PRESS RELEASE

Federal Deposit Insurance Corporation

FOR IMMEDIATE RELEASE
December 7, 2005

Media Contact:
David Barr (202-898-6992)
or dbarr@fdic.gov

Model Governance, Online Banking Security Highlighted in FDIC's *Supervisory Insights*

Flawed modeling presents risk to sound management decision-making; rise in online fraud, theft of consumer data dictate need for tighter online banking security

Banks' financial modeling, the security of Internet banking transactions, and bank insider misconduct are some of the issues of current focus for the bank regulatory community that are highlighted in the FDIC's Winter 2005 issue of ***Supervisory Insights***, released today.

With financial modeling growing in importance as a bank management tool, attention is now focused on a new source of risk - the potential for flawed information to be introduced into the management decision-making process. The article "Model Governance" describes how strong governance procedures can help minimize this risk, and it suggests areas that examiners should target when evaluating a bank's model oversight, control and validation programs.

And with incidents of online fraud - including identity theft - on the rise, strengthening security for Internet-based financial transactions continues to be an area of focus for bank supervisors and management. "Online Delivery of Banking Services: Making Consumers Feel Secure" reviews key findings of an FDIC study that evaluated identity authentication technologies. This article also reviews recently issued interagency guidance requiring insured institutions and service providers - as part of the development of Internet banking products and services - to design safeguards to protect sensitive customer data.

The article "Enforcement Actions against Individuals: Case Studies" focuses on two case studies of insider misconduct - one involving embezzlement; the other, loan fraud. The piece highlights weaknesses in internal controls that contributed to the misconduct and describes elements of an effective internal audit program.

"The issues addressed in this edition of ***Supervisory Insights*** show the diversity and depth of issues that supervisors face," said Christopher J. Spoth, Acting Director, Division of Supervision and Consumer Protection. "We are continuing to provide our examiners with the training and expertise they need to work with bankers and other regulators to address new and emerging risks to the banking industry."

The publication addresses other topics of importance to the bank regulatory community and the banking industry. For example, "From the Examiner's Desk" describes the FDIC's recently implemented Relationship Manager Program - an initiative that will continue to strengthen relationships between the agency and bank management, and improve the supervision process.

Finally, "Capital and Accounting News" provides an overview of the Basel II framework and summarizes key results of the most recent quantitative impact study.

Supervisory Insights provides a forum for discussing how bank regulation and policy are put into practice in the field, sharing best practices and communicating about the emerging issues that bank supervisors face. The journal is available online by visiting the FDIC's Web site at http://www.fdic.gov/regulations/examinations/supervisory/insights/index.html. Suggestions for topics for future issues and requests for permission to reprint articles should be e-mailed to supervisoryjournal@fdic.gov. Requests for print copies should be e-mailed to publicinfo@fdic.gov.