



DIGITAL TRANSFORMATION IN CREDIT UNIONS & COMMUNITY BANKS

DRIVING EFFICIENCY & REDUCING RISK



Transitioning to the New Normal

Since the outbreak of the COVID-19 pandemic and the transition to remote work, credit unions and community banks have maintained business continuity with the help of digital platforms and solutions. Now, what at first seemed like a short-term adjustment to remote operations has evolved into the long-term reality.

Despite their differences, credit unions and community banks often share similar workflows and operations, and both face the demands of increasing regulations. Consequently, they face similar challenges in this new way of operating:

- Communication issues between directors, exacerbated by the transition to remote work
- A lack of virtual access solutions for key stakeholders and auditors
- Outdated and convoluted filing systems that require laborious navigation
- A reliance on time-consuming, paper-based processes for minute-taking, board and executive collaboration, and other everyday operations

As banks and credit unions have begun to embrace digital transformation, they've discovered that the digitization of traditional processes not only protects data and reduces risk, but also drives key efficiencies across the entire organization.

Good governance in both corporations and credit unions is, in essence, the leadership structure and the complex system of incentives, checks and balances that makes sure that the organization creates long-term, sustainable value.

[FileNet Research Institute](#)



Legacy Processes Invite Inefficiencies, Errors and Risks

Perhaps more so than in other industries, financial organizations are still beholden to a variety of outdated and manual processes that take too much time and are vulnerable to an array of risks.

First and foremost, reliance on paper-based processes means that, when faced with a situation where remote working is a requirement, the dissemination of key documents becomes logistically difficult and often downright confusing for all involved. Additionally, reliance on paper invariably leads to mistakes and version-control issues, particularly when compiling governance materials, board information and data for regulatory filings. In an industry where compliance and regulation loom large, there can be very little tolerance for error.

Similarly, the use of text messages, email – whether via a corporate or a personal account – and other disparate systems, and the battle that comes with tracking down, reformatting and compiling information, serves only to slow processes when agility is needed most.

These legacy processes are also out of step with the cybersecurity demands banks and credit unions face in today's digital world. As custodians of particularly sensitive information, the reputational, regulatory and financial costs credit unions and community banks face from lost or stolen data are immense. And yet, despite

this, most of the tools they use – from email to publicly available file-sharing platforms to text messaging – are no more secure than those their clients use in day-to-day life. Closing the gap between secure information and unsecure communication is essential.

Transitioning from legacy processes to a digital solution brings two particular benefits for credit unions and community banks alike:

1. A marked increase in efficiency
2. Significantly enhanced risk mitigation

“Effective governance is an essential foundation to underpin development of the credit union sector. Ineffective governance can constrain a credit union from effectively responding to business challenges.”

Patrick Casey
Registrar of Credit Unions, Central Bank of Ireland



A Digital Solution Drives Efficiency

Governance and collaboration based on paper foundations can quickly become unmanageable. The digitizing of paper processes eliminates a reliance on outdated filing systems that may resemble the dusty shelves of an old library. Transitioning meeting minutes, annotations, documents and agendas to a digital platform – where they are created, stored and approved within the confines of a secure portal – brings organization, convenience and considerable time savings. Additional benefits include the ability to analyze and compare past data with ease, and to quickly and easily share this digital information with stakeholders.

Prompt communication and easy collaboration are also essential. Inefficiencies increase in situations where meeting in person is not possible. A virtual solution drives agility and efficiency by facilitating collaboration and accelerating decision-making, regardless of where the parties are located.

Keeping tabs on constantly fluctuating demands and an ever-changing set of variables can feel Sisyphean at times. A digital solution brings greater cohesion and allows more time for focus on other essential elements of business. From real-time updates across all devices, to an accelerated sign-off process, to the ability to keep critical correspondence flowing quickly and smoothly, implementing digital processes saves time at every stage.

51% of credit unions surveyed believe that governance expertise is the most important skill an effective credit union board should have.

[Filene Research Institute](#)

Furthermore, when it comes to the auditing process, digital optimizations of legacy processes offer substantial benefits. Digitizing time-consuming activities, like complying with audits, frees up focus for more complex areas of oversight.

Who Benefits From Digitization?

- A digital solution allows **corporate secretaries** to lead the development, implementation and enhancement of governance policies and practices with clarity and ease.
- **Board directors** can be empowered to access, collaborate and communicate with intuitive board management software. Authentication, electronic signatures, voting and a central repository of board-related documents are additional benefits.
- By utilizing an effective digital solution, **general counsels** can operate efficiently while providing clear and effective advice regarding strategic implementation.
- **Board administrators** can use board management software to store meeting materials and reduce time spent on creating, editing and distributing board materials.
- **Executive assistants** foster connection and communication between board directors and administrators, and often help assemble board materials. A digital governance solution reduces the time spent on those activities.

A Digital Solution Mitigates Risk

For community banks and credit unions, proper risk oversight is a necessity given their increased proximity to highly sensitive information. The data they possess is very attractive to cyber-attackers. Indeed, research from security firm Bitglass shows that despite the fact that financial services firms are the victim of only 7% of all reported data breaches, these attacks are responsible for the loss of 62% of their records.

Unfortunately, it's not just cyberattacks that cause problems. The same survey shows that accidental disclosures and insider threats are the second- and third-most-common reasons for unauthorized disclosures. More stringent security is needed to protect banks' and credit unions' sensitive data.

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Bitglass

A secure digital solution allows boards and executive teams to utilize a more secure, highly confidential alternative to the standard corporate email account and to off-the-shelf collaboration platforms. This limits the potential for:

- Falling victim to phishing attacks
- Sending misdirected emails
- Inadvertently sharing files with unintended parties

Additionally, the shift to remote work has dramatically accelerated the adoption of videoconferencing platforms – as well as highlighted their security limitations. With a secure digital solution in place, sensitive meetings can be made more secure by sending links through encrypted channels, preventing confidential information from getting into the wrong hands.

84% of data breaches involve human actions that are either unintentional or inadvertent.

The International Association of Privacy Professionals

Moreover, a digital approach to risk mitigation gives credit unions and community banks a significantly more robust approach to access. Customizable user permissions mean that sensitive data can be shielded from anyone who doesn't have a business-mandated need to see it. Similarly, digital solutions should operate on a closed system, meaning that important information can't be viewed by others (even within the walls of the organization).

Ensuring Adoption of a Digital Solution

A secure digital alternative should not come at the cost of usability. Adoption is likely only possible if the system mirrors the way boards and leadership teams are accustomed to working. Paula Bashan, Senior Executive Assistant at Community First Credit Union, has had firsthand experience of what happens when a digital governance solution is not implemented correctly:

“Key functions dropped off, new software versions kept changing, there was a lag time in loading documents and the overall technology roadmap was missing. Because our board members and admins did not really grasp the solution, it was not adopted well and engagement fell.”

Incomplete adoption means regression to former systems and processes, once again creating security gaps. A proper digital solution will, instead, relegate collaboration and communication across unsecure channels – email, Slack or Box, for example – firmly to history.

“87% of boards are mildly to extremely concerned about the security of their board communications and data sharing.”

[Forrester Report: Boards of Directors Need to Make Better Use of Boardroom Technology](#)

7 Scenarios That Demand a Secure Digital Platform

- 1. Sharing of clients’ confidential and/or personally identifiable information (PII):** Specific and attributable client information is often included as part of a file, report or analysis. Securing it when sharing it among team members is critical to reputation and trust.
- 2. Capital status and availability information:** For financial services organizations of any size, it is essential to ensure that any information on this topic is not public and is fully protected.
- 3. Investment/divestment scenarios:** Some of this information will eventually become public, but until then, protecting it from leaks is crucial. Otherwise, the legal implications can be substantial.
- 4. Merger and acquisition discussions:** This class of information is often cited as the most valuable information that financial services firms possess. For attackers, stealing this information will deliver substantial financial gain.
- 5. Financial reporting documents:** Again, although the information may eventually become public, premature disclosure or the loss of this data can incur severe regulatory, financial and reputational damage.
- 6. Senior leadership changes:** Prior to the announcement of any major changes, this information must be kept secured. Unplanned disclosure can result in embarrassment and be detrimental to succession planning.
- 7. Operational risk:** Any communications that include details on current or future operational risk must be protected from accidental disclosure.

Best Practices for a Digital Solution

What does a secure, digital solution for credit unions and community banks look like? To be truly effective, the solution must align with best practices in each of these areas:

1. Seamless user experience

Organizations must not underestimate the importance of integration and user experience when it comes to digitizing information. Digital tools must be able to mirror the existing workflows of boards and leadership teams.

- Secure messaging platforms should feel as seamless as email or text messaging.
- Minute-taking, voting and compliance reporting should all integrate with the board's management software.
- Permissioned users should be able to collaborate in real time.

2. Encryption

Encryption capabilities are essential for transmitting secure data and documents. Encryption translates data into a cryptographic key or a string of characters to protect information in transit.

- When using cloud-based video platforms like Zoom or Microsoft Teams, meeting links should be shared only on encrypted platforms to prevent them from falling into the wrong hands.
- Board members, executives, and legal and security teams should have access to encrypted tools for secure one-to-one or group messaging, for sharing documents, and for secure board communication and meeting management.

3. User permissions

The ability to set specific user permissions is critical.

- Executives and board members need the ability to shield information from system administrators to ensure classified information remains truly classified. They should also be able to extend

special permissions to other privileged parties when necessary.

- User permissions must work just as securely with external third parties (e.g., lawyers, auditors, consultants).

4. Compliance

No matter where they're located, digital systems often must be compliant with the General Data Protection Act (GDPR), and/or often must follow HIPAA guidelines for protecting employee health data.

- Credit unions and community banks must ensure that the rapid transition to remote work hasn't compromised compliance in critical areas.
- Platform security must meet regulatory requirements for data processing and transmitting.
- The digital system must provide auditors with access to relevant data.

5. Risk and legal controls

Mitigating legal risk and discoverability are inherent in any secure collaboration solution.

- Organizations need the ability to wipe clean lost devices of all sensitive data.
- Administrative or legal users should have the ability to either retain or destroy sensitive conversations, documents and notetaking when necessary.
- Confidential meeting records, messages and notes must have the ability to expire after a designated period of time set by the general counsel or CISO.

How Diligent Supports Best Practices

Diligent offers a number of digital governance tools designed to support best practices in credit union and community bank governance, and to make the transition from legacy processes as easy as possible.

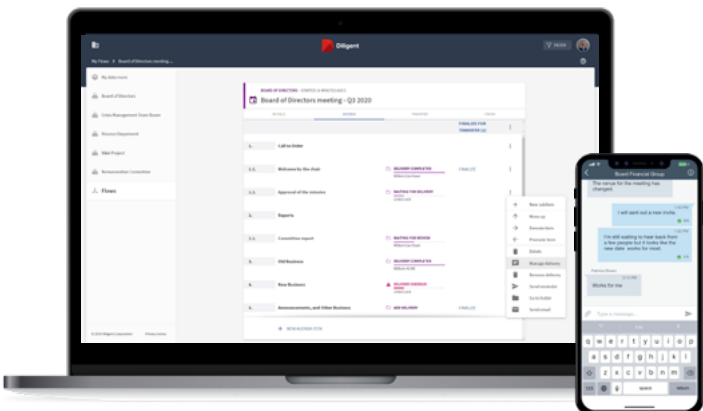
Diligent's governance solutions are designed to protect confidential information while facilitating collaboration between leadership teams and external stakeholders.

As Matt Muller, Legal Operations Manager and Corporate Secretary at Farm Credit Mid-America, notes: "Whether it's something that comes from one of our regulators, or it's some confidential piece that's internal, we know that it's going to be safeguarded within the Diligent structure."

Credit unions and community banks use Diligent to empower their boards with the technology, insights and processes to drive efficiency, increase security and reduce risk throughout the organization.

"Once you've used [Diligent] for a while, you look back and can't imagine how you managed without it before."

Albert Kendrick
Chief Information Officer, FirstBank



Diligent Boards

Securely access board materials, track company performance, and gather real-time information around competitive news and regulatory filings.

Diligent Messenger

Safeguard board and executive communication with a secure messaging platform that mirrors the experience of both email and SMS texting.

Diligent Minutes

A secure and collaborative application that enables governance professionals to take minutes and circulate them for board approval, all within Diligent Boards.

Diligent Questionnaires

An application to securely manage the collection and analysis of D&O questionnaires and board evaluations, all within Diligent Boards.

Diligent Secure File Sharing

An end-to-end secure data storage solution for board governance, mixed internal and external groups, and executive leadership to collaborate, even when working remotely.

Diligent Secure Meeting Workflow

A governance workflow tool that secures the preparation of board meeting materials, allowing governance professionals to collect information and collaborate with other permissioned users.

Ready to see Diligent solutions in action?

REQUEST A DEMO TODAY >



About Diligent

Diligent is the pioneer in modern governance. Our trusted, cloud-based applications streamline the day-to-day work of board management and committees, support secure collaboration, manage subsidiary and entity data, and deliver insights that empower company leaders to make better decisions in today's complex landscape. With the largest global network of corporate directors and executives, Diligent is relied on by more than 19,000 organizations and nearly 700,000 leaders in over 90 countries. With award-winning customer service across the globe, Diligent serves more than 50% of the Fortune 1000, 70% of the FTSE 100 and 65% of the ASX.

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