

JL: Jean-Marc Levy
FC: Francis Creighton

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JL: Hello everyone. I'm Jean-Marc Levy of the NYSE for This Week in the Boardroom. I'm delighted to welcome our guest today, Francis Creighton, who is the Executive Vice President of Government Affairs for the Financial Services Roundtable. So Francis, you spend a great deal of time advocating in Washington, DC for financial services institutions and I'd love to hear your thoughts today on where do you see the general climate in DC with the gridlock and with the midterm elections – literally a few days away at the time of this taping – affecting the way you can represent your companies.

FC: Well our companies have huge issues before Congress whether it's how we serve our customers better, whether it's how we protect our customers from cyber risk, all of these issues are impacted by the issues that Congress is having in getting anything passed. So in the new year when we have a new Congress, no matter who's in charge, we still know that the President is going to be in charge, that the Republicans are going to be in charge of the House and that the Senate will be close. Whether it's Republicans or Democrats, the Senate is an institution that unless you have 60 votes, or in a real case even more than 60 votes, you're unlikely to get anything done unless there's real bipartisan cooperation. So what we're hoping for is that in the new year with a new Senate majority or with the current Senate majority, that people will look to each other and say we think that the best way to serve our constituents is to get some things done that will help put more credit back out onto the street, that will help make it easier for people to get mortgages, to buy a first car, to go to college, to start a small business. That's the most important thing.

JL: So I lot of pressure to get stuff done.

FC: Get stuff done, yeah exactly, exactly. There are some small little pieces that we can do that can really help open up the lending so that people can have more opportunities to find their way to the American dream.

JL: And just switching gear to the main topic, which is risk management, unfortunately Congress has a tendency to be a little more reactive than proactive in those areas and so do you think that they're very focused on some of the recent breaches like what we've seen at Target and Home Depot. It seems like we're reading about a new one every day. What do you think the view is on Congress about those things and the need for them to get involved and take some measures?

FC: Well they know that the breaches are happening. They're happening all of the time and they're not happy about it, just like every consumer is not happy about it. They want to

know what are we doing to keep our customers and to keep the entire financial system safe? So they want us to work together to make sure that we're actually doing something. One of the things we've done at the Financial Services Roundtable is we've started working with the merchants so that instead of us so that instead of us throwing rocks at each other across the fence we come together and figure out are there ways that we could actually work together so that we can help this situation. We help the retailers, for example, set up an information sharing center which mirrors the financial services information center that we have so that the retailers can learn from our good example and help protect themselves better. We're also looking at ways to make credit cards safer so that the information if somebody does get in there the information isn't as useful and that they can't actually get anything out of it. So there's so many different things that we can do. Where we need Congress' help, really need their help, is in passing information sharing legislation that would help us share information with each other, share information with the government, the government being able to share more information with us, and that all of us working together so that we can stop the bad guys from getting in and infecting our systems.

JL: So speaking of the bad guys, you focus primarily on vendor risk and what you just mentioned. I don't know if you saw the interview of James Comey, the new Director of the FBI on 60 Minutes and one thing that he said really resonated with me, which is that we as a nation, our enforcement agencies, have really improved dramatically in the area of fighting cyber-terrorism and he said we went from being a bunch of four year old playing soccer to now being a bunch of high school kids playing soccer. But the people we're really facing and the cyber-terrorists are really playing at a speed that's World Cup speed. So do you think we're going to see something coming out of Washington and Congress that's going to say hey it's not enough to just focus on vendor risk anymore? These are all the things that need to happen in order to really fight cyber-terrorism and new types of risks that emerge.

FC: Well I think law enforcement is doing as good a job as anyone can ask. In fact, in a lot of cases our members, and also retailers and others, many of them learn that they are under attack not from their own systems but because law enforcement comes to them and tells them hey you have a problem over here. So law enforcement has been a partner in this every stop along the way. In fact, one of the comments I made to the board members who I spoke to just before is make a relationship with your local FBI official, secret service official now, before you're breached, so that you have a relationship in advance. You don't want the first time to meet these guys is when they knock on your door with the sunglasses and the badge out. You want to already have that relationship.

JL: How do you do that?

FC: Well you pick up the phone and you call the field office of the FBI in your area and you say hi I'm the Chief Information Security Officer for XYZ bank and I'd like to just come in and talk with you about what we're doing to protect our consumers and maybe you can talk to us about what you're doing to help protect our consumers as well. The FBI, Homeland Security, the Secret Service, they have been very very welcoming of our

companies coming in and talking to them proactively. And I should say they've been very proactive about going out into the market and talking. They've been at conferences, they've been at events, and they're always handing cards saying please call us, please call us. They want these relationships as much as anybody. You know what they're interested in; they're not interested in it for some nefarious purposes. They are trying to help protect our customers. We're all in this together. Companies, retailers, the government, law enforcement, we're all working toward one thing. And I think that while we can talk about how Washington is not working, we should also talk about where it really is working and that's one place where the government is doing the right thing and they're actually being helpful to us. And if anything, Congress can further help by making that information sharing a more real activity.

JL: What do you think the next area of cyber-risk that we're going to see Washington and enforcement agencies really focus on looks like? If there is a way to guess what it is.

FC: The question is where does the market move. In one way you can say do the cyber-criminals move in a different direction because the bigger companies are so well protected and so therefore maybe they go down-market and maybe they look at smaller institutions and do other things? Or, are the cyber-criminals ahead of the game and do they try to get into areas that aren't quite mature yet? So mobile payment systems or other innovative technologies, do they think that hey before this matures we can get in and we can attack there? Or do they go down-market? We don't know. What we know is that they are going everywhere that they can. And so whether you are a one billion dollar community bank or you're at the very largest banks in the world, you need to have people focused on this and board members who are holding their managements to account for what they're doing. They should ask questions and when they say well what's your cyber plan and management comes with a cyber plan. The board members should push back and say I want to know more about that. I want to understand more. Tell me what you're doing here. Tell me what you're doing there. It should be more of a dialogue. This is not just an IT issue. This is a risk management issue.

JL: Absolutely. Absolutely. And what do you tell board members when they come to you and say well I understand the need to share information and to protect my information, but how do I balance that with the data privacy issues? And especially from an international financial institutions, the data privacy issues are incredibly complex. As a board member, how do I balance those things?

FC: You touched on one of the most delicate issues. I mean this is exactly the issue. So we're going to be sharing information with the government. The government is going to be sharing information with us. We've seen particularly in the European context that not all governments are comfortable with information being shared with the U.S. government. It's a very delicate question and I'm not sure I have the right answer for you. But what I know is that by having the dialogue, by walking it through, by boards having that discussion in the boardroom with management there and talking it through, that's the way to get there. I think a lot of institutions are going to make a different decision based on their own business model and that makes sense. We don't need a one-size-fits-all, but the

way I know it's not going to happen is if they don't even have the conversation. So that's what we're really urging people to do is to think in advance, walk through it, and then to actually put in a plan and implement it going forward. The worst thing you can do is just put your head into the sand and make pretend it's not happening.

JL: In terms of setting the agenda for the next Congress and for the next set of lawmakers in Washington, what are you hearing from your companies as their most pressing issues beyond the typical advocacy issues that you worked on for the past year or so?

FC: You know I think a lot of our companies have looked at Washington and said you know I'm not sure where we're going to get a lot out of this and so what they're looking for really is how can they innovate next in the market? You know everybody wants to get some fixes to Dodd Frank. The Dodd Frank Act passed five years ago and it's only about two-thirds done being implemented five years later. Five years ago we weren't taking pictures of checks and depositing them automatically into our accounts. So there's things that the regulators are doing that are maybe beyond what they're able to do because the technology has moved so much, because innovation has happened. So maybe we need to go back and make some tweaks to Dodd Frank. But I think a lot of the ideological battles of Dodd Frank are over, right. We're not going to repeal the CFPB. Not that we would want to, but that's over. They're not going to do any of those big kind of restructurings of Dodd Frank. That debate was five years ago. But what we can do is make it work better. Make it work better so that we can better serve our customers. When it really comes down to it, if we're not making loans, if we're not helping our clients and our customers better do their business then we're not going to do well. So that means that what we need is a strong economy and if we can better serve that economy it's going to be self-perpetuating.

JL: Exactly.

FC: We'll do better. The economy will do better. Our customers will do better. And it's just a good circle and it just keeps going. And so I think what you'll be looking at in 2015-2016 is the industry to make specific delicate changes to Dodd Frank so that it works better for everybody.

JL: Well we're reaching the end of the program and I always like to ask my guest if they had one piece of advice or warning or actual item they would like to leave our audience with. What would it be today?

FC: Well I'm here today specifically to talk to some bank directors and so the one thing I would say to bank directors is on cyber-security make a plan and live up to it and get in there and really figure out how does it work, what's happening, think it through in advance, and hold your management to account. But by the same token, don't let the elements of fear, uncertainty, doubt prevent you from doing the kinds of innovation that can really take the market forward. If you listen to they naysayer you'll never do anything. You'll just lock everything up into a safe and just leave it there. Take some risks. It's okay, but understand what those risks are and mitigate them.

JL: And make sure you have a very close dialogue with the enforcement agencies and the various people in your support and network.

FC: Yeah, indeed.

JL: Well Francis, thank you very much.

FC: Happy to do it.

JL: Great to have you here today. I'm Jean-Marc Levy at the NYSE for This Week in the Boardroom and I hope you'll join us next week for our next issue. Thank you.

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