

Technology Committee Responsibilities

Expectations of the Bank's Technology Committee



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Introduction

The governance structure of each individual bank may differ, based on its size, strategy or other factors, but many of the duties of directors and board committees are defined by the regulatory bodies or U.S. law. In addition, other responsibilities may be recommended to ensure proper oversight.

Built from consultations with the three major bank regulators – the Federal Deposit Insurance Corp., the Federal Reserve and the Office of the Comptroller of the Currency – as well as input from its own research and members of its training faculty, Bank Director's Board Structure Guidelines provide a bank's board with the knowledge needed to evaluate their overall board structure, as well as directors' individual roles and responsibilities.

These materials will guide your board in evaluating its committee structure, and developing or updating committee charters.

General responsibilities and best practices are included in these descriptions, but your bank's regulators could impose conditions or make recommendations based on their own knowledge or concerns about your organization. In addition, be aware of any state-level requirements, which are not detailed here. Boards should also be advised that every committee should regularly assess its own charter, composition, structure, and performance, and determine its need for education and resources. You'll also want to maintain relationships with relevant bank staff and external advisors, who should report to the board as needed.

Overview

As outlined by the Federal Financial Institutions Examination Council's Information Technology Examination Handbook, bank boards set the tone and the strategic direction for the bank's use of technology. In carrying out this responsibility, the board should also understand the risks involved, including vendor risk management and cybersecurity.

The board's responsibilities relative to technology, which they may choose to address within a technology committee, include:

Approving an IT strategic plan, which should align with the bank's business strategy and include a specific strategy to protect the bank from cybersecurity and other emerging threats.

Monitoring major IT projects, including budgets, strategic priorities and performance.

Ensuring "independent, comprehensive and effective audit coverage of IT controls," according to the FFIEC.

Promoting effective IT governance.

Overseeing third-party vendor relationships and related risks.

Ensuring the bank has sufficient IT resources.

Approving the bank's cybersecurity policies.

Understanding the bank's cyber risk profile.

Oversight Function

Specific responsibilities may include:

Monitoring and evaluating the bank's overall technology function, including growth, capacity, execution, planning, development, resources and ability to meet the bank's goals.

Reviewing the bank's plans and strategy relative to technology.

Overseeing the technology budget and investments.

Assessing the benefits and risks of technology projects and investments.

Reviewing the bank's continuity and disaster recovery plans.

Overseeing policies, processes, plans and other related information regarding third-party vendor risk management.

Staying abreast of technology trends and the potential impact on the bank's strategy.

Providing feedback to management on specific technology issues.

Communicating with management regarding the impact of technology on specific business lines or key strategic areas.

Communicating with the board about relevant technology issues impacting the bank.

Additional Responsibilities

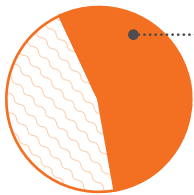
Some banks govern cybersecurity within a technology committee, while others delegate cybersecurity oversight to the bank's risk or audit committee. Others address the issue as a full board.

Bank boards without a technology committee tend to handle these issues as a board or delegate these responsibilities to other committees.

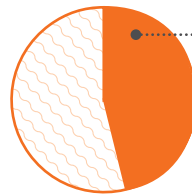
The technology committee should meet regularly and independently with the bank's officers responsible for technology and its associated risks. This may include the chief information officer (CIO), chief technology officer (CTO), chief operating officer (COO) and chief information security officer (CISO). In addition, the committee will want to receive regular updates from management about the implementation of technology initiatives.

While the board does not directly manage IT activities, it remains responsible for oversight and is expected to provide a credible challenge to bank management on these issues, including identifying, measuring and mitigating related risks.

According to Bank Director's 2020 Technology Survey:



48% discuss technology at every board meeting.



45% focus on staying on top of technology trends.

→ All committees are responsible for the following:

Assessing its charter, composition, structure and performance.

Determining its need for education and resources.

Maintaining relationships with relevant bank staff and advisors.

Reporting to the board.

Skills Needed

Members of the technology committee should be independent.

It is common for at least one committee member to have a background or expertise in technology — for example, a chief information officer at another company or an executive of a technology-focused firm.

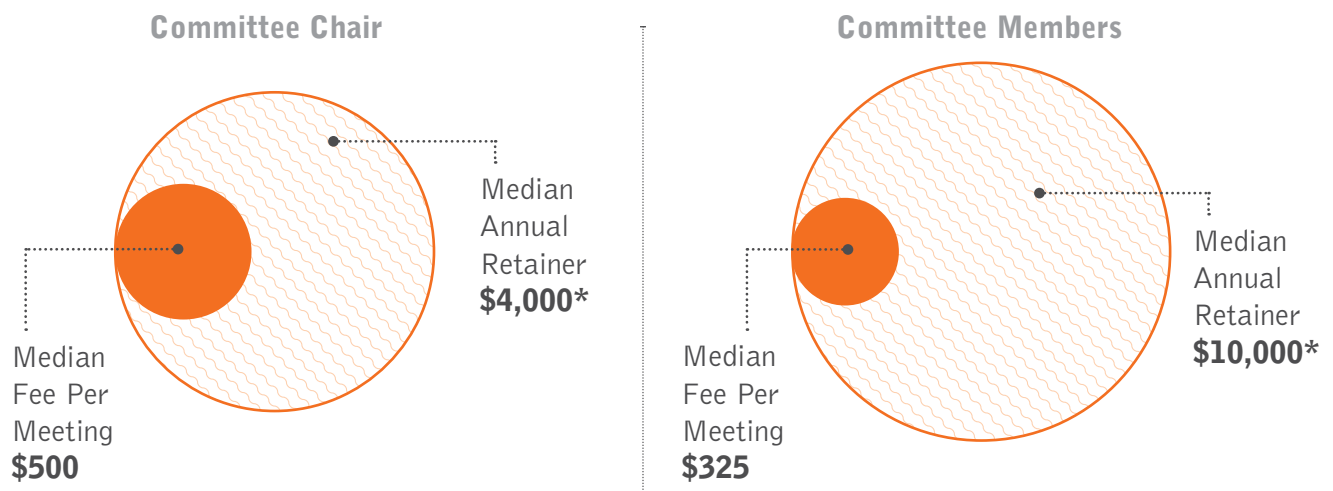
Twenty-two percent of banks have a technology committee, according to the 2020 Compensation Survey.

Whether the bank's board has a technology committee does not correlate to bank size.

Compensation & Structure

The technology committee meets a median of four times a year and has four members, according to the 2020 Compensation Survey.

Compensation



The payment of committee meeting fees is a more common form of compensation than an annual committee retainer. *Retainer information for technology committees is based on a small sample size.

A board-level technology committee should not be seen as a replacement for a management-level IT steering committee, as outlined by the FFIEC. That committee should:

Be comprised of bank management and staff, including IT and business line representatives.

Be advised by risk management personnel.

Report to the board on the status of the bank's technology projects.

Sample Charter

The following is the technology committee charter of Cullen/Frost Bankers, a \$31 billion asset financial holding company based in San Antonio, Texas. Cullen/Frost governs cybersecurity within the technology committee.

Technology Committee Charter Restated as of April 25, 2018

Committee Membership

The Technology Committee (the "Committee") of the Boards of Directors (the "Board") of Cullen/Frost Bankers, Inc. and Frost Bank (collectively, "Cullen/Frost") shall be comprised of three or more directors, a majority of whom shall be "independent" under the rules of the New York Stock Exchange, Inc. ("NYSE"). The members of the Committee shall be appointed by the Board and shall serve at the pleasure of the Board for such term or terms as the Board may determine. Determinations of independence shall be made by the Board as the Board interprets such qualifications in its business judgment and in accordance with NYSE rules and standards.

The Board shall appoint a Chairman of the Committee.

Committee Structure and Operations

The Committee will meet at least two times a year, or more frequently as it deems necessary or appropriate to carry out its responsibilities. The Chairman of the Committee shall, in consultation with other Committee members and management, set the agenda for and preside at meetings of the Committee. The Corporate Secretary of Cullen/Frost or another designated individual shall record and keep minutes of all Committee meetings. The Committee may request that any officer or employee of Cullen/Frost attend a meeting of the Committee or meet with any members of, or advisors to, the Committee. Members of the Committee may participate in a meeting of the Committee by means of conference call or similar communications equipment by means of which all persons participating in the meeting can hear each other.

Purpose of Committee

The purpose of the Committee is to assist the Board in its oversight of Cullen/Frost's information technology projects and initiatives and information technology security.

Duties and Responsibilities of the Committee

To carry out its purposes, the Committee shall have the following duties and responsibilities:

- Review reports on existing and future trends in information technology that may affect Cullen/Frost's strategic plans, including monitoring overall industry trends.
- Receive reports from management on how technology impacts, or is needed to implement, corporate and business unit initiatives.
- Review Cullen/Frost's information technology strategy, planning, and implementation, including:
 - The financial, tactical and strategic benefits of proposed significant information technology-related projects and initiatives.
 - The associated budget for Cullen/Frost and its business segments of significant investments and expenditures.
 - Reports from management, as and when appropriate, concerning the implementation of Cullen/Frost's information technology initiatives, including the cost compared to budget, the expected benefits and the timelines of implementation.
- As appropriate, make recommendations to the Board regarding significant information technology investments in support of Cullen/Frost's information technology strategy.
- Review and discuss with management, as and when appropriate, cybersecurity issues, considerations and developments applicable to Cullen/Frost and its business segments.

The senior executive reporting to the Chief Operations Officer and with responsibility for information security, or a designated representative, will directly provide information security updates to regular Board Information Technology committee meetings.

Review or discuss, as and when appropriate, risk management and risk assessment guidelines and policies regarding information technology security, including the quality and effectiveness of information technology security and disaster recovery capabilities.

The Committee shall receive reports from management, as and when appropriate, in expenditures for, and resources committed to, cybersecurity initiatives.

The Committee and the information security representative will have a closed door session on the agenda for each regular meeting, with the agenda determined by the Committee and the representative. Either the Committee or the senior information security executive may also request a special session as frequently as deemed necessary and confirmed by the Committee Chair.

- Present a summary of the significant actions taken at each Committee meeting to the Board.
- Exercise such other powers and authority as the Board shall, from time to time, confer upon it.

Performance Evaluation

The Committee shall assist in the preparation of an annual performance evaluation of the Committee, which shall be conducted in accordance with the procedures established by the Corporate Governance and Nominating Committee of the Board. The performance evaluation must compare the performance of the Committee with 3 the requirements of this Charter, and it should also recommend to the Board any improvements to this Charter deemed necessary or desirable by the Committee.

Resources and Authority of the Committee

The Committee shall have the resources and authority appropriate to discharge its duties and responsibilities, including the authority to select, retain, terminate, and approve the fees and other retention terms of special or independent counsel, consultants or other experts or advisors, as it deems necessary or appropriate, without seeking approval of the Board or management.

Cullen/Frost shall provide for appropriate funding, as determined by the Committee, in its capacity as a committee of the Board, for payment of: (i) compensation of any counsel, consultants or other experts or advisors employed by the Committee; and (ii) ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

Additional Resources

Bank Director's Online Training Series

Stay on top of industry trends and regulations when and where you want. Through a series of easy-to-access 25-minute videos presented by an industry expert, Bank Director covers such important topics as the role of the board, risk management, key audit, compensation and governance issues, cybersecurity, and advice on growing the bank. With new videos added annually, the content for the Online Training Series is organized into separate units, beginning with the Role of the Board. Some units have been divided into two parts. Part A provides a foundational overview of the topic, and Part B looks at the most recent developments and offers a number of best practice recommendations for boards to consider.

As part of the Online Training Series, there are video units on cybersecurity and vendor risk management, and shorter videos on technology trends..

For more information on the Online Training Series, please email or call our bank services department at bankservices@bankdirector.com or 615.777.8461.

Bank Director Research

Throughout the year, Bank Director asks officers and directors of financial institutions to share their thoughts on board-specific issues like mergers & acquisitions, compensation, managing risk, growth and technology. Our reputation for qualified, independent research studies and data analysis provides a bank's board members with unparalleled insight and information. We invite you to explore our research on Bank-Director.com.

FinXTech Connect

In our efforts to make it easier for U.S. banks to better discover technology partners and solutions, Bank Director has developed an online platform called FinXTech Connect. Built specifically for banks, FinXTech Connect is a curated directory of emerging financial technology companies who are strategically partnering with financial institutions of all sizes.

Each company included in FinXTech Connect is categorized by the problem that they help a financial institution solve, specifically around the challenges of strategic growth, creating efficiencies and reducing risk. Solutions include lending platforms, payment processing applications, security, data & analytics and more.

Bank Director's editorial team has hand selected and carefully vetted potential partners with a history of financial performance and proven roster of bank clients.

For more information on FinXTech Connect, please email or call our bank services department at bankservices@bankdirector.com or 615.777.8461.

BankDirector.com

Designed around the informational needs of senior executives and members of a board, BankDirector.com provides high-level analysis and perspectives on emerging trends and key issues.

Updated daily with original articles, videos and research studies, BankDirector.com contains timely and insightful information on topics that range from organic growth to risk management, from mergers & acquisition activity to new regulatory expectations, and from technology trends to legal challenges.

All content is categorized by committees and issues facing today's financial institutions – so you can easily find content based on your board responsibilities.

Bank Director Conferences

Acquire or Be Acquired Conference

As the financial industry's premier strategy and M&A event for bank CEOs, senior management and members of the board, Bank Director's annual Acquire or Be Acquired Conference focuses on bringing together financial leaders from across the country every January to discuss – at a strategic level – topics ranging from successful mergers, organic growth and building your bank's value to in-depth examinations of digital strategies and innovations.

Experience FinXTech

As the very concept of banking evolves, we find an ever-growing number of financial institutions seeking out growth and efficiencies through the application of financial technologies. In September, Bank Director presents: Experience FinXTech – an event to connect key business leaders from banks and financial technology companies. Over a two-day period, we take a closer look at the implications of technology on the business of banking, and explore how and where banks might generate top-line growth and bottom-line profits through partnerships, collaboration and strategic investments.

Bank Board Training Forum

Designed for both inside and outside bank directors, chairmen, CEOs and senior management who regularly interact with the board, the Bank Board Training Forum provides bank leaders with the latest and most critical education and training needed to address the issues and challenges facing them in today's ever competitive, highly regulated and rapidly evolving banking and financial services industry. Regardless of whether you have served on the board for years or are just starting out, bank directors today have an extraordinary need for information and education about this increasingly complex industry.

For more information on Bank Director events, please visit BankDirector.com or call our bank services department at 615.777.8461.

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Since its inception in 1991, Bank Director has been a leading information resource for senior officers and directors of financial institutions. Chairman, CEOs, CFOs, presidents and directors of banks and financial institutions turn to Bank Director to keep pace with the ever-changing landscape of the financial services industry.

For more information or questions about Bank Director's Board Structure Guidelines, please email or call our bank services department at bankservices@bankdirector.com or 615.777.8461.