

## A Hosted and Managed Network Designed for Community Banks

Atlantic Central Bankers Bank's BITS network provides community banks with a large bank's technology and cost advantage.

### EXECUTIVE SUMMARY

#### ATLANTIC CENTRAL BANKERS BANK

- Financial services
- Newark, New Jersey and Camp Hill, Pennsylvania
- 334 community banks in the Mid-Atlantic States

#### BUSINESS CHALLENGE

- Make member banks the technology equals of their large competitors
- Replace expensive multivendor services with lower-cost services from one trusted partner
- Comply with strict banking regulations for security and business continuity

#### NETWORK SOLUTION

- BITS incorporates Cisco infrastructure, IP telephony, security, and resilience solutions customized to the needs of each community bank.

#### BUSINESS RESULTS

- Helps attract customers and maximize limited bank resources
- Reduces recurring voice and data costs by up to 25 percent
- Meets regulatory requirements for security, resiliency, and scalability

### Business Challenge

Atlantic Central Bankers Bank (ACBB) is a for-profit cooperative of 334 community-based banks located in Delaware, Maryland, New Jersey, New York, and Pennsylvania with \$425 million in assets. One of 19 regional bankers banks in the United States, ACBB was established in 1983 to provide credit and noncredit services to community banks. The bankers bank also focuses on aggregating banking activities to increase the purchasing power of its members, enabling them to compete more effectively with much larger financial institutions that can bring extensive resources to bear in the marketplace.

Community banks have traditionally attracted customers by offering a more personal banking experience than their larger rivals, and by establishing close ties to their local communities. However, today's banking customers are demanding technology-driven services that many community banks cannot easily provide with their current infrastructures. The lack of a converged, scalable IP

infrastructure makes migrating to popular new services prohibitively complex and expensive. For example, the Check 21 initiative that allows banks to create digital images of checks so they can be processed more quickly and efficiently places a bandwidth burden on a bank's network, slowing traffic and potentially disrupting business.

"Community banks were small and nimble enough to implement Check 21," says Imran Dalvi, ACBB-BITS chief financial officer. "But their network infrastructures couldn't support it. And they also couldn't support other high-bandwidth banking applications and services running between the branches."

Community banks have typically depended on multiple providers for their voice and data networks. These banks found that they were paying substantially more for their network connections than larger institutions, which because of their size have greater bargaining power. Moreover, having to deal with multiple providers has put an undo strain on the community banks' modest-size IT staff. Implementing and operating a new converged voice/data/video IP network would overwhelm an IT staff that normally handles simple LAN administration and basic telephony tasks. Alternatively,

relying on a conventional vendor to deploy and run a new IP network would put a significant strain on the community bank's budget. In terms of overhead expenses, the total cost of ownership (TCO) for a bank's voice and data networks is second only to salaries and benefits.

Adding to these business challenges is the banking industry's strong emphasis on security and business continuity. Banks, no matter what their size, must be certain that their networks can pass their banking regulator's annual IT audit and deliver 24/7 services to customers in the event of a major disaster. A strict regulatory environment and tight budgets make community bankers conservative when it comes to implementing new technologies they consider unfamiliar or unproven.

## Network Solution



Concerned that their member banks were falling behind competitors in the race to offer new technologies and services, the ACBB Board of Directors voted \$1 million in 2004 (now grown to \$5 million) to fund an initiative aimed at developing a converged IP network that would meet the specific needs of community banks and save them money on telecommunications. The new network, called Banking Infrastructure & Technology Services, or BITS, was designed and managed by an experienced technical team hired by ACBB.

The BITS team chose Cisco to provide virtually all the networking elements of the BITS network, including infrastructure equipment, IP telephony platforms, phones, and security measures. The Cisco® Integrated Services Router proved to be a key deciding factor. The router delivers encrypted high-speed WAN connectivity to branch offices, voice services, wired and wireless connections, security services, and advanced management on a single platform.

**“For community banks to compete, it’s not just a slap on the back and a ‘How’s Aunt Mary.’ Now the customer wants to be able to do things like access his or her account from a Blackberry. As the technology bar rises, we have to be right there if we want to keep and acquire business.”**

—Tom Watts, president and CEO of Maryland Bank & Trust and chairman of the ACBB Board of Directors

“We were putting together something that had never been done before and taking it to the marketplace,” says Carl Hoffman, ACBB-BITS chief technology officer. “So picking a key partner was of utmost importance. I knew that Cisco not only had very strong technology, but also had the expertise to help us develop the whole infrastructure, solve any problems that arose, and deliver the service. We designed our multimillion dollar data centers to support 1000 branch locations and 20,000 IP phones, and they are 100-percent Cisco throughout. We’ve qualified as a Cisco Powered Network as well as a Cisco Advanced Unified Communications Partner.”

To help ensure continuous operation, the BITS network is designed with redundant data center sites in Newark, New Jersey and Camp Hill, Pennsylvania. Switchover between data centers has been timed at 15 seconds or less. The Cisco Unified Survivable Remote Site Telephony (SRST) provides resiliency for voice communications. The network currently serves about 130 locations and is running at only 13.4-percent utilization, leaving plenty of room for growth. Providing added security on the fully encrypted network, each bank on the network has its own Multiprotocol Label Switching (MPLS) VPN and third parties must come through a DMZ and be verified by VeriSign.

## Business Results

Previous to BITS, the community banks were paying a premium for their voice and data hardware and network connections. But using economies of scale, BITS can deliver the same or better services and still provide significant cost savings. BITS typically reduces a bank's recurring voice and data expenses by 10 to 25 percent, with even greater reductions possible for larger banks with more than 20 locations. And the banks can count on stable expenses from month to month because BITS charges a fixed monthly fee for unlimited local and domestic long distance dialing. The only time the costs change is when the bank increases network capacity, selects additional BITS managed services, or adds new branches and phones. BITS does not make a profit on hardware, so all of their Cisco partner discount is passed on to the banks.

"We've done a large number of TCO analyses," says Imran Dalvi. "Of the approximately 200 banks we surveyed, the institutions with 1 to 5 branches were able to save an average of between 10 and 15 percent on their recurring charges. Banks that have 15 to 20 locations saved 25 percent or more. Most banks saw a total return on their investment in less than four years."

**"We found that many of our banks didn't have the resources and know-how to be able to offer new types of technologies and services to customers. But collectively we can leverage our 334 shareholder base to provide those benefits, using a communications platform built on Cisco solutions and expertise."**

—Jon S. Evans, president and CEO of ACBB and managing member of ACBB-BITS, LLC

"The success story at one 12-branch bank was especially compelling," recalls Christian Ericson, director of sales and marketing at BITS. "The bank was paying almost \$39,000 a month for services from a major telecommunications vendor. The BITS solution is saving them almost \$15,000 a month, and they got their investment back in about 15 months."

Another key benefit for banks is the high level of support they get from the BITS team. "Whenever there is a telecommunications issue at one of our banks, BITS is responsible for seeing the issue through to final resolution," notes Chuck Daniels, the CEO of BITS. "We are the banks' 'one throat to choke.' That makes life easier for the IT staff at the bank. Most importantly, they know they have a network that is always safe and secure enough to satisfy the banking regulators."

The BITS network infrastructure has been a notable financial success for ACBB. Three to four banks are signing up for the service each month, with the BITS technical team averaging 10 to 15 branch installations monthly. The five-year agreements already signed total about \$20 million. This is not surprising, considering that BITS was originally envisioned as a start-up business within ACBB—with a start-up's emphasis on identifying and securing distinct competitive advantages in the marketplace.

"Our primary advantage is that we give the banks an economical, end-to-end solution that extends from buying and installing the Cisco hardware to providing domestic and international phone service, moving critical financial data, connecting and protecting them on the Internet, and securing the infrastructure," Chuck Daniels explains. "We're a single provider offering one fixed price for unlimited use. Secondly, we operate as a carrier and have entered into wholesale agreements to lower costs. Our third advantage is that BITS is designed specifically to help community banks

meet their regulatory and competitive needs and optimize their efficiency ratio, the critical measure of how much a bank keeps from every dollar of revenue it generates. Finally, our customers are shareholders in our parent company and they have both a vested and a financial interest in our success.”

In fact, BITS has been so successful that ACBB is now marketing it to other bankers banks across the country and several bankers banks have invested in BITS. BITS has received approval from the Federal Reserve Bank and the Pennsylvania Department of Banking to offer BITS as a dedicated banking service. In addition, BITS is compliant with SAS 70 auditing standards and is subject to review by the Federal Financial Institutions Examinations Council (FFIEC). A demonstration facility called the First Community Bank of the Future has been set up to showcase the capabilities of the network.

### Next Steps

#### PRODUCT LIST

- Cisco 2811 Integrated Services Routers
- Cisco 2811 Voice Bundle
- Cisco Unified Communications Manager (formerly CallManager)
- Cisco's Unified Survivable Remote Site Telephony
- Cisco Catalyst 3560 Series Switches
- Cisco Unified IP Phones 7900 Series
- Cisco Unified IP Conference Station 7936
- Cisco ATA 186 Analog Telephone Adapter

The BITS infrastructure is well positioned for the future, with each of the redundant sites able to support over a thousand locations. The network is also provisioned to offer advanced services such as the Cisco TelePresence meeting solution, video and voice conferencing, digital signage, and after-hours call centers for the banks.

“At Maryland Bank & Trust we have branches with no resident loan officer,” Tom Watts says. “With a video conferencing system, a customer at an outlying branch

can contact a bank officer at another branch and talk face to face without having to travel as far as 50 miles for the meeting. Forms can be printed out and the transaction completed locally. I’m confident that when we’re ready to deploy video through BITS, it will be well thought out and implemented efficiently. Our previous vendors could not offer such a capability, at least not at a reasonable cost.”

“With the advent of BITS, technology that had been used as a competitive weapon against community banks has been transformed into a benefit,” Chuck Daniels concludes. “Now they are back on a level technological playing field with regional banks. Community banks now have the advantage because they know their customers by name as well as by their account number.”

### For More Information

To find out more about ACBB-BITS, go to <http://www.acbb-bits.com>. For more information about Cisco’s networking solutions for financial services companies, visit <http://www.cisco.com/go/financialservices>.



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