

THE TERMINATOR & PSYCHOPATHIC BANKING

by [Steve Brown](#)

There is a scene in the movie The Terminator where Kyle Reese (Michael Biehn pictured at left) tells Sarah Connor about the machine that is trying to kill her saying "It can't be bargained with, it can't feel pain or mercy, and it will stop at absolutely nothing until you are dead!" That is a bit extreme, but we found it an interesting parallel to a new study by a noted psychologist. He found that while just 1 out of 100 people is likely to have psychopathic traits, the rate among business managers and executives jumps to 1 in 25. Researchers say that is probably because these people also have a particular gene that is linked to aggression. If you wonder who might fit the corporate psychopath classification, look for these tell-tale signs: they are a boss; they are persuasive and able to pass themselves off as an expert in a meeting (even though they don't know much about a topic); they are a flatterer with a likable personality and a terrific talker; they act as though everything revolves around them; they lie habitually (even though they can be easily found out); when exposed, they act unconcerned and try to talk their way out of it; they use skill to manipulate others in the quest for money, power, status or even sex; they blame others for the trouble they cause. In clinical terms, these people use charisma, fear, manipulation and intimidation to get others to give them what they want. One of the biggest corporate psychopaths was Bernie Madoff. He lied to everyone and had no problem committing fraud. Whether fraud is driven by ATM skimming, stealing point of sale information, corporate account takeover, phishing schemes or massive frauds like Bernie's; schemers are all around us in banking so it pays to be on the lookout. To be clear, not all self-diagnosed corporate psychopaths will commit fraud, but it could signal an increased risk. To get a better handle on the risk of fraud in banking, consider a survey by Information Security that found: 76% of banks learn of fraud incidents from their customers; 48% find out at the point of transaction; 82% experience credit or debit card fraud; 63% experience check fraud; 55% rely on manual reports to detect fraud and 56% have insufficient resources to prevent fraud. If that isn't enough to scare the daylights out of you, consider that another study by the Association of Certified Fraud Examiners found 80% of all fraud could be attributed to people working in accounting, operations, executive/upper management, sales, customer service or purchasing departments. Next, consider another study by Celent that found insider fraud accounts for approximately 60% of bank fraud cases in which a data breach or theft of funds has occurred. Finally, we present perhaps the scariest finding of all - it takes an average of 18 months to detect employee fraud and 85% of fraudsters had no previous charges or convictions for fraud related offenses. It just goes to show you these people may not have all been psychopathic, but we venture to say most of the former bank employees that got busted probably also didn't care very much about anything other than themselves. It is probably always going to be nearly impossible to predict fraud, but closely monitoring things that seem strange is probably a good start. If, however, you run into someone that might fit the bill, psychiatrists suggest the following: 1) accept that some people have no conscience; 2) practice the Rule of 3's regarding the claims and promises made - one lie may be a misunderstanding, two could be a serious mistake, but three indicates you are probably dealing with a liar and deceit is a key tenant of their conscienceless behavior; 3) be suspect of flattery as it appeals to our egos and could point to an intent to manipulate; 4) don't confuse respect for fear; 5) resist the temptation to compete with these individuals, try to outsmart them or chitchat - they often have intricate games underway for their own pleasure; 6) no one has the power to change anyone else, so avoid these

people if possible. As Kyle knows - they can't be bargained with, they don't feel pain and they will not stop.

BANK NEWS

Transaction Accounts

The ICBA has launched an all-out effort to get Congress to extend full FDIC coverage of non-interest-bearing transaction accounts beyond the current 2012 expiration date. Concerns are running high among community bankers we talk to that if this extension does not occur, business and municipal government accounts could flee, leading to unintended and potentially devastating consequences. To have your voice heard, go to the ICBA website and use the automatic voting system.

Branch Restructures

In a move to cut expenses, Bank of Hawaii (\$13B, HI) will close 3 branches and move them into supermarkets. The move follows similar announcements from Huntington Bank (\$55B, OH) that announced that 29 branches would be closed and moved into supermarkets.

Foreclosure Fines

As part of the AG's \$25B foreclosure settlement, the Fed announced that the figure would include \$766.5mm in fines for mortgage servicing violations on BofA, Citi, JPMorgan, Wells and Ally.

Payroll Tax

The tax reduction extension ends at the end of this month. Talks on trying to extend the reduction through 2012 are rocky and will go down to the wire similar to last year.

Copyright 2018 PCBB. Information contained herein is based on sources we believe to be reliable, but its accuracy is not guaranteed. Customers should rely on their own outside counsel or accounting firm to address specific circumstances. This document cannot be reproduced or redistributed outside of your institution without the written consent of PCBB.