To the Chief Executive Officer of All Branches and Agencies of Foreign Banks in the Second Federal Reserve District:

The Federal Reserve Bank of New York is pleased to present a one-day seminar addressing Electronic Data Processing Controls and Security. Presentations will be made by audit and financial data processing industry professionals, and senior EDP examiners from several Federal Reserve Districts. The seminar will provide participants with regulatory internal control safety and soundness requirements as they apply to data processing. The enclosed brochure includes the agenda for the seminar and a registration form. Due to the limited seating in our Conference Center, the seminar will be presented twice, on May 26 and May 27.

Questions concerning the seminar may be directed to me at (212) 720-7946. Questions concerning registration should be directed to Patricia Fahy, Training Director, at (212) 720-6827.

Very truly yours,

Joseph L. Galati II
Manager
Specialized Examinations Department

Enclosure
ELECTRONIC DATA PROCESSING
CONTROLS & SECURITY SEMINAR

BRANCHES AND AGENCIES
OF FOREIGN BANKING
ORGANIZATIONS

PRESENTED BY

THE FEDERAL RESERVE
BANK OF NEW YORK

MAY 26 OR 27, 1994
Welcome and Keynote Address: EDP Examinations of Branches and Agencies of Foreign Banking Organizations. Speakers: Christine Cumming, Senior Vice President, Specialized Examinations Function, Federal Reserve Bank of New York and Joseph Galati, Manager, Specialized Examinations Department, Federal Reserve Bank of New York. Mr. Galati supervises the EDP examination efforts of state member banks, branches and agencies of foreign banking organizations, Edge corporations, bank holding companies, trust companies, and non-bank holding company subsidiaries within the Second District.

The FDIC Improvement Act of 1991 (FDICIA) gave the Federal Reserve primary responsibility for the regulatory supervision of branches and agencies of foreign banking organizations. Part of the Federal Reserve's oversight responsibility includes the examination of data processing activities of these institutions. Mr. Galati will provide an overview of the EDP examination policies and procedures of the Federal Reserve Bank of New York.

10:00 am - 10:45 am

EDP Audit Coverage for Branches and Agencies of Foreign Banking Organizations. Speaker: Michael Villegas, Senior Manager for the Computer Risk Management (CRM) Group of Arthur Anderson & Co. In this capacity, he is responsible for managing and conducting technical audits of various data processing environments and banking applications. Concurrently, he manages the internal EDP audit departments of several financial institutions on a contractual basis.

Audit is an important component of EDP examinations. Foreign branches and agencies need to know the minimum EDP audit coverage required to provide management with the necessary independent assessment of the soundness and efficiency of operations. Mr. Villegas will discuss EDP audit requirements for computer mainframe processing, PC and Local Area Network operations, and remote job entry operations with host connectivity to Head Office, another Branch or an independent/affiliate servicer.

10:45 am - 11:00 am

Break

11:00 am - 11:45 am

Federal Financial Institutions Examination Council (FFIEC) Policies Governing EDP Examinations. Speaker: Ophelia Garcia, Supervising Examiner, Special Examinations Unit, Federal Reserve Bank of San Francisco. Ms. Garcia conducts EDP examinations of financial institutions under Twelfth District supervision. She has 10 years of examination experience in the areas of data processing and safety and soundness. She has assisted in writing and revising chapters of the EDP Examination Handbook, and has participated as a member of a Federal Reserve System Task Force which revamped EDP examiner education.

EDP examination scope includes a review for compliance with FFIEC policies relating to Contingency Planning and Microcomputer (End-User) Processing. Ms. Garcia will discuss both policies' requirements and identify key components which should be addressed in each of these policies.
11:45 am - 12:15 pm

First Person Account: Developing and Implementing a Contingency Program and a Microcomputer Security Program. Speaker: Damon Owen, Assistant Vice President and Systems Manager, The Nippon Credit Bank, Ltd., Los Angeles Agency. He is responsible for Data Processing, Network Operations, Telecommunications and Data Security.

Several local and nationwide emergencies and disasters have proven the need for an effective contingency plan. Similarly, periodic computer virus scares have emphasized the need for a comprehensive microcomputer program that would preserve the integrity and security of information processed at the end-user level. Mr. Owen will provide practical guidelines relating to the development, implementation, and administration of contingency programs and microcomputer security programs.

12:15 pm - 1:15 pm

Lunch

1:15 pm - 3:30 pm

Breakout sessions (Choice of One)

Mainframe Operations Control and Security. Speaker: David Rowley, Senior Examiner, Federal Reserve Bank of Minneapolis. Mr. Rowley has 15 years experience in EDP examinations and over 30 years experience in the financial data processing industry having worked as a computer operator, programmer, and systems analyst.

This session will discuss internal control and security requirements for mainframe computer operations. Topics will include: data integrity controls; computer room controls; management information reporting requirements; computer operation controls, including scheduling and program data file libraries; back-up, contingency and business resumption planning; program and data altering utility controls; telecommunications and data security; and auditability.

PC and Local Area Network Operations Control and Security. Speaker: William Francis, Senior Examiner, Federal Reserve Bank of New York. Mr. Francis has five years experience in EDP examinations. He has held management positions involving data processing and finance in private industry over the prior fifteen years. Mr. Francis has the unique experience of being a regulator who also has served in the computer services and software industries.

This session will discuss internal control and security requirements surrounding stand alone microcomputer and Local Area Network operations. Topics will include: hardware/software acquisition; input, output, processing and balancing controls; physical and data security; contingency planning for PC operations; computer virus protection and detection; software copyright agreements; documentation of in-house development applications and significant spreadsheets; and auditability.

Remote Job Entry Operations Control and Security. Speaker: Barbara Schwaller, Senior Examiner, Federal Reserve Bank of Atlanta. Ms. Schwaller has extensive experience in EDP examinations. She serves as an instructor for the EDP Examination School, and is the Chairperson of the Federal Reserve System Task Force established to revamp the EDP examiner education program.

This session will discuss the internal control and security requirements surrounding remote job entry operations for institutions with host connectivity to an independent EDP servicer or Head Office, or an affiliated data processing subsidiary. Topics will include input, output and balancing controls; telecommunication controls;...
physical and data security including password administration; back-up and record retention requirements; coordination of contingency planning and business resumption efforts with the data processing service provider; and auditability.

3:30 pm - 4:00 pm

Conclusion

Federal Reserve speakers will be available to address any unanswered questions at the conclusion of the breakout sessions.

On Thursday and Friday, May 26 and 27, 1994, the Federal Reserve Bank of New York will present two, one-day seminars on Electronic Data Processing Controls and Security for Branches and Agencies of Foreign Banking Organizations. The seminar will be held from 9:30 a.m. to 4:00 p.m. and will include general sessions to be attended by all participants and a choice of one of the following breakout sessions depending on relevance to a participant's data processing environment:

- mainframe operations
- PC and Local Area Network Operations
- remote processing operations, i.e., data processing operations are performed by an independent servicer or an affiliate such as Head Office, another Branch, or data processing subsidiary.

Presentations will be made by EDP Examiners from several Federal Reserve Districts and audit and financial data processing industry professionals.

**Seminar Objectives:**

To inform participants of internal control requirements which would ensure the accuracy, integrity, security, and confidentiality of information processed on computer mainframes, stand alone PCs and Local Area Networks and/or through remote entry with host connectivity to independent servicers or affiliates which provide data processing services.

To provide guidelines relating to the development and implementation of effective contingency plans, business resumption plans, data security policies and programs, and microcomputer policies.

To emphasize the importance of obtaining adequate EDP audit coverage to provide the necessary independent assessment of the soundness and efficiency of data processing operations and to satisfy regulatory requirements.

To acquaint participants with regulatory internal control safety and soundness requirements.

**Who Should Attend:**

Senior Management Responsible for Data Processing Operations; Data Processing Managers; Data Processing Operators; Local Area Network Administrators; Operations Officers or Staff Members who act as liaison between the servicer or affiliate who provide data processing services to their institution; Auditors; Staff Members responsible for input, output, and balancing operations; Head Office or Branch personnel if data processing services are provided by affiliated entities.