

## Entering TransactionZZZZZZZZZZZZ

by [Steve Brown](#)

Everyone gets sleepy at work sometimes, but a recent situation in Germany turned into a bank supervisor's worst nightmare. You may have read that a bank clerk dozed off with his finger resting on the "2" key and completed a transaction without waking up. He unwittingly transferred \$222,222,222.22 Euros out of a customer's retirement account and it

took awhile for someone to catch it. The clerk's supervisor was terminated, though a German court later ruled that they were not guilty of willfully damaging the interests of the bank so her job was reinstated. It was noted that the supervisor had checked more than 800 transactions by hand that day, so perhaps the bank should buy a few more computers. Everything ultimately came out OK in the end, however, as the error was found at the next level and corrected before the transfer was completed.

There are all sorts of interesting things we can ponder from this little story. Did the clerk fall face-first into the keyboard and coincidentally hit the enter key, or just how was that transaction completed? Was there drool involved? Maybe it's best if we concentrate instead on how banks should have controls in place to catch errors. One good question to ask is why such critical work at such heavy volume was being done by hand, rather than computerized with settings designed to monitor and flag oddities or even spit out transactions above a certain size.

Banking is detail oriented and while everyone strives for perfection, there will be errors. What is important is having procedures in place to find and correct them before they cause real damage. Policies and procedures based on applicable rules and regulations should check transactions for accuracy, as they measure, monitor and control risk. The bank's policies and procedures should accurately reflect actual operations in the bank. Internal controls manuals are no good if no one follows them, no matter how robustly written, so training is continual.

Streamlining and consolidating processes should also be done wherever possible. This should include implementation of technology that assists in carrying out internal controls. To be fair, we probably don't have enough information to judge the processes of the institution in the story, but it is nonetheless hard to imagine that having a supervisor manually go through 800 transactions is either efficient or very accurate.

There should also be a written record of the bank's control processes and environment. The record should be updated regularly to reflect changing regulations and changes within the bank. Processes should be adjusted to reflect changing personnel situations, how staff should work with electronic transactions and the changing habits of customers. Constant evolution is the key here as conditions change.

The importance of transaction limits also cannot be overstated. There have been a number of widely publicized cases where enormous trading miscalculations have almost brought down very large banks. Trading losses are different than errors, but had the German bank transferred \$222mm Euros to the retiree in question, it could have potentially caused real problems for the bank. By having limits, strong policies and procedures, your bank should quickly recognize errors so you can happily

carry on and deliver quality customer service. Oh yes, be sure to suggest all employees get enough sleep to stay sharp along the way.

## **BANK NEWS**

### **Fed Speak**

In action that helped calm the markets, Fed Minneapolis President Kocherlakota said the Fed will continue to buy bonds until the unemployment rate falls further and will keep short-term interest rates near zero for a long time even after bond purchases end. Kocherlakota's comments were also backed up by Fed Dallas President Fisher who said the Fed was "dialing back" and "not exiting."

### **Fraud**

An FTC study finds states with the highest fraud complaints per 100,000 in population during 2012 (in order) were: FL, GA, MD, DE and NV. Those with the least complaints were SD, IA, MS, W VA and AR.

### **ID Theft**

An FTC study finds states with the highest identity theft complaints per 100,000 in population during 2012 (in order) were: FL, GA, CA, MI and NY. Those with the least complaints were SD, ND, HI, MT and ME.

### **Director Duties**

Regulatory publications indicate the primary duties of a board of directors is to hire competent executives; effectively supervise bank affairs; adopt and follow sound policies and objectives; avoid self-serving practices; be informed about the bank's condition and management policies; maintain reasonable capital; follow banking laws, rulings and regulations; and ensure the bank has a beneficial influence on the economy of its community. Directors in general set the tone and direction of the bank; establish guidelines on the nature and amount of risk it may take; oversee and support management efforts; review management recommendations (before approving or rejecting them) and makes sure the bank has adequate controls and systems to identify and manage risks and address problems.

### **Customer Priorities**

A study from study from PeopleMetrics of what customers want from banks finds the top 5 priorities are products, putting them first, finding and keeping talented employees, mobile/digital technology and acting on feedback to improve service.

### **Employees**

A Gallup survey finds Millennials will only stay at a given job for just over 1Y vs. 4.4Ys for all workers.

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