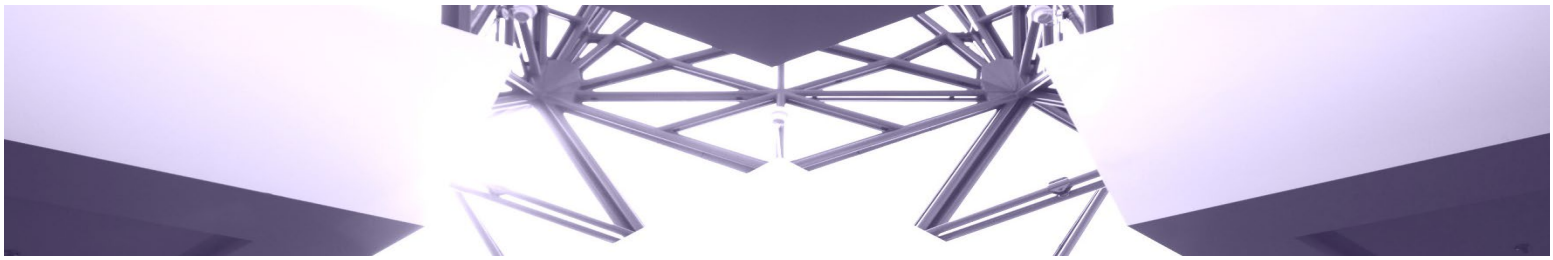
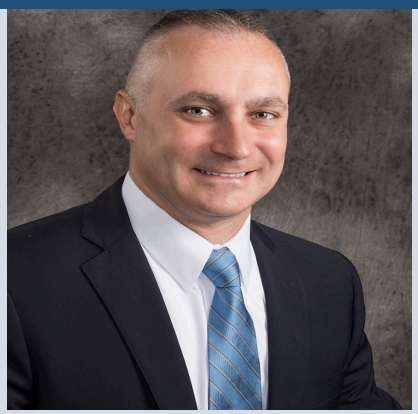
Risk Management Association

Advance Your World.

Fall 2022 Newsletter



PRESIDENT'S MESSAGE



Greetings! As the newest RMA President, I look forward to a productive term, and getting to know as many of you as possible. With 2023 right around the corner, I would like to thank everyone who made 2022 a success. A special thank you to Jeremy Blecha for two years of leadership through a very difficult time!

There are a number of exciting things to look forward to in 2023. Our annual CPA/RMA mixer, a member appreciation event, as well as an RMA Night with the Bisons. Some of the meeting topics that we have scheduled address current market trends. These include:

- The future of office space
- Senior Credit Officer Panel (covering inflation and lending in the rising rate environment)
- Impact of electric vehicles on the auto industry
- Cannabis in New York State

If you are interested in becoming more involved, please reach out to myself or any board member. We are also actively recruiting non-members to our Chapter. Please contact Charlie Brooks, if you know anyone that might be interested. As you can see from our Board listing, we have a wide variety of professions involved in our chapter - from bankers, to CPA's, attorneys and more. All are welcome!

If you haven't renewed your membership, please do so at your earliest convenience. I thank all of you and your respective institutions for your continued investment in RMA.

Nicholas Alberalla
Community Bank, N.A.
VP, Commercial Banking Officer
nicholas.alberalla@cbna.com

RMA BOARD MEMBERS

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Fall 2022

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THE ECONOMY – TROUBLE AHEAD

BY JOHN SILVIA, NOVEMBER 2022 - *RMA Journal*

As 2022 wanes, risk managers continue to face the difficult combination of slower economic growth, persistent inflation, equity market volatility, and continued monetary policy tightening. No matter where you look, it seems, there are recession warning signs and credit risk implications.

Jobs

The four-week moving average of jobless claims has mostly been on the decline since early April. At the end of September, it stood at 207,000, down from 371,250 roughly a year earlier. at would normally be interpreted as a positive. In contrast, however," job openings peaked in March, and the four-week moving average dropped to 10.1 million from 11.1 in August. This hints that firms have cut back on their staffing goals.

Durable Goods

Since peaking in August 2021, the growth in durable goods orders has declined steadily. Concurrent gains in the level of capital goods orders do signal some strength, but also suggest firms are adding capital to address the shortage of labor.

Since the start of 2022, the harsh reality of economic and financial fundamentals has overwhelmed hope for transitory inflation, a soft economic landing, and a Fed pivot to easing. Slower economic growth, persistent inflation, and rising interest rates set an adverse environment for risk taking. In this environment, risk managers must follow the fundamentals.

Read the entire article in the November 2022 edition of the RMA Journal.
https://rmajournal.org/rmajournal/november_2022/MobilePagedReplica.action?pm=2&folio=46#pg48

UPCOMING EVENTS

TMA Credit Officer Panel
December 6, 2022
Buffalo Club
5:30-6:30 cocktails/networking
6:30 discussion
7:30-8:30 cocktails/networking

January 2023 – Future of Office Space, RMA/CPA Mixer

February 2023 – Senior Lending Panel, Rising Leaders - Networking Class

March 2023 – Auto Industry: Impact of Electric Vehicles

April 2023 – Cannabis Event, Economic Review

May 2023 – Buffalo Bisons Game/Member Appreciation Event

Stay tuned for dates and other exciting events throughout this year. We are always willing to take suggestions and help, so please reach out with any ideas!

THANK YOU TO OUR SPONSORS!

AMERISOURCE Business Capital
https://www.amerisource.us.com/

Pursuit
https://pursuitlending.com/

LaBella Powered by partnership
https://www.labellapc.com/

Community Bank
https://cbna.com/

Update on the Leasing Standard

Considerations around the new leasing standard:

With the impending effective date for private companies of Accounting Standards Update (ASU) 2016-02 Leases, a company will be required to evaluate its lease portfolio and record right-of-use assets ("ROU assets") and lease liabilities on its balance sheet for its operating leases. There are numerous considerations that go into determining the amounts to be recorded related to the implementation of this standard including the discount rate, remaining lease term, remaining lease payments, practical expedients and accounting policy elections, amongst many others.

The key changes based on the guidance are related to lessee accounting and specifically related to operating leases. Instead of debiting expense and crediting cash/ap as payments are made related to an operating lease as you might have done in the past, you are required to set up an asset and liability on the balance sheet for your operating leases.

The key components needed to calculate your day 1 lease liability are your lease term, discount rate and lease payments. There are a number of considerations that go into determining each but at a high level the Day 1 Lease Liability will be based on the present value of your remaining lease payments over the remaining term.

Some of the considerations will be dependent on your elections of certain practical expedients and accounting policy elections. *Some of* the considerations to consider related to the calculations are as follows:

1) Lease Term
    a. Short term policy exception
    b. Reasonably certain renewal periods and termination options
2) Lease Payments
    a. Variable versus fixed payments
    b. Combination of lease and non-lease components
    c. Reasonably certain termination payments
    d. Reasonably certain purchase options
    e. Amounts probable of being owed under residual value guarantees
3) Discount Rates
    a. Determination of the applicable rate which may be:
        i. Rate implicit in lease
        ii. Incremental borrowing rate
        iii. Risk Free Rate

In addition to the above calculations that are new under the standard, there are additional disclosure requirements as well. With all these considerations and nuances, organizations should not wait to start this process. For calendar year end companies, the standard is effective as of January 1, 2022 for the annual period ending December 31, 2022.

The key takeaway, is to not wait to year end to implement. If you think you will need assistance with the implementation, please reach out to your audit contacts who will put you in touch with our Bonadio Strategic Advisory (BSA) experts.

Matthew Jensen, CPA, Director – Bonadio & Company, LLP (lead of lease standard implementation – BSA)

mjensen@bonadio.com

585-662-1201

STUDENT RESOURCE CENTER

RMA provides free student memberships and a student resource center!

https://www.rmahq.org/studentresources

The student resource center provides tools and resources for students to:

- Build their network
- Get practical experience through internships
- Strengthen resumes
- Apply for scholarships
- Gain insight beyond the textbook
- Get latest industry trends and research information
- Supplement university education

STUDENT SCHOLARSHIPS

Students in an undergraduate program who are interested in working in the banking industry may apply for an RMA Foundation Scholarship!

The RMA Foundation awards over $200,000 annually in scholarships ranging from $1,000 to $5,000!

The 2023 Scholarship cycle will be open from January 3rd to March 15th

More information can be found here:

https://www.rmahq.org/studentresources/scholarships/

Why Consider Leveraging a Virtual Chief Information Security Officer (vCISO)?

By Charlie Wood, CISA, CRISC, PCI QSA, CISM, Executive Vice President, FoxPointe Solutions

Cyberattacks and data security breaches continue to grow at a record pace year after year. Gone are the days where you only had to worry about an attack if you had sensitive data like personally identifiable information (PII) or credit card data. Threat actors now see the value in attacking every business with ransomware. If it is valuable to you, then it is valuable to cyber criminals because they know you will pay to get your systems back up and running.

According to recent surveys, over 60% of cybersecurity professionals saw an increase in cyberattacks and security breaches related to the pandemic. In order to defend against these attacks, businesses must take proactive steps to remain safe and secure. A key area of need and support is a CISO. Some of the key benefits of a CISO are discussed below.

Cost Reduction and Stability

A chief information security officer (CISO) is a critical component of organizations' risk management program. They are there to assess, monitor, report and consult on the process of managing information risk, whether it's a cyber control, a cyberattack, data leakage or security breach. The responsibilities of this position are critical and mandated by some laws and regulations because these security experts work to protect companies against cyberthreats.

Primarily due to turnover and rising costs, some organizations are turning to vCISO's. A vCISO is an outsourced, highly experienced information security practitioner with audit, reporting, assessment, and executive-level experience who can offer their deep expertise and cross industry insight to a financial institution on an ongoing (typically part-time) basis, sometimes far surpassing the skillset and expertise of a conventional CISO. Engaging a vCISO allows any company the flexibility to obtain deep industry and overall information security experience and knowledge for a fraction of the cost.

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On-Demand Expertise to Facilitate Growth and Security

A vCISO works closely with Senior Management to establish a well-communicated information security strategy and roadmap, one that meets mandatory State and Federal laws and regulations. Most importantly, a vCISO can provide companies with unbiased strategic and operational leadership on security controls and technologies, which includes:

- Guidelines, Controls, And Standards
- Regulatory Compliance
- Cyber Risk and Incident Management
- Vendor Risk Management
- Cyber Infrastructure Planning
- Business Continuity
- Database Security Management

Since vCISOs are already experts, it saves companies ramp-up time and related expenditures. Additionally, organizations are able to eliminate the cost of benefits and full-time employee onboarding requirements, as well as the possible revolving door of personnel transition. Organizations can instead allocate their internal resources more effectively, add some needed capital to the bottom line and utilize employees in roles supporting your goals enabling them to take on other priority tasks.

The right vCISO can provide a business with quality executive-level information security experts who actively collaborate with Executive Management to make reasonable and effective decisions on the businesses needs in data security, privacy, and compliance requirements. A seasoned vCISO will have had the advantage of working with many companies struggling with a variety of challenges. They bring that knowledge base to communicate which policies, procedures, and technologies are best for solving companies' specific goals. Overall, the main objective of a vCISO is to help make better business protection choices, act as a bridge for data protections reporting and support long-term framework for information security goals to protect organizations from the ever-evolving threat landscape.

Charlie Wood
Practice Lead, FoxPointe Solutions
cwood@foxpointesolutions.com
585-249-2757

RMA UPDATES

2022 Annual Risk Management & Internal Audit Virtual Conference

Risk In an Ever-Changing Landscape – Join RMA HQ December 5-8, 2022 for the RMA Annual Risk Management and Internal Audit Virtual Conference. Each day will be organized by topic:

Day 1: Regulatory and Governance
Day 2: Credit and Consumer
Day 3: Emerging Risks
Day 4: People Risks and Leadership

More information and register here
https://www.rmahq.org/conferences/annual-and-internal-audit-virtual-conference/

RMA Training

The financial services industry is constantly growing and changing, and so are the risks it faces. Based on deep industry knowledge from the banking experts who make up RMA's membership, RMA's courses give you the expertise you need to stay ahead. Register on the new training portal, RMA Ignite, to get started!

https://www.rmahq.org/rma-ignite

ABOUT OUR CHAPTER

We are over 800 members strong in representing banks, financial institutions and professional organizations dedicated to risk management in Upstate New York. As one of over 120 active RMA Chapters, the Buffalo RMA Chapter plays an active role in fulfilling the mission. Through our area general meetings and educational events we enrich financial services professionals and our region's banking community. It's an important undertaking that is led and implemented by loyal volunteers from area institutions -- bringing RMA to you in your local market area.

SPONSORSHIP OPPORTUNITIES
RMA sponsorship and involvement in our local Buffalo Chapter will be of great benefit to your organization. In a time when many are very focused internally, RMA provides a "window to the world" keeping you on the leading edge with timely knowledge and access to contacts in the financial industry. Sponsorship offers you the opportunity of introducing your colleagues to Western New York commercial lenders and other credit professionals in a favorable setting for a fraction of the cost. Sponsorship offers an unparalleled opportunity to meet lenders and credit professionals who are in a position to recommend your firm's services either to their own institution or to their customers.

General meetings and events center on luncheon programs with featured speakers, panels, educational forums and social events.

Sponsorship is the perfect solution for firms looking to target market lending professionals who are not only a source of business themselves but may also provide secondary referrals to their customers.

CONTACT: Charlie Brooks - cbrooks2@mtb.com

KEEP IN TOUCH

https://www.linkedin.com/company/rma-the-risk-management-association-buffalo-chapter/

https://community.rmahq.org/buffalo/home?ssopc=1