

**Business, Economic Development, and Labor
Appropriations Subcommittee
June 16, 2016**

Department of Financial Institutions

Lassonde Center for Innovation in Banking and Financial Services (CIBFS) at the David Eccles School of Business, University of Utah

FY 2016 Appropriations from DFI Restricted Account \$300,000

A Contract was signed on December 7, 2015 between the Department of Financial Institutions and the Lassonde Entrepreneur Institute at the University of Utah.

The General purpose of the contract was pursuant to authority under Utah Code Ann. 7-1-403(3) to assist in establishing the Center of Innovation in Banking and Financial Services (CIBFS) within the Lassonde Entrepreneur Institute at the University of Utah, for a research and analysis program to study the impact of regulation, support innovation in financial services, document current innovative practices, and conduct applied research to identify new technology opportunities for deployment in Utah.

The Scope of Work was broadly identified to include:

1. Research Programs:
 - A. Establish a set of Research Priorities,
 - B. Establishing Database Acquisition Guidelines,
 - C. Download FDIC Database for Research and Repository,
 - D. Solicit Nationally for Research Proposals.

2. Conducting a National Conference:
 - A. Where Nationally Recognized Speakers and Researchers can do a “Deep Dive” into issues of importance to the industry,
 - B. Opportunity for presentations from regulators and industry participants.

3. Student Involvement and Innovation Tournaments.

On December 23, 2015, the initial funding of \$300,000 was wired to the University of Utah for the CIBFS.

I. Center for Innovation in Banking and Financial Services (CIBFS)

Industry, regulatory and academic partnership serving Utah
Credible, timely information and research on State-Chartered and Regional Banking issues of national importance

II. CIBFS was Established with Three Main Goals:

1. Research
 - A. Funding for research on financial services, studies of regulatory policies and their impact on innovation, and innovation development for state-chartered and community institutions with a focus on Utah
 - B. Data repository, source for industry data
2. Conduct a National Conference
3. Student Involvement
 - A. Industry internships and technology development partnerships
 - B. Student Innovation Tournaments

III. Governance

1. Advisory Board
 - A. Seven Bankers, Utah Bankers Association (UBA) and Utah Association of Financial Services (UAFS) Executive Directors, U leadership
 - B. All Executive Council Members are also on Advisory Board
2. Executive Council of the Advisory Board
 - A. Center Executive Director and Research Director
 - B. Representatives from UBA and UAFS/National Association of Industrial Bankers (NAIB) and Conference of State Bank Supervisors (CSBS)
 - C. Three community banking representatives
 - D. Oversight on operations, budget, and policy
3. Research Advisory Board
 - A. Center Executive Director and Research Director
 - B. Representatives from UBA and UAFS/NAIB and CSBS
 - C. Four community banking representatives, rotating participation

IV. Research Solicitations

1. Request for Proposals (RFP):
 - A. RFP was developed with input from local banking associations
 - B. Solicitations were first distributed to deans of colleges and universities in Utah in March
 - C. National solicitation by CSBS later this month
 - (1) Calling for proposals for studies of state-chartered banking, its contributions to the economy, and the value it provides for the states.
 - (2) Will be the basis of further studies in the future looking at state regulatory regimes and their impact on community banking as well as national regulatory practices and policies.

- (3) The periodic calls will be the bulk of the research activities for the Center.
- D. Commencing a comprehensive study of brokered deposits, both historic and current use.
 - (1) FDIC regulatory practices concerning brokered deposits
 - (2) Studying the safety and soundness of deposit sources vis-a-vis bank behavior.
 - (3) There are many empirical questions that could be answered with the FDIC call report data, which is why the database access is a top priority.

V. Data Repository

- 1. Consulting with service providers in setting up database structure, building interfaces
 - A. Hired a consultant to do database architecture and handling the bulk download process from the FDIC. The FDIC data is public and available but not easily accessible.
 - B. Commercial vendors are available but CIBFS intends service to be free to all Utah financial institutions.
- 2. Downloading all Federal Banking Regulatory data underway
 - A. Creating a database of all Academics Studies in the past 15 years dealing with State-Chartered and Other Community Banking Issues.
 - B. CIBFS intends to be a national resource in providing references and identifying potential grant recipients.
- 3. Creating an open access platform to support community banking research
 - A. Students and faculty developing a mobile platform for innovative technical solutions. Received a grant from Amazon Web Services (AWS) for in-kind services. This includes the Amazon Mobile Platform services.
 - B. Funding a project from BYU that is focused on data center security management, including compliance reporting. Group won the BYU innovation competition. Group will be developing a prototype system for review by bank members under the guidance of Univ. of Utah Adjunct Professor who is a retired bank president, CPA and Presidential nominee to the Board of Governors of the Federal Reserve System.
- 4. Plan to continue major emphasis on Industrial Banks as unique depository institutions

VI. Student Engagement

- 1. Student White Papers
 - A. The U's graduate Finance Club has taken the lead in the development of topical white papers that will be used to define the challenges for the Student Innovation Tournaments
 - B. Projects on financial services - "unserved or underserved" segments of population
 - (1) completed projects on refugees, homeless, undocumented, and

- student financial services
 - (2) upcoming projects on elder fraud, micro-business services, and housing security
- 2. Two Student Innovation Tournaments Scheduled
 - A. While not the biggest effort for CIBFS, it has the potential to involve a great number of students and get them interested in banking and financial services.
 - B. Student financial services in September 2016
 - C. Refugee/immigrant financial services in October 2016

VII. National Conference

- 1. First Conference will be August 2017
 - A. Focus on current issues in community banking
 - (1) Featuring research supported by CIBFS and other independent research
 - B. Goal is to attract a nationally prominent keynote speaker
 - C. Differentiate from CSBS/St. Louis FED Community Banking Conference which is mostly a forum to review Federal Reserve papers.

VIII Reporting and Accountability

- 1. CIBFS will be providing a full accounting of activities and expenditures this August at the UAFS Conference
- 2. A review of the Funds Expended, Performance Metrics and Recommendation on Continued Funding is currently scheduled for the September 21, 2016, meeting of the Utah Board of Financial Institutions.

IX Goals for 2016-2017

- 1. Continue existing activities, focus research
- 2. Outreach other Utah universities & colleges
 - A. Goal broaden interest in financial services
 - B. Solicit student participation
- 3. Develop publications program for research
 - A. Newsletters & Annual Report starting in 2017
 - B. Comprehensive bibliographic resources for research
- 4. Begin structured internship program
- 5. Accelerate fund raising
 - A. Goal is funding from sponsorships and other grants
 - B. Currently have \$202,500 pledged.