

Breakout 3:
Transformative Teams:
Turning “Cost Center”
Functions Into
Strategic Innovators

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TRANSFORMATIVE TEAMS:

Turning "*Cost Center*" Functions into *Strategic Innovators*

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Traditional *Cost Center* Definition



“A department within an organization that does not directly add to profit but still costs the organization money to operate.”



AGENDA | "COST CENTERS"



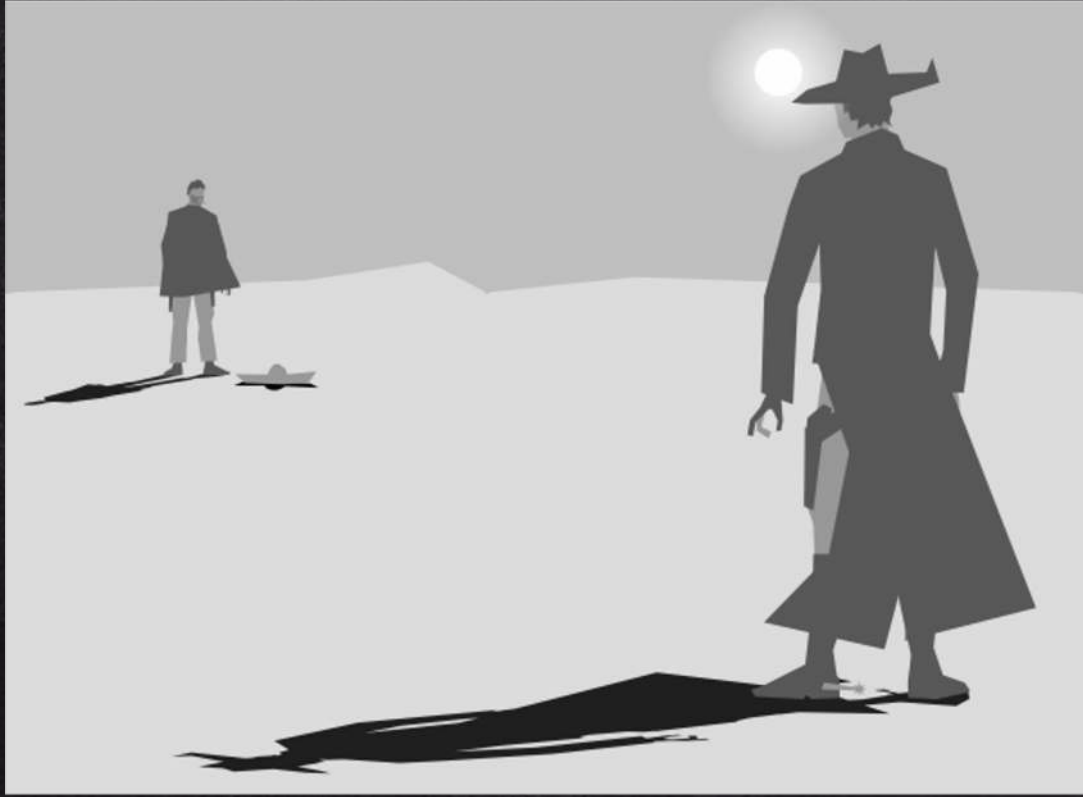
COMPLIANCE



FRAUD



THIRD-PARTY RISK



The Landscape

Agency Rule List - Fall 2022

Consumer Financial Protection Bureau

Agency	Agenda Stage of Rulemaking	Title	RIN
CFPB	Prerule Stage	Overdraft Fees	3170-AA42
CFPB	Prerule Stage	Fair Credit Reporting Act Rulemaking	3170-AA54
CFPB	Prerule Stage	Required Rulemaking on Personal Financial Data Rights	3170-AA78
CFPB	Prerule Stage	Fees for Insufficient Funds	3170-AB16
CFPB	Proposed Rule Stage	Amendments to FIRREA Concerning Automated Valuation Models	3170-AA57
CFPB	Proposed Rule Stage	Property Assessed Clean Energy Financing	3170-AA84
CFPB	Proposed Rule Stage	Nonbank Registration – Nonbank Covered Persons Subject to Certain Enforcement Orders	3170-AB13
CFPB	Proposed Rule Stage	Nonbank Registration – Terms and Conditions	3170-AB14
CFPB	Proposed Rule Stage	Credit Card Penalty Fees	3170-AB15
CFPB	Final Rule Stage	Small Business Lending Data Collection Under the Equal Credit Opportunity Act	3170-AA09

The Landscape

Consumer Education ▾

Rules & Policy ▾

Enforcement ▾

Compliance ▾

Data &

[< Newsroom](#)

CFPB Issues Guidance to Address Abusive Conduct in Consumer Financial Markets

Policy statement details post-financial crisis prohibition on illegal abusive conduct

APR 03, 2023

SHARE & PRINT





“There are risks and costs to action.

But they are far less than the long range risks of comfortable inaction.”

John F. Kennedy

Working **WITH** Your **Risk Teams & BOD**



Get Buy In

ALIGN ON THE "WHAT" AND THE "WHY"



Difference between **Invention** vs **Innovation**

SHARE A COMMON LANGUAGE; EXPLAIN METHODOLOGY OF GETTING TO YES BEFORE YOU GET A NO



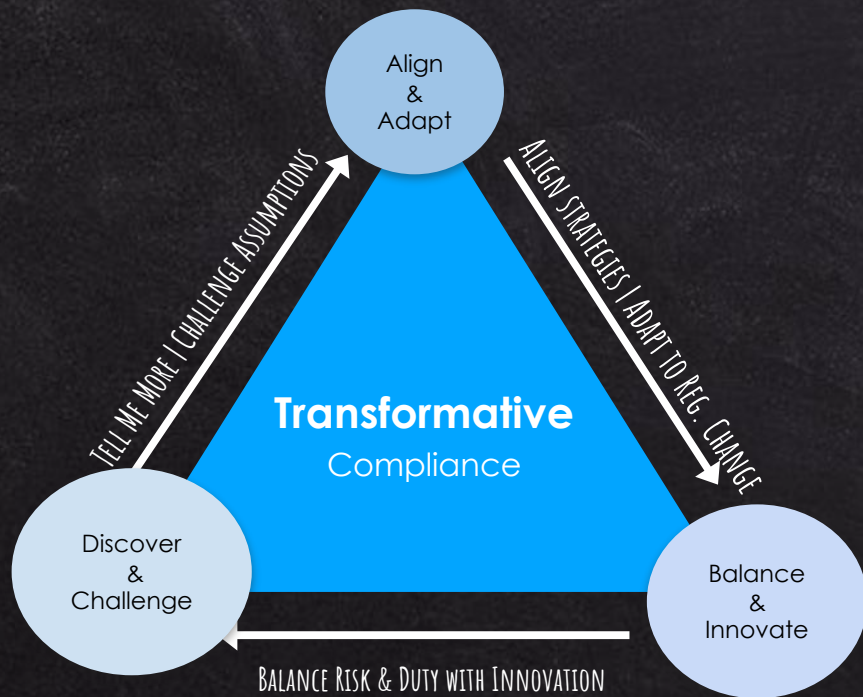
Innovate **Project/Contract** Process

INVOLVE RISK TEAM EARLY AND OFTEN; CHALLENGE OFTEN COMES FROM SELF-SABOTAGE.

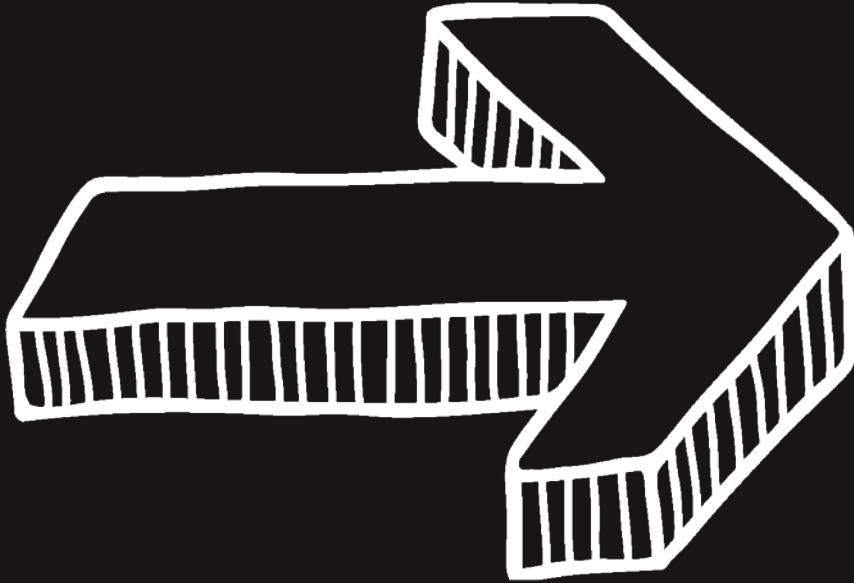


Can't Just "Turn Lights On"

TAKES WORK, COMMITMENT AND THE RIGHT RESOURCES



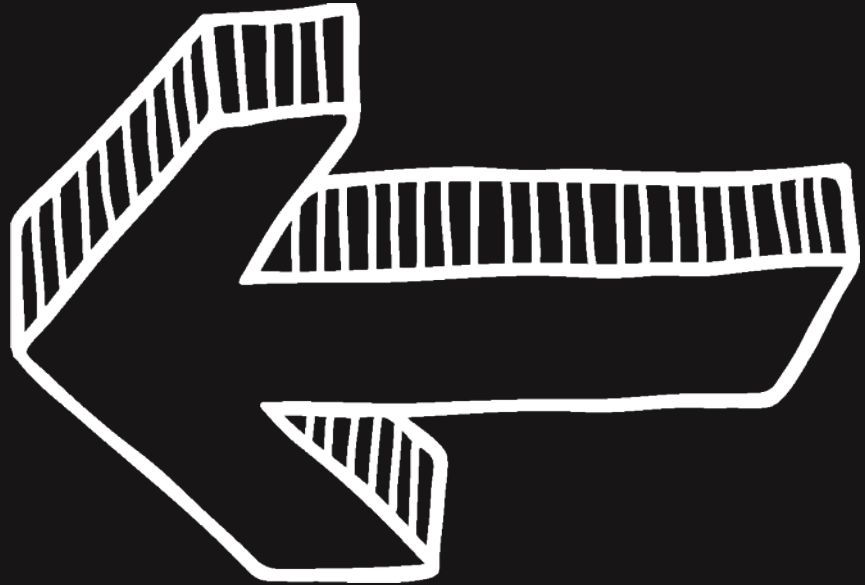
FRAUD CHALLENGES



- Lack of industry information sharing
- Lack of fraud tools (and funds to invest)
- Pace of change (ie: what fraudsters attempt and where in the banking ecosystem)
- Lagging regulatory guidance for liability

FRAUD TEAM Differentiation

- Fraud teams can have a very direct impact on a financial institution's bottom line, in more ways than one:
 - Actual \$ Impact
 - Card Fraud
 - Check Fraud
 - Account Takeover
 - Loan Fraud
 - Reputational Risk
 - Customer Experience
 - Proactive vs. Reactive Strategies for Success





Third Party **Risk**

Creating **successful** partnerships.

FEDERAL DEPOSIT INSURANCE CORPORATION
WASHINGTON, D.C.

In the Matter of)

CROSS RIVER BANK)
TEANECK, NEW JERSEY)

(INSURED STATE NONMEMBER BANK))
_____))

CONSENT ORDER

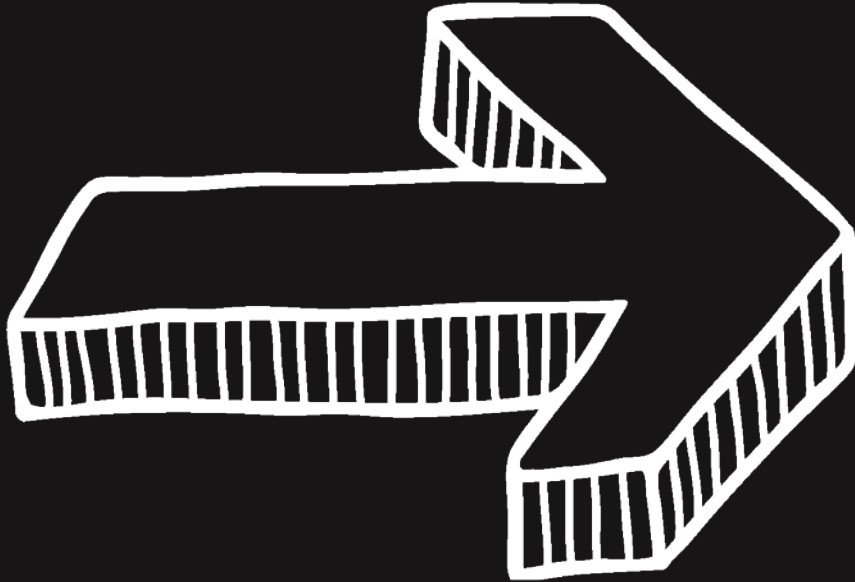
FDIC-22-0040b

The Federal Deposit Insurance Corporation (**FDIC**) is the appropriate Federal banking agency for Cross River Bank, Teaneck, New Jersey (**Bank**), under section 3(q) of the Federal Deposit Insurance Act (**Act**), 12 U.S.C. § 1813(q).

The FDIC considered the matter and determined, and the Bank neither admits or denies, that it engaged in the unsafe or unsound banking practices related to its compliance with applicable fair lending laws and regulations by failing to establish and maintain internal controls,



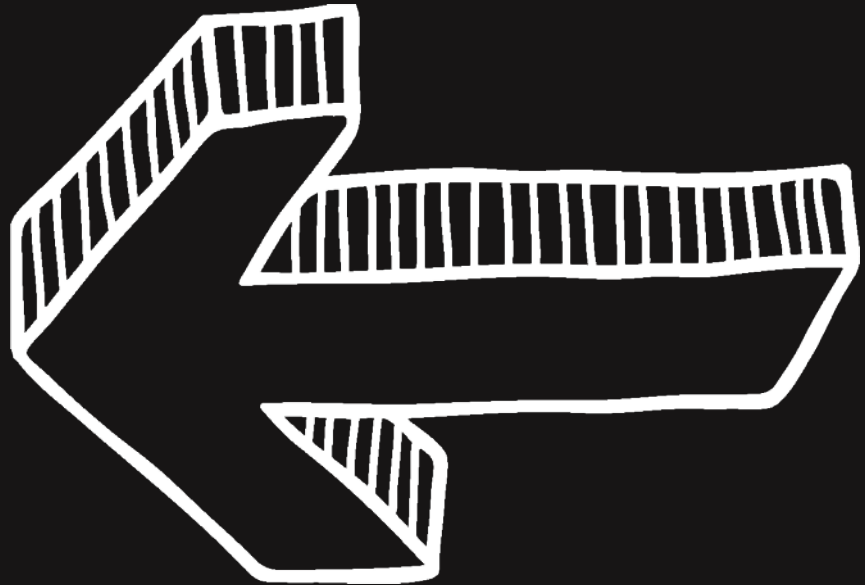
FINTECH DUE DILIGENCE FOR **FI's**



- Compliance and risk oversight
- Stance on **fintech regulation**
- Investment in a compliance function
- Reporting structure
- Access to the **compliance team** within the organizations (client-facing or internal only)
- **Regulatory change** management awareness
- Strategy alignment
- Client **input**

DUE DILIGENCE FOR **Fintechs**

- Ask about the **strategic plan** of each FI.
- Ask about the risk statement.
- Involve **early and involve** often.
- Invest in due diligence preparedness, including:
 - Policies and procedures
 - Framework for compliance
 - Standard Due Diligence responses and documentation



ALIGNMENT.

Transparency.

Understanding.

Communication.

Growth.

= Achieve Common Goal





It's more important than
ever that we leverage *all*
teams to drive **progress**
and **momentum**.

TOP 5 TAKEAWAYS:

1. Turning cost center functions into strategic differentiators is often first and foremost a mindset shift.
2. "That's Interesting.. Tell Me More."
3. Compliance, fraud, and risk teams are often overlooked in terms of ability to create impact.
4. Involve these teams early, and involve them often, with a focus on alignment.
5. Advise/oversee; invention/innovation.



QUESTIONS?

