World Wildlife Fund and the parents get the tax deduction.

The account will help young people learn about the value of money and how to use a PIN before they hit 18, Sopp said.

"You get to vote, you're probably driving, you're going to college and doing all these other things and you have no idea how cards work and how this system works," he said.

By establishing a relationship with young people, Current will have a head start on banking them in their college years and beyond.

Within the next year, Sopp said, the company will have products designed for college students and other demographics. He's already gotten requests for cards for college students as well as for nannies and elderly and infirm parents.

Current's first iteration was an app designed to facilitate payments on the Slack messaging service. Sopp now describes that as a short-term experiment to prove the startup could exchange value through third-party messaging.

"That was successful, but it was only a building block," he said. "We made a conscious decision to focus on retail and consumers rather than the B-to-B play."

Sopp said he became aware of the allowance problem at home.

"I have a daughter who's 8 and I was starting to see problems around this whole thing, so I was inspired by that and thought about how I would want to manage my money with more control in a way that was more automated," he said.

Worlds Collide

JPMorgan's surprising blockchain alliance

BLOCKCHAINS MAKE STRANGE BEDfellows.

For years, Jamie Dimon has derided digital currencies. Now, his company has teamed up with the creators of one of the most prominent "altcoins" to build privacy features for a blockchain platform.

JPMorgan Chase's partnership with Zerocoin Electronic Coin Co. is perhaps the most surprising alliance yet as traditional financial institutions co-opt a technology originally developed to route around them. ZECC's founder, Zooko Wilcox, was part of the 1990s cypherpunk movement, which sought to defend individual privacy through strong cryptography. Last year his firm released Zcash, a cryptocurrency designed to be more anonymous than bitcoin.

Just that phrase "more anonymous than bitcoin" might send shivers up the spines of some bank compliance officers, to say nothing of regulators. So, just to be clear: JPMorgan isn't using Zcash. "This is solely a technology transfer agreement," Wilcox said.

Instead, his team will use the same cryptographic techniques to add a "security layer" to Quorum, the system JPMorgan is developing to run smart contracts.

In their most basic form, blockchains allow all participants in a network to see who has done what. But that transparency has been a turn-off for financial institutions, which don't want to tip their hands to competitors, or reveal confidential client data.

"Existing smart contract systems on replicated shared ledgers are unable to provide data privacy – transactions and smart contract state data are exposed in the clear on the replicated shared ledger," JPMorgan said in a white paper for Quorum published in November.

Quorum was designed so that a smart contract would be visible only to the parties, not the whole network. But that, by itself, precludes the contracts from involving assets that could later be transferred to other participants in the network. "You can't prove to Charlie that Bob is the legitimate owner of an asset while concealing that Alice was the previous legitimate owner," Wilcox said. ("Alice and Bob" are regular characters in the hypothetical examples given by cryptographers.)

The Zcash developers plan to enable Quorum smart contracts to trade transferable, resellable tokens, through a cryptographic method called zero-knowledge proofs. These allow someone to prove that a statement is true without conveying any other information.

In the Zcash currency, for example, zero-knowledge proofs provide assurance that users are only spending money that they have without revealing on the public ledger how much they have received from or sent to others. Participants can selectively decrypt such details about their own transactions, however, making it possible to comply with audits or court orders. Otherwise, the ledger is just a list of timestamped transactions, with the senders, recipients and amounts obscured.

Applying that technology to Quorum would allow tokens (representing real-world financial assets, say, shares in Apple) to circulate throughout the network, rather than be confined to bilateral agreements between banks, without sacrificing privacy.

Dimon has famously predicted that decentralized currencies like bitcoin – which let anyone with an internet connection send money anywhere in the world without the permission of an intermediary – are doomed. According to published reports, his bank has expressly forbidden banks it does business with to work with digital currency exchanges.

"Virtual currency, where it's called a bitcoin vs. a U.S. dollar, that's going to be stopped," Dimon said in 2015. "No government will ever support a virtual currency that goes around borders and doesn't have the same controls. It's not going to happen."

Around that time, JPMorgan and other banks had begun to investigate the possibilities for their business of blockchain technology, which was originally developed to prevent double-spending of bitcoins. One advanced use case is smart contracts, which theoretically can cut costs in the financial system by automating much of the work done by lawyers, compliance officers, syndication desks, and others.

"Smart contracts on a replicated, shared ledger hold the promise of improving efficiency and lowering costs compared with existing enterprise systems based on duplicated business logic and consensus by reconciliation," the bank's Quorum white paper said.

JPMorgan participated in several of the industry alliances that are working to develop blockchain solutions for financial services, though it recently quit the R3 consortium. The bank decided to model Quorum on another open-source platform, the bitcoin rival Ethereum.

While Zcash started as a "fork," or modified version, of bitcoin, Wilcox's company has joined the Enterprise Ethereum Alliance, of which JPMorgan is also a member.

Wilcox said the Zcash currency has served as a showcase of sorts for the technology his company has been pitching to enterprises.

"We can point to the thing running live in the wild as proof that it works and we can deliver," he said.

– Marc Hochstein

BE ON YOUR BEST BEHAVIOR

Wells Fargo aside, the industry overall should be pleased with the results of **our annual survey of bank reputations**. One key insight: Displaying strong ethics is an effective way to improve what people think of your bank.

BY SEAN SPOSITO

Banks are still working to rebuild their reputations following the financial crisis and, luckily for them, the phony-accounts scandal that erupted at one of the nation's most prominent retail banks did not drag down the broader industry.

While Wells Fargo's image is in tatters – and will likely remain so for some time – what people think of banks in general continues to improve, according to the latest American Banker/Reputation Institute survey.

The overall banking industry scored a 70.8 on a 100-point scale this year, meaning it edged ever so slightly into the "strong" category. Its score had been "average" last year at 67.1.

Better delivery of products and services has helped, as has looser lending practices. But the biggest influence has been banks' behavior.

Simply put, banks are acting more responsibly with customers – no longer processing transactions in a way that will more quickly trigger overdrafts, for example. They also are making their community activities more prominent. And these efforts are paying off in higher reputation scores.

Of the 39 banks evaluated in this year's survey, more than half of them received "excellent" marks from their existing customers, up from just under a third of the banks in the 2016 survey. Perhaps more tellingly, over 30% received "strong" ratings from noncustomers, versus zero in last year's survey.

Stephen Hahn-Griffiths, an executive vice president at the Reputation Institute, said that while providing quality products and services is obviously important, it's a company's governance – or how it conducts business – that can make or break a reputation these days.

Wells Fargo is an obvious case in point. In last year's survey, Wells scored a respectable 67.3 in the overall ranking, outpacing many of its peers. This year its score went into free fall, plunging to 48.6, by far the lowest of any bank. (A score under 50 is considered "weak." Scores between 60 and 69 are "average;" between 70 and 79, "strong;" and above 80, "excellent.")

"Wells Fargo is the poster child for bad behavior," said Hahn-Griffiths. Creating fake accounts to meet sales targets is "an egregious act that goes against everything good governance stands for. It's not ethical. It's not honest. It's not transparent."

He suggested that the reputations of other banks – rather than being tarnished by the Wells scandal that made headlines for months – might have been reinforced in a positive way.

"In many ways, it's kind of reaffirmed the loyalty to your other banks," Hahn-Griffiths said, "because you start to say, 'At least my bank isn't Wells Fargo.' It's a bit of a reverse psychology play, there."

Whatever the reason, banking now has moved ahead of some other industries that had it beat reputationally last year, including the health care and energy sectors. Banking also moved ahead of the broader finance industry, which scored a 69.

Across the 17 industries the Reputation Institute tracks, consumer goods had the strongest reputation, with a score of 76.5, and energy the weakest, with a score of 59.7.

Within the banking industry, the regionals are faring particularly well. Eight of the 10 highest-scoring banks in the overall ranking – including Synovus Financial in the top spot – have less than $50 billion of assets. The other two, USAA and Northern Trust, are niche banks. USAA is an online-only bank that serves members of the military and their families, and Northern Trust caters to the wealthy.

Three of the country's four largest banking companies, Citigroup, Bank of America and Wells Fargo, placed in the bottom five of the overall ranking. Of the big four, JPMorgan Chase ranked highest, with a score of 69.2.

The survey rates banks in seven categories: products and services, innovation, leadership, workplace, performance,

OVERALL REPUTATION RANKINGS

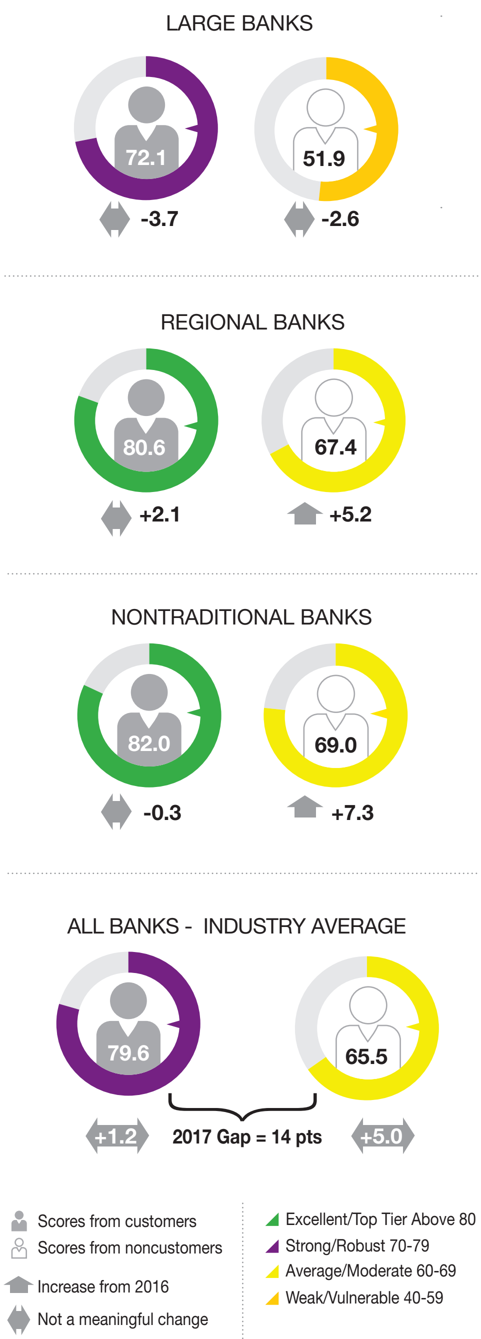
		2017	2016	Change
1	Synovus Financial	80.7	73.8	6.9
2	USAA Bank	80.3	n/a	n/a
3	BOK Financial	79	69.4	9.6
4	Cullen/Frost Bankers	78.8	72.5	6.3
5	First Tennessee	78	n/a	n/a
6	Northern Trust	76.8	67.4	9.4
7	Webster Bank	76.4	n/a	n/a
8	BMO Harris Bank	75.9	67.1	8.8
9	First Citizens	75.6	n/a	n/a
10	BankUnited	74.4	n/a	n/a
11	People's United	74.2	n/a	n/a
12	BNY Mellon	73.7	66	7.7
13	Zions Bank	73.3	69.2	4.1
14	CIT Bank	73.1	n/a	n/a
15	Associated Bank	72.8	67.6	5.2
16	Discover Bank	72.8	n/a	n/a
17	BBVA Compass	72.5	65.1	7.4
18	Union Bank	72	66.6	5.4
19	Regions	71.7	73.9	-2.2
20	Huntington Bank	70.8	66.5	4.3
21	PNC	70.3	68.5	1.8
22	Bank of the West	70.3	66.6	3.7
23	Ally Bank	69.7	69.7	0
24	Chase	69.2	68.4	0.8
25	TD Bank	68.9	68.2	0.7
26	Comerica	68.8	68.8	0
27	Capital One	68.6	68.8	-0.2
28	BB&T	68.4	66.9	1.5
29	M&T Bank	68.3	66.6	1.7
30	U.S. Bank	67.6	67.7	-0.1
31	Citizens Bank	67.5	65.1	2.4
32	SunTrust Banks	67.4	68.8	-1.4
33	KeyBank	66.6	72.4	-5.8
34	Fifth Third Bank	65.5	62.7	2.8
35	Citibank	65.4	64.4	1
36	Santander	64.8	59.7	5.1
37	HSBC	63.2	56.8	6.4
38	Bank of America	57.2	55.9	1.8
39	Wells Fargo	48.6	67.3	-18.7

Excellent/Top Tier Above 80
Strong/Robust 70-79
Average/Moderate 60-69
Weak/Vulnerable 40-59
Poor/Bottom Tier Below 40

Source: American Banker/Reputation Institute Survey of Bank Reputations 2017

A Big Weak Spot

Once again large banks as a group showed no progress on improving the weak reputations they have among noncustomers



Source: Survey of Bank Reputations 2017

citizenship and governance.

Which categories most heavily influence people's perceptions of banks can shift from one year to the next, and the three categories that proved to be the top reputation drivers this year are governance, followed by products and services, then innovation.

"The No. 1 thing people are looking for in terms of reputation of a bank is ethical behavior," said Hahn-Griffiths.

Banks that embrace transparency and fairness will find it can be a real differentiator over the next year or two, he said.

Among the banks whose reputations benefited from rising governance scores were BOK Financial, BNY Mellon and BBVA Compass.

Reymundo Ocañas, BBVA Compass' director of corporate responsibility and reputation, said that the brand is top of mind for executives at the bank, which is a unit of the Spanish banking giant Banco Bilbao Vizcaya Argentaria. (BBVA Compass is a Reputation Institute client.)

For example, he pointed to a five-year commitment the bank announced in 2014 to invest $11 billion in low- and moderate-income communities within its seven-state footprint. In its first full year of that commitment, it made $1.2 billion in loans to more than 24,000 small businesses and $819 million in mortgage loans, providing housing for more than 5,400 families.

Investments aimed at improving the workplace culture (its head of human resources is now called the "chief talent and culture executive") and the customer experience (it acquired the mobile-only bank Simple in 2014) also have helped to enhance BBVA Compass' reputation. Even a portion of senior managers' bonus compensation is tied to the bank's reputation, Ocañas said.

A strong reputation can pay off in myriad ways, influencing people's willingness to buy products from, invest in and even work for a company, according to the Reputation Institute's research.

Of respondents who thought of a company as excellent, 85% said they would buy products from it, and 68% would invest in it.

Banks with excellent scores are also more likely to attract talent, though perhaps not as easily as they once could. Last year, 73% of respondents said they would work for the top-rated banks, but this year that figure fell to 65%.

Hahn-Griffiths offered two possible reasons for the decline. First, he said, many job seekers these days are unwilling to consider certain employers until they know for sure that a company's values line up with their own. Also, "millennials in particular are looking beyond a career job at a large corporation and thinking about other forms of employment, such as starting their own company," he said.

Attracting talent is more challenging for those with less-than-stellar reputations. Only 22% of respondents said they would seek employment with the average companies and just 11% would apply for jobs with the weak ones, according to the Reputation Institute.

Attracting new customers also gets progressively tougher for companies in the lower reputation categories. While 59% said they would buy products at the companies with strong reputations, only 37% would do so at the average companies. And that drops to 19% for the weak companies.

Wells Fargo, for example, has seen a sharp decline in new account openings since the scandal broke last year. Consumers opened 35% fewer checking accounts at Wells in March than they did in

RANKINGS BASED ON CUSTOMER SCORES

		2017	2016	Change
1	USAA Bank	87.5	n/a	n/a
2	First Tennessee	86.7	n/a	n/a
3	BNY Mellon	86.3	74.8	11.5
4	BOK Financial	85.2	76.4	8.8
5	CIT Bank	85.1	n/a	n/a
6	Synovus Financial	84.9	81.4	3.5
7	First Citizens	84.4	n/a	n/a
8	Cullen/Frost Bankers	83.9	81.8	2.1
9	Northern Trust	83.7	75.7	8
10	BMO Harris Bank	83.6	76	7.6
11	Webster Bank	82.9	n/a	n/a
12	Associated Bank	82.6	76.8	5.8
13	SunTrust Banks	82.6	81.8	0.8
14	Huntington Bank	81.5	78	3.5
15	People's United	81.3	n/a	n/a
16	BBVA Compass	81.2	76.3	4.9
17	BankUnited	81.1	n/a	n/a
18	Zions Bank	80.7	76	4.7
19	BB&T	80.5	73.7	6.8
20	Regions	80.3	85.7	-5.4
21	Citizens Bank	80.1	78.5	1.6
22	Union Bank	80	79.6	0.4
23	U.S. Bank	79	79.4	-0.4
24	Discover Bank	78.6	n/a	n/a
25	HSBC	78.2	73.2	5
26	Capital One	77.9	82	-4.1
27	PNC	77.3	80.7	-3.4
28	Bank of the West	76.9	79	-2.1
29	TD Bank	76.7	80.9	-4.2
30	Ally Bank	76.7	80.7	-4
31	Chase	75.8	80.2	-4.4
32	M&T Bank	75.1	74.7	0.4
33	Fifth Third Bank	74.9	71.8	3.1
34	Comerica	74.8	79.4	-4.6
35	Santander	74.1	72.2	1.9
36	Citibank	72.9	77.1	-4.2
37	KeyBank	72.4	84.6	-12.2
38	Bank of America	71.5	75	-3.5
39	Wells Fargo	62.2	77.7	-15.5

Excellent/Top Tier Above 80
Strong/Robust 70-79
Average/Moderate 60-69
Weak/Vulnerable 40-59
Poor/Bottom Tier Below 40

Source: American Banker/Reputation Institute Survey of Bank Reputations 2017

RANKINGS BASED ON NONCUSTOMER SCORES

		2017	2016	Change
1	Synovus Financial	77.9	67.1	10.8
2	USAA Bank	76.2	n/a	n/a
3	Cullen/Frost Bankers	75.6	62.7	12.9
4	BOK Financial	75.4	62.4	13
5	Northern Trust	74	63.3	10.7
6	First Tennessee	73.6	n/a	n/a
7	Webster Bank	72.4	n/a	n/a
8	First Citizens	71.9	n/a	n/a
9	BMO Harris Bank	71.8	61.1	10.7
10	BankUnited	70.4	n/a	n/a
11	People's United	70.4	n/a	n/a
12	Zions Bank	70.2	64.4	5.8
13	BNY Mellon	69.3	61.4	7.9
14	Union Bank	68.8	61.5	7.3
15	Associated Bank	68.5	61.3	7.2
16	CIT Bank	67.7	n/a	n/a
17	BBVA Compass	67.1	58.8	8.3
18	Bank of the West	67	61.3	5.7
19	Regions	66.9	65.3	1.6
20	Discover Bank	66.5	n/a	n/a
21	Comerica	66.1	62.7	3.4
22	Ally Bank	65.6	64.9	0.7
23	M&T Bank	64.4	63.1	1.3
24	Huntington Bank	64.3	60	4.3
25	KeyBank	64.2	60.9	3.3
26	TD Bank	64	62.4	1.6
27	PNC	64	59.4	4.6
28	Chase	62.2	60.5	1.7
29	Citizens Bank	61.8	60.9	0.9
30	BB&T	61.4	63.7	-2.3
31	Fifth Third Bank	61.1	58.9	2.2
32	SunTrust Banks	59	60.7	-1.7
33	Citibank	58.9	57.8	1.1
34	Santander	58.9	49.9	9
35	Capital One	58.6	58	0.6
36	HSBC	58.2	51.8	6.4
37	U.S. Bank	58.1	61.2	-3.1
38	Bank of America	43.3	44.9	-1.6
39	Wells Fargo	37.1	59.9	-22.8

Excellent/Top Tier Above 80
Strong/Robust 70-79
Average/Moderate 60-69
Weak/Vulnerable 40-59
Poor/Bottom Tier Below 40

Source: American Banker/Reputation Institute Survey of Bank Reputations 2017

the same month last year and credit card applications were down 42% year over year. Those steep drops are among the reasons profits in its retail banking unit fell 9% in the first quarter from a year earlier, to $3 billion.

Joo-Yung Lee is a managing director and regional head of Fitch Ratings' North American financial institutions group. She said that while reputation is not a key component in determining a bank's rating, it is something she has to pay attention to because a poor one can affect areas such as loan growth, client acquisition and referrals.

Her team put Wells on a "negative" outlook following the scandal. "We do pay attention to brand and the firm's reputation in the context of how it plays a role in the bank's franchise and the business model," Lee said.

Wells Fargo has taken steps to repair its image, from retooling its entire sales program to establishing a dedicated office to oversee a companywide Rebuilding Trust Program.

And, so far, the bank has refunded nearly $3.3 million to customers for fees incurred as a result of "potentially unauthorized" deposit accounts, credit cards and lines of credit, according to a recent one-sheet from Wells outlining its progress.

Like all banks in the reputation survey, Wells performed better with its customers than with noncustomers. Among customers it scored a 62.2, lowest among the 39 banks but still in the range of "average." Its noncustomer score was 37.1, which is "poor."

Less than half of its customers say they would recommend the bank to others, and less than a quarter of noncustomers would do so.

But Wells' recovery effort is starting to pay off. The Reputation Institute runs monthly assessments for Wells, which is a client, and Hahn-Griffiths said its scores are up slightly since spring, when the annual Survey of Bank Reputations was fielded.

"It's going to take a while; there is no overnight cure," he said. "It's all about rebuilding trust and credibility one customer at a time and doing the right thing."☐

SURVEY METHODOLOGY

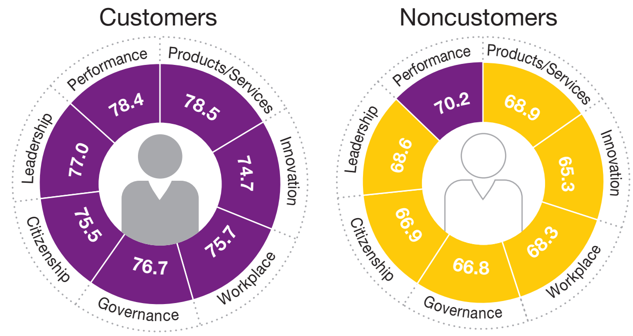
COMPANY SELECTION:

- Companies drawn from the Federal Reserve's list of large commercial banks, with final selections by American Banker based on total assets and deposits
- Only those with significant retail brands were considered

RATINGS:

- Ratings were collected via online questionnaire in the spring of 2017
- All companies were rated by at least 100 customers and 100 noncustomers
- Each respondent was very or somewhat familiar with the companies they rated

How banks rated in the seven reputation categories



The top scorers for each of the reputation drivers

Customer

Products & Services	
USAA	85.1
BNY Mellon	84.8
First Tennessee	84.1
Synovus	83.9
Cullen/Frost Bankers	83.5

Innovation	
Cullen/Frost Bankers	83.3
First Tennessee	82.1
Synovus	82.0
BNY Mellon	82.0
BOK Financial	81.4

Workplace	
Synovus	84.6
Cullen/Frost Bankers	84.5
BNY Mellon	82.5
First Tennessee	82.4
BOK Financial	81.1

Governance	
Synovus	84.0
First Tennessee	83.9
USAA	83.7
Cullen/Frost Bankers	83.2
BNY Mellon	83.0

Citizenship	
Synovus	84.6
First Tennessee	83.4
BOK Financial	83.1
Cullen/Frost Bankers	82.8
USAA	82.7

Leadership	
Synovus	84.1
First Tennessee	83.9
BOK Financial	83.9
Cullen/Frost Bankers	83.8
BNY Mellon	83.5

Performance	
Cullen/Frost Bankers	84.5
CIT Bank	83.8
Synovus	83.7
First Tennessee	83.5
BNY Mellon	82.9

Noncustomer

Products & Services	
USAA	77.9
Synovus	77.6
Cullen/Frost Bankers	76.4
BOK Financial	75.7
Northern Trust	75.6

Innovation	
Synovus	77.8
BOK Financial	75.8
Cullen/Frost Bankers	75.8
Webster Bank	71.8
First Tennessee	71.4

Workplace	
Synovus	76.8
USAA	76.3
Cullen/Frost Bankers	76.1
BOK Financial	75.5
First Tennessee	75.1

Governance	
Synovus	77.5
USAA	76.3
First Tennessee	75.4
BOK Financial	75.2
Cullen/Frost Bankers	75.1

Citizenship	
Synovus	77.3
BOK Financial	77.0
Cullen/Frost Bankers	76.2
USAA	75.7
First Tennessee	74.2

Leadership	
Synovus	77.3
USAA	76.6
Cullen/Frost Bankers	76.6
BOK Financial	76.0
First Tennessee	75.5

Performance	
Synovus	77.6
Cullen/Frost Bankers	77.2
BOK Financial	76.1
USAA	75.2
First Tennessee	75.1

Source: American Banker/Reputation Institute Survey of Bank Reputations 2017

IMPROVING MORTGAGE LOAN PROCESSING THROUGH AUTOMATION

An educational Q&A with Michele Rothkin, Financial Services Industry Marketing Specialist, Canon U.S.A., Inc.

In an age of customer expectations for fast, convenient digital solutions, the mortgage loan process remains highly paper-based. The processing cycle can be rife with bottlenecks and the risk of costly errors. Across the industry, executives say they must improve the customer experience and internal efficiency to be competitive, and are seeking to shave days off cycle times.

To shed light on these challenges and possible solutions, Canon's Michele Rothkin discusses how business process automation can help mortgage originators become more efficient.

What is the state of automation in the industry today?

Companies are trying to cut out manual work with the help of online application portals they can use to upload documents. The problem is that when documents come in, someone still has to look at them — information needs to be verified. As such, the process may never be 100% automated. The key is to insert documents into an orderly workflow that can help track the mortgage package throughout the cycle and prompt mortgage professionals to complete necessary tasks in a timely manner.

What are the biggest risks and pain points for originators in the mortgage loan processing cycle?

Not surprisingly, regulatory compliance is an ongoing concern. For example, when loan terms change, new disclosures must be issued within strict time limits. Documents, such as paystubs, must also be current at the time of closing. A well-constructed automated system can help alert staff to possible problems so they can be addressed before they become an issue.

Reputational risk also can't be ignored. Inefficient processes with heavy manual components can expose originators to oversights like missing information, requiring them to contact customers multiple times for the same document. Originators that achieve a high level of service by streamlining communications with borrowers can distinguish themselves from competitors.

Many loan processing executives continue to invest in technology and process improvements and seek to shorten processing cycles. What is driving the activity?

Primary drivers of ongoing improvements in the loan processing area are compliance, cost savings and customer satisfaction. With mortgage providers having expended a great deal of time and energy on compliance in the past few years, they are expanding their focus to creating and maintaining more efficient processes throughout the loan cycle.

Overall, an efficient process leads to a shorter cycle time. A shorter cycle time helps originators close within the initial rate lock period and avoid fees to extend rate locks. An efficient process can also lead to a better customer experience. Satisfied customers can lead to more referrals and fewer bad reviews.

What does the mortgage loan document process of the future look like?

Document collection and data review involves a human element. The game-changing challenge here is, with a process that has to be somewhat manual, how do you organize work for a loan processor who has a lot of critical responsibilities?

The biggest struggle for processors is remembering everything they have to do, and that's where a well-designed automated solution comes in. When you need to collect paystubs, the system can remind you to call the borrower. It can flag documents that are close to expiring and give ample time to collect new ones. If something changes in a document, the technology can call attention to it. The proper technology solution keeps processors moving within a workflow to help reduce errors and improve efficiency.

How is Canon involved in helping mortgage bankers reduce cycle time and improve the customer experience?

Canon's service is customizable and allows an administrator to set up a digital workflow behind the scenes. As a leader in imaging technology, Canon has the technology, personnel and know-how to help automate manual, paper-intensive processes.

The service helps manage tasks at each stage in the process, from appraisals to customer follow up on income and assets. Having these tasks structured in a workflow queue helps keep mortgage professionals on point.

The service comes with robust data analytics that allows for tracking throughout the process, including cycle time. It also provides document storage, incorporating Canon's optical character reader (OCR) – scanning and indexing – technology. ■

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TALENT REFINERY

UNDER **STEVEN BRADSHAW,** BOK FINANCIAL IS ENGAGING EMPLOYEES AS NEVER BEFORE BY INVESTING HEAVILY IN TRAINING AND DEVELOPMENT.

DON'T THINK CUSTOMERS HAVEN'T NOTICED.

BY **ALAN KLINE** PHOTOGRAPHY BY **ADAM MURPHY**

Steven Bradshaw had some fresh ideas about how to maintain BOK Financial's momentum when he replaced Stanley Lybarger as chief executive in early 2014.

Lybarger, who led the Tulsa, Okla., company for nearly a quarter of a century, is a towering figure in banking, credited with transforming the small energy lender with less than $2 billion of assets into a regional powerhouse, and delivering consistent profits to shareholders largely by maintaining strong credit discipline and building a diverse base of fee-based businesses. It is a point of pride at BOK that the company never lost money or laid off employees during the financial crisis and was one of just a handful of regionals that refused to accept money from the federal government's Troubled Asset Relief Program.

Yet there is always room for improvement, even at the most respected, best-performing companies, and one area where Bradshaw believed he could change the $33 billion-asset BOK for the better was in nurturing talent. For years, BOK had been adding employees at a rapid clip, primarily by acquiring other banks, going into new business lines and expanding existing ones, but it had no formal training program designed to retain all that talent or prepare the most promising employees for senior roles.

BOK had created an office of talent and organizational development in late 2012 under Lybarger, but training took on greater urgency under Bradshaw, one of Lybarger's longtime deputies. As Bradshaw saw it, development was crucial to keeping the best employees from fleeing to competitors and grooming the next generation of leaders at a time when BOK's, and the industry's, bench strength had become dangerously thin.

"There was a period in the 1990s where there was not a lot of internal development going on, so there's this gap – and it's like this at a lot of banks – where there are a lot of us who are over 55 and a significant amount of talent among the under-40 crowd, but not a lot of talent in between," explained Bradshaw, who is 57. "We're going to see a pretty significant change in leadership ... in a lot of areas of the bank over the next decade and we need to make sure we have people who are prepared to take over those responsibilities."

A key initiative is an executive and performance coaching program geared specifically for up-and-coming managers who senior leaders see as having executive potential. There is also an advanced leadership program for midlevel managers, another management program for newly hired or recently promoted employees and a series of online classes and one-day boot camps.

The early results of BOK's investments in talent development have been promising. Turnover is down, employee engagement scores are up and, perhaps most important, existing employees are filling more of BOK's job openings. Last year, one in four vacant jobs went to an internal candidate, versus one in eight just three years ago.

That's because more employees have gained the skills and the confidence to apply for positions that may have once considered to be out of reach, Bradshaw said. "They are confident to raise their hands, and they are confident that we as an organization will consider them," he said.

How all this plays outside of BOK is hard to know, but it is likely not a fluke that the company's climb up our annual reputation rankings coincides with the talent development effort.

Stephen Hahn-Griffiths is a managing director at the Reputation Institute, the Cambridge, Mass., firm that compiles the rankings for American Banker each year. He said BOK "is setting itself apart" from others in the industry by "investing in its people and building a workplace and culture where people want to work."

While this is not the only contributor to BOK's improved reputation, it is certainly a factor, particularly in its standing with customers, Hahn-Griffiths said.

"Inspired employees make for happier customers," he said.

BOK – which placed eighth in last year's rankings – came in third overall in the 2017 rankings, with a score of 79 (out of 100). Of the 39 banking companies included in the Survey of Bank Reputations this year, only Synovus Financial in Columbus, Ga. (80.7), and USAA Bank in San Antonio (80.3) scored higher than BOK.

BOK also posted the largest year-over-year increase in its score, 9.6 points.

That was propelled by an improvement in how it is viewed by both customers and noncustomers. BOK is one of just four companies to show a double-digit increase in its score with noncustomers and its 8.8-point increase in its customer score was second only to the BNY Mellon's 11.5-point jump.

This is not to suggest that BOK was in some desperate need of a reputation reboot. Financial performance is an important driver of reputation and few companies have performed as consistently well as BOK over the last two decades. It has succeeded by sticking to what it does best – energy lending – while opportunistically moving into new markets and adding business lines, such as mortgage banking, wealth management and treasury management services. Not many banks can boast that nearly half of their revenue is generated by fees.

In the late 1980s and early 1990s, "the bank suffered from the regional downturn in the Southwest, and we did not want that same outcome" in the next downturn, said Lybarger, who remains on BOK's board. "How do you maintain a reputation? By building a company that is recession-proof."

It also helps to be a model corporate citizen, and Mark Graham, the president and CEO of the Tulsa Area United Way, said that BOK has few peers in that regard. Bradshaw himself is the current chairman of the Tulsa Area United Way and last year, along with his wife, Marla, co-chaired a fundraising campaign that brought in $25.3 million, a near record for the nonprofit.

"BOK's fingerprints are literally all over Tulsa," said Graham, noting the company's heavy investment in economic development and its employees' significant involvement in area nonprofits. "It sets the bar here, and that's saying a lot because Tulsa is a hugely philanthropic community."

BOK has had some hiccups. Last year, the company paid a $1.6 million fine to the Securities and Exchange Commission for allegedly covering up the misuse of funds related to a bond issue. BOK said the fraud was perpetrated by an executive in its corporate trust department who is no longer with the company.

Even so, BOK generally enjoys a strong reputation with its customers, investors and people who live in its communities. To understand why, it helps to know about its ownership structure and its ties to the Kaiser Family Foundation.

The billionaire oil executive George Kaiser bought the then-ailing company in 1991 and today he and his family foundation own roughly two-thirds of BOK's stock. Despite their vastly different missions – the foundation is chiefly focused on childhood poverty and early-childhood education – there is little question that the foundation's spirit of giving back has seeped into BOK's culture.

"When you think of BOK, you think of George Kaiser, and when you think of George Kaiser, you think of Kaiser Family Foundation," said Graham. "All are significant players in the development of this community, in pushing us forward."

With Kaiser and the foundation owning such a large chunk of the publicly traded company's stock, BOK can go about its business relatively free from investor pressure, said Brady Gailey, a managing director at Keefe, Bruyette & Woods.

BOK's leaders "are not managing the bank for the next quarter or even for the next year; they are focused on creating value over the next five to 10 years and beyond," Gailey said. "A lot of banks don't have that longer-term focus because they have big rosters of institutional investors that want results now, not later."

Gailey said – and BOK executives concurred – that the ownership structure is a big reason BOK was able to be so patient with customers in the energy industry when oil and gas prices started plummeting in late 2015 and early 2016.

As energy-related businesses were struggling to repay their loans, many banks responded just as investors and analysts wanted them to: by quickly writing off or unloading troubled credits, sharply curtailing energy lending and, in some cases, exiting the sector entirely.

But BOK took a different tack, opting instead to give many of its clients ample time to work through financial troubles brought on by falling prices. The company had survived down cycles before and, as its executives have said repeatedly on recent earnings calls, it was not about to abandon its customers when they needed their bank most.

Underscoring its commitment to the battered sector, BOK has continued to actively pursue new energy business – it has added $900 million of oil and gas loans over the past 12 months – and last year even bought an energy-focused investment advisory firm.

"We're a committed and unapologetic energy bank, and we understand that commodity prices can be volatile," said Stacy Kymes, BOK's head of commercial banking. "Being reactive in the short term isn't going to result in a positive outcome for the bank or the borrower," he said.

Jared Shaw, an analyst at Wells Fargo Securities, said investors and analysts have generally been comfortable with that stance because BOK has such deep expertise in energy lending. The company is prudent in its underwriting – the loan to value on its energy loans typically ranges from 50% to 60% – and most of its loans are for exploration and production and therefore collateralized by the oil and gas in the ground. As Shaw pointed out, the banks that suffered the steepest losses on energy loans were those financing businesses that provide oil field services, such as rigs and other heavy equipment.

Shaw said investors are not bothered that BOK continues to write new loans at a time when many other banks are taking a pause. "Even though energy prices have come down a lot, the loans BOK is putting on its books are actually better loans because the pricing assumptions are so much more conservative," he said.

Bradshaw believes there is a link between BOK's decision to stand by its energy clients during this most recent downturn and its improved reputation score.

BOK has operations in nine states, including Texas, Colorado and Missouri, and about 80% of its offices are in markets "that have some level of reliance on the energy industry," Bradshaw said. "When you work with your customers, that permeates within the communities, and it is a point of pride with employees. Our customers know that we are loyal and that we are not in this business casually and therefore not going to exit it casually. That builds a stronger reputation."

He sees a link, too, between its talent development efforts and the improved perception of BOK in its markets. He said the commitment to education and training has "energized" the employees, and that is helping to lower turnover and, ultimately, improve relations with customers. Among employees BOK views as being a "high performer" or having "high potential," turnover was 7% last year, down from 8% in 2015. Further minimizing turnover among these two employee groups is a top priority, and sometimes that means giving talented workers an opportunity to stretch themselves even before they are ready.

"No one is really 100% ready for their next role, but it's important that we as leaders give people the opportunity to do things that might be outside of their comfort zones," Bradshaw said.

Christine McQueen was one of the first BOK employees selected to participate in a 10-month executive education program, and the experience changed the trajectory of her career.

'We're a committed and unapologetic energy bank,' said commercial lending chief Stacy Kymes. 'Being reactive in the short term isn't going to result in a positive outcome for the bank or the borrower.'

A former manager in the company's information technology group, McQueen was promoted in January to director of bank operations, a senior-level post in which she oversees operations for a wide range of functions, including lending, retail banking and wealth management. She admits she likely would not have even applied for the position if she had not gone through the executive training program in 2014.

A key component of the training is a research project in which the class participants are broken up into teams and asked to come up with a solution to a real-world problem or question. McQueen and her team, for example, were asked to look into the feasibility of BOK expanding its energy lending into Canada. After months of research, she ultimately concluded that such a move would be too risky, and as part of the program, had to explain the decision to a panel of senior executives. That access to Bradshaw and other senior leaders was invaluable, McQueen said, and ultimately gave her the confidence to not only apply for the bank operations job, but seek their input before she even interviewed for it.

"I got to know them and some of their thought processes, so when this became available I felt very comfortable in going to talk to them about what their expectations for this role would be," she said.

Stacy Tiger, BOK's director of talent and organizational development, said much of the training is focused on developing "soft skills," but it's those "stretch assignments," she said, that participants find to be most beneficial. Though the idea of lending in Canada was ultimately scrapped, many other ideas are accepted, and it is up to presenting teams to help put the ideas into practice. That can be heady stuff for a midlevel manager.

"They get the opportunity to work with the executive team" to implement the idea, Tiger said, "and you can imagine how great that is for employee engagement and morale."

McQueen, who is coming up on her 10th anniversary with BOK, said that Bradshaw's focus on employee engagement has indeed boosted morale across the organization. She pointed not only to the formal talent development programs, but also to the dozens of informal coffee meetings Bradshaw holds with rank-and-file employees each year.

"Regardless of what your role might be, he wants to hear what's on your mind," McQueen said. "It's been a positive, impactful thing. It makes people feel like their voices are being heard."

Bradshaw began hosting the meetings when he took over as CEO three years ago. They have no agenda and one of the only rules is that senior leaders are not allowed to attend because Bradshaw fears their presence might discourage honest discussion.

"They give me feedback on what they see as a priority but don't see us working on, and I can tell you it's been pretty enlightening," said Bradshaw. "I've probably learned more about the company from these sessions than I had in my 20-plus years here." □

BankThink

BY HAZEL MOORE

Is artificial intelligence the future of capital markets?

Before the internet arrived, I used to be an equity analyst. I'd spend my days finding and arranging metaphorical jigsaw pieces to come up with a complete picture and an investment recommendation, which the sales guys would disseminate by telephoning their favorite clients first, and the ones they didn't like so much a bit later.

Today, at asset management companies and other financial institutions, there are still large teams of analysts and portfolio managers, sifting through data, developing investment theses and making asset allocation decisions. The difference is that we are deluged in data. Not only is the amount of data available to us accelerating, the nature of it is changing, with new sources of information being seen as potentially relevant for analysis. For example, the location-based data that comes from your mobile phone shows whether you are in a mall. Scaled over the whole of the country, this could allow us to see what is happening to footfall, which would help with understanding retail sales in real time. The footage from closed-circuit television that shows what's happening in transportation is another example. Or social media analysis of events happening in real time from people on the ground. Or weather data. The list goes on.

The reality is that there is just too much data for humans to be able to use. Opportunities go wasted because a team of humans just cannot create a sophisticated response to all of this. Of course, funds have been using complex algorithmic-driven trading strategies for years, but this is largely confined to market data. Imagine if we could take all the data that's coming from the real economy and use that to discern price, predict performance, understand risk and make better investment decisions. The only feasible way to do this is to use computing power to ingest the data, understand correlation and causation, and deduce rapidly enough how to respond. Artificial intelligence has now advanced to the stage where this is possible. While this gives rise to some interesting opportunities to radically transform investment management and capital markets, it will be very disruptive for people who work in the industry.

OPINION

For more viewpoints on industry issues, visit the BankThink page on **AmericanBanker.com**

Let's assume that you use very sophisticated AI-driven models to scan data from not just the market but a whole plethora of other sources to define, implement, monitor, refine and adjust your trading strategies. What kind of people do you now need to employ? Performance will come down to how well your combination of engineers, scientists and market people can define and improve those models. The kinds of people employed in the industry will change; we will need people who can model data, and others who can validate the models and the results. And we will not need so many people. Much of the dialogue around the types of jobs that will disappear because of artificial intelligence has centered on relatively unskilled jobs, but in financial services it will be expensive, highly educated Wall Street-types finding themselves out of work.

An asset manager friend of mine agreed. He also said there's no way he'd go public about using this strategy; he'd prefer investors think how great his team was at stockpicking!

Change is already underway. One of the most high-profile companies in this space is Kensho, which is backed by Google, Goldman Sachs and S&P Global. Kensho uses AI to scan vast data sets much more quickly and accurately than analysts, and sells the information to banks and other financial institutions.

One competitor is Sentifi, which takes in data from thousands of sources, then filters it for accuracy. The founder got the idea after the nuclear disaster at Fukushima, when an investment manager friend griped that it would take three weeks of sifting through seemingly unconnected data to work out the implications of this event on his portfolio.

One hedge fund taking artificial intelligence to the next level is Numerai – which doesn't even employ the AI talent! This San Francisco fund encrypts its trading data and then crowdsources AI-based algorithms from anyone who wants to have a go. Contributors who develop algorithms that successfully improve performance get paid in bitcoin.

It's a long way from when I used to analyze company reports, scan articles in actual newspapers and use old-fashioned methods like the telephone and company visits to develop my investment ideas. □

Hazel Moore is the chairman and co-founder of the London investment bank FirstCapital, which specializes in high-growth technology companies.

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NOTICE

The annual report of THE **MILLENNIUM FOUNDATION TRUST** for the calendar year ended December 31, 2016 is available at its principal office located at C/O Meltzer, Lippe, Goldstein & Breitstone, LLP, 190 Willis Avenue, Mineola, New York 11501, (516) 747-0300 for inspection during regular business hours by any citizen who requests it within 180 days hereof. The Principal Manager of the Foundation is Mr. Lewis S. Meltzer.

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BackPorch

BRENDAN DICKINSON

"Insurance is still primarily distributed by 59-year-old men whose top skill is being able to write upside down."

Partner at the venture capital firm Canaan Partners, saying technology is about to change distribution and underwriting in a sector that lacks innovation

LLOYD BLANKFEIN

"Today's decision is a set-back for the environment and for the U.S.'s leader-ship position in the world. #ParisAgreement"

Goldman Sachs' CEO and instantly popular Twitter newbie, in his very first tweet, on June 1, which got 28,000 likes and 12,000 retweets

CHRISTOPHER YORK

"I would characterize it as the sixth of nine innings."

JMP Securities analyst, describing where CIT Group is in its turnaround

ERIC DEZENHALL

"People don't want to have their chops busted among the people they eat quiche and drink Chablis with."

Expert in damage control, saying JPMorgan Chase CEO Jamie Dimon likely faces less social pressure to quit advising President Trump than Tesla founder Elon Musk

BRIAN DUPERREAULT

"I didn't come here to break the company up, I came here to grow it."

American International Group's new CEO, promising to keep the insurance giant intact and expand it for the first time since the financial crisis

Photo: Business Wire

GUO SHUQING

"The banking system currently shows symptoms of using a bullpen to cage a cat."

China's top bank regulator, in a reference to the country's overly loose regulations that he intends to rein in

JEROME POWELL

"We want the boards of directors to focus on their main job of overseeing and holding accountable the management, not running the company and not getting tied up in a lot of checklists."

Federal Reserve governor, on his plan to ease the regulatory burden by eliminating specific directives for board members

LEE BRAINE

"Almost every week new ideas in blockchain appear."

Barclays' chief technology officer, saying that just staying aware of the constant flow of blockchain initiatives takes time and effort for banks, regulators and startups

WARREN BUFFET

"If you go to a dentist, if you hire a plumber, in all the professions, there is value added by the professionals as a group compared to doing it yourself or just randomly picking laymen. In the investment world, it isn't true."

Billionaire investor, saying fund managers aren't worth their fees and urging people to stick with index funds instead

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