Tabletop Exercise - Threats to Your Credit Union

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"Tabletop Exercise - Threats to Your Credit Union" discussed in this presentation is the current version with effective date of 6/1/2026.

The comments today are my own and not necessarily those of Vizo Financial or the Vizo Financial membership.

Overview – IR Steps

- **Preparation** – Playbook & IR Team & Training
- **Identification** – Monitoring & Triage
- **Containment** – Short Term Isolation & Temporary Workaround
- **Eradication** – RCA & Removal
- **Recovery** – Restoration & Validation
- **Lessons Learned** – Review & Future Improvement

Overview – Take Home Goals

- Identify Gaps in Your Plans
- Clarify Roles in Your IR Team
- Improve Coordination Between IR Team Members
- Assess Information Flow During Incident

Overview – Today's Goals

- No pressure, it's not real
- Freedom to take risks and see where they go
- Open discussion & collaborate on solutions
- The goal is not to solve the mystery, it's to learn something along the way.

Overview – Goals

Directions

- You will get enough details to work the scenario, but not enough to solve the problem
- Teams at each table will work together on how you would respond to the situation as presented
- You are the IR Team; you have decision making power
- You will be given seven minuets of time after each set of phase updates to work with you team
- We will come together as a group at the end of each phase to review as a larger group

Background Information

- State Charted Credit Union since 1980.
- 100 Employees including internal IS, IT and Help Desk.
- Main office has a branch, Executive team and an operations department located in the downtown area.
- 6 additional satellite branches across three nearby counties.

Background Information

- The Credit Union recently completed a migration to a hybrid Core Processing environment consisting of both on-premises servers and cloud-hosted services. The implementation includes several AI-enabled features that are used across the environment:
  - AI-assisted fraud scoring
  - Automated transaction anomaly detection
  - AI-driven member service chatbot
  - AI-based loan decision support
  - Predictive account risk analytics

Background Information

- The platform is integrated with the Credit Union's existing:
  - Online Banking Platform
  - Mobile Banking Platform
  - ACH Processing / Wire Transfers
  - Debit Card Processing
  - Member Services Call Center Systems

Let’s Begin

Phase 1

- Member Services begins receiving increased calls from the membership reporting:
  - Debit cards are being declined when funds are available
  - ACH processing is being delayed
  - Online banking accounts are seeing increased lockouts
  - Duplicate fraud alerts
- Branch operations report intermittent connectivity loss between on-premises teller systems and cloud-hosted core services.

Phase 1

- Fraud Operations Reports:
  - A sharp decrease in fraud cases being flagged
  - Unusual approval patterns for high-risk wire transfers
  - AI fraud recommendations conflicting with analyst assessments
- IT / IS teams identify abnormal outbound traffic originating from on-premises servers connected to the new Core Processor environment.

Phase 1 – Discussion Questions

- Who did you notify first?
- What thresholds trigger incident escalation?
- Is this issue treated as operational, fraud-related, vendor-related, or cyber-related?
- What logs and data are reviewed across cloud and on-premises systems?
- Did you engage the vendor?
- What monitoring exists for AI model integrity?

Phase 2

- Information Security finds evidence that a recent software update introduced unauthorized code into the AI environment.
- Security Monitoring Reveals:
  - Unknown processes running on on-premises servers
  - Changes to AI fraud model thresholds
  - Unexpected outbound encrypted traffic to unfamiliar cloud infrastructure
  - Suspicious API activity between cloud AI services and internal banking servers

Phase 2

- The vendor contacts you and states:
  - A legitimate was applied to the cloud and on premises systems. But also acknowledges that several other financial institutions are reporting similar anomalies following the same update deployment.

Phase 2 – Discussion Questions

- Who has authority to disable vendor access?
- What systems are/can be isolated?
- When is law enforcement / Regulators / contacted?
- Does the Credit Union activate its cyber insurance policy?
- What contractual obligations exist with the vendor?

Phase 3

- The CEO receives a call from a local news outlet asking whether the Credit Union was impacted by a widespread software supply chain attack affecting multiple financial institutions.
- At the same time:
  - Fraud losses are currently at $250,000
  - Multiple commercial members cannot process payroll
  - NCUA is aware of other CUs being impacted and is requesting a status briefing
  - Core Processor vendor issues an emergency advisory recommending immediate containment actions
  - Industry websites and ISAC groups begin distributing indicators of compromise

Phase 3

- The vendor contacts you and states:
  - The AI fraud model was updated automatically three days ago
  - This software update, distributed during routine platform maintenance, was compromised before deployment
  - The change management process does not require Credit Union approval
  - The Vendor’s software integrity validation controls failed to detect the malicious modification
  - The Vendor’s logs for tracking model decisions are no longer available

Phase 3 – Discussion Questions

- Do you send a message to the public, or to members?
- Does your organization have sufficient AI policy and controls?
- Who owns accountability for AI decisions?
- What evidence is needed for regulators?
- How are potentially discriminatory or inaccurate AI actions assessed?

Phase 4

- A ransomware note appears on an on-premises server connected to the Core Processor environment.
  - Attackers claim that member and Credit Union data has been exfiltrated
  - The threaten to release both member and credit union financial data within 72 hours if not paid
- Simultaneously:
  - Cloud-hosted AI services begin failing integrity checks
  - API integrations between branch systems and cloud services become unusable

Phase 4

- The vendor contacts you and states:
  - Confirms the compromise which originated from a downstream 3rd party software supplier used within their development pipeline.

Phase 4 – Discussion Questions

- What are your recovery priorities?
- How are member impacts minimized?
- What manual processes are activated?
- What criteria determine restoration approval?
- How is the integrity of AI models validated before reuse?

Threat Scenario Summary

A sophisticated threat actor (APT) compromises a third-party software supplier used by your Core Processor vendor. Malicious code was inserted into a trusted software update package distributed to all financial institutions.

The Credit Union's AI Core systems automatically deployed the update to both the cloud-hosted AI services and the on-premises systems during a scheduled maintenance window.

Over the next several days, the malicious update establishes persistence, manipulates AI-assisted fraud scoring behavior, captured sensitive data, and created unauthorized communication channels between internal systems and attacker-controlled infrastructure.

Debrief Questions

- What were your top priorities?
- What worked well during the exercise?
- What areas did you struggle with?
- What can you take away from this to update your Playbook?

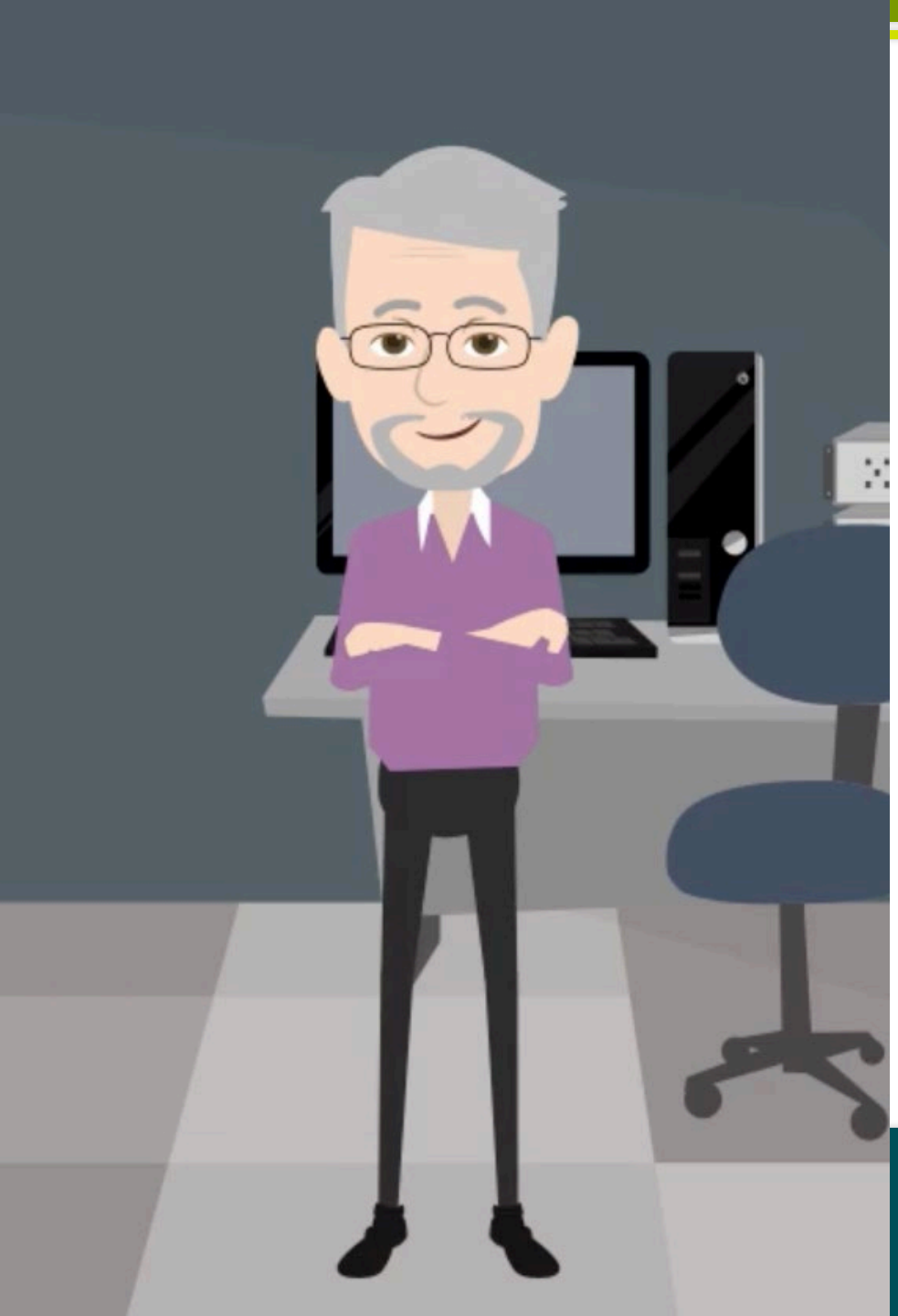
Debrief Questions

- Who is at fault for the breach? (CU or Vendor)
- What's an item you learned from another CU at your table?
- Are you using AI at your CU and how did this help you prepare for issues?

Questions to Take Home

- Where is your DR plan and IR playbook?
  - Digital or Physical
- Who is on your IR team?
  - Listed by name or position?
- How are you dealing with Change Management processing from third party vendors?
- What additional training, policies or controls will you be adding at your CU?

Questions?



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