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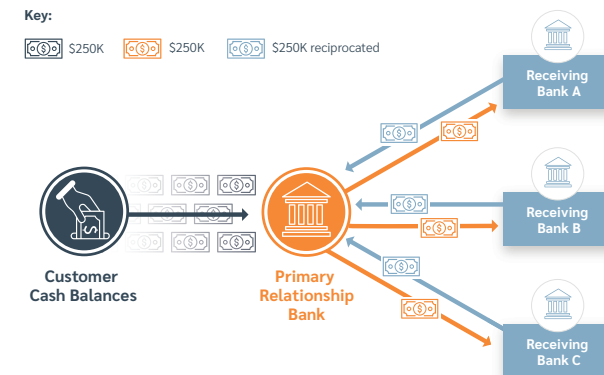
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- Susan Cosgrove, Executive Chairperson



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¹ R&T's analysis of call report data.

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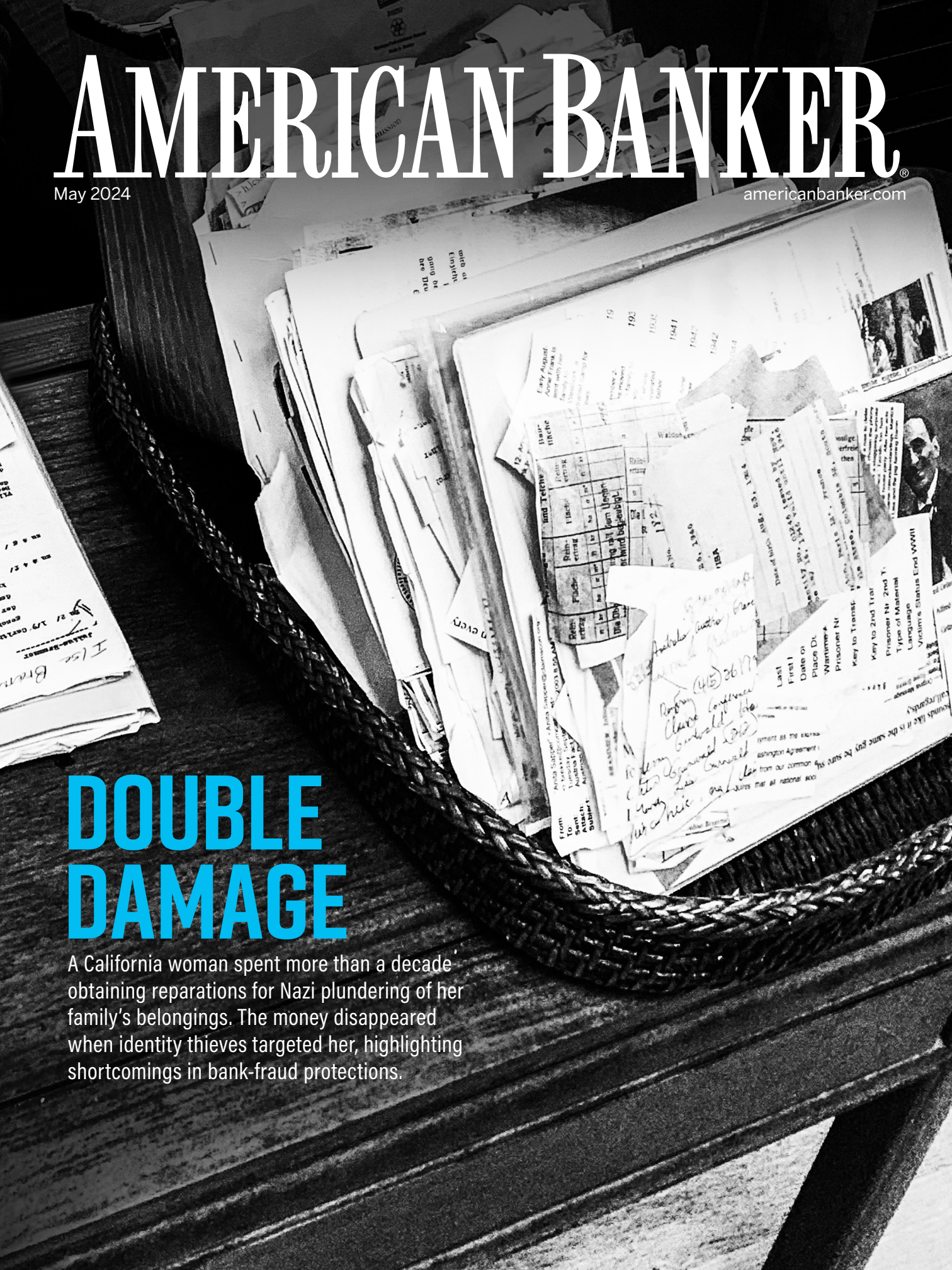
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DOUBLE DAMAGE

A California woman spent more than a decade obtaining reparations for Nazi plundering of her family's belongings. The money disappeared when identity thieves targeted her, highlighting shortcomings in bank-fraud protections.





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Photo: Michael Nagle/Bloomberg

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Cover photo: Mike Ambrosi

FROM THE EDITOR



By Jackie Stewart

Customers' relationship with their money is personal in a way that few other things are. I experienced this for myself in March. I am the leader for my daughter's Daisy Scout troop, and we recently wrapped up our annual cookie sales. Many people still pay the \$5 for a box of Girl Scout cookies with cash, so I had to deposit thousands of dollars, mostly in smaller bills, over just a few weeks.

I've never run a business, and I've never had to manage that much cash, so there was a learning curve. Before heading off to the bank to make our first deposit, I wrote down what the total should be. But after the teller had run the large stack of bills — about \$12,000 in all — through the cash counter, that total was off, short by about \$150. Panic started setting in. The teller ran the money through a second time, then a third. And each time she got the same figure.

I finally accepted that I somehow had made a mistake and started to leave. Before I did, she handed me a stack of slips where I could mark down how many of each type of bill I had for future deposits. During the visit, the teller was exceptionally kind, and when I came back the following week, she asked if I had figured out what went wrong. (I'd written down an incorrect number from one of our inventory sheets and had, in fact, deposited the correct amount.) But that experience could have gone much differently if the banker had gotten annoyed.

Unfortunately, the subject of this month's cover story didn't receive this level of consideration when she ran into a far more serious banking issue. Rosemarie Brekke had secured roughly \$45,000 from the Austrian government as reparations for her mother and her family fleeing persecution by the Nazis. However, her arduous journey didn't end there. Her identity was stolen, with the fraudsters opening a business credit card using a name similar to hers.

After that account became past due, Bank of America deducted the amount that was owed from Brekke's account holding the reparations funds.

The feature retells Brekke's fight, first, to secure the restitution long owed to her family and then to have Bank of America correct its mistake. It's hard to read the piece and not feel Brekke's desperation and the weight of what that money represented to her. **AB**

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One State Street Plaza, 27th floor, New York, NY 10004
Phone 212-803-8200

Editor in Chief Chana R. Schoenberger
Executive Editor, American Banker Magazine Jackie Stewart
Managing Editor Dean Anason
National Editor Kevin Wack
Washington Bureau Chief John Heltman
Content Director, Payments Daniel Wolfe
Executive Editor, Technology Penny Crosman
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VP, Design and Production Michael Chu
Senior Designer Robin Henriquez

ADVERTISING
VP, Media Sales Brad Bava 212-803-8829
Marketing Coordinator Aaron Boscanin

Customer Service/Subscriptions help@arizent.com 212-803-8500

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Was it a mistake for NYCB to buy Signature Bank?



Dennis Kelleher
President & CEO,
Better Markets

The decision to allow New York Community Bancorp's Flagstar Bank to buy Signature Bank spectacularly failed the American people for many reasons.

Although much of the reporting to date has focused on NYCB's commercial real estate loan exposures, which certainly increased the bank's risk, there are deeper and far more dangerous risks. Flagstar's growth over the course of just two quarters in 2022 far exceeded what was reported by all three regional banks that failed in 2023 in the years leading up to their demise. With its acquisition of New York Community Bank, Flagstar grew from \$25 billion in assets as of September 2022, to \$90 billion in assets as of December 2022. Then, with its acquisition of Signature, Flagstar grew to \$123 billion in assets as of March 2023.

The complexity of merging and integrating operations of previously separate entities is time consuming and often arduous, even under the best of circumstances. That's why it was no surprise that the federal banking regulators highlighted the problems of rapid substantial growth leading to inadequate internal controls as one of the key drivers of the 2023 regional bank failures. Similarly, given two major mergers within a matter of months, it's no surprise that Flagstar's internal control failures were severe and required financial restatements and a board and senior management shakeup.

“The broader consequences of Flagstar’s recent mergers are that the bank now represents a real systemic threat to our financial system.”

The broader consequences of Flagstar's recent mergers are that the bank now represents a real systemic threat to our financial system. At its current asset size, if the bank were to fail, it is reasonable to expect that

another systemic risk exception would be used, like what we saw in 2023 for Silicon Valley Bank and Signature. This would likely result in significant cost and damage to taxpayers, Main Street and the American public.

As bad as it was to allow back-to-back mergers, it's equally inexplicable that regulators apparently ignored or disregarded the banks' history of illegal and discriminatory conduct. The regulators are specifically mandated to be on watch for such behavior and act decisively to stop it.

Back in 2021, when NYCB announced its initial plan to acquire Flagstar, it followed the regular process by requesting permission from federal and state regulators. However, the application process did not go smoothly.

The New York state regulator granted approval but the Federal Deposit Insurance Corp. was “so concerned about fair lending failings at Flagstar” that it would not support the merger, according to one news report. The Consumer Financial Protection Bureau had also taken action against Flagstar for discriminatory practices related to its mortgage business, and the bank has been the subject of a private lawsuit claiming discrimi-

Kelleher (continued on page 38)



Jason Osborne
North America segment leader, banking and capital markets,
Genpact

New York Community set aside millions to absorb loan losses and accepted a \$1 billion capital infusion from an investor group. The troubles have called into question whether regulators should have allowed the company to buy most of the failed Signature in 2023.

In today's regulatory environment, mergers and acquisitions can be beneficial for regional banks; but as seen with New York Community Bancorp, they're rarely a silver bullet.

In March 2023, NYCB's acquisition of Signature Bank made sense for two key reasons. One, it addressed the bank's high loan-to-deposit ratio, reducing it from 118% to 88%, a move likely welcomed by regulators. Two, it improved NYCB's customer acquisition strategy. Before the acquisition, NYCB focused mainly on “mass” banking. Signature's wealth management practice provided access to “affluent” and “high net worth” products, expertise and clientele.

In that regard, the Signature buy seemed like a logical move with relatively low regulatory risk. So, where did things go wrong?

NYCB (and regulators) were focused on solving a problem, but other factors were at play.

An LDR exceeding 100% suggests a bank has lent out more money than it holds in deposits. This signals potential issues, including liquidity risk, heavy dependence on alternative funding sources, financial instability, imprudent lending practices and credit risk.

Therefore, the deal presented an opportunity for NYCB to strengthen its position and contribute to financial stability while expanding its reach. All of that resonated positively.

However, other factors, compounded by a prolonged high interest rate environment, caused a dramatic turn of events when NYCB held its fourth-quarter earnings call. One was commercial real estate conditions. The Signature

acquisition left NYCB with a \$34 billion CRE loan portfolio, mainly in New York City. This portfolio faced pandemic-induced challenges of remote and hybrid work, including increased risk of office loan defaults, reduced rental income and property valuation challenges. This led to an unexpected \$260 million loss in Q4, primarily due to anticipated loan losses from office building loans.

There have also been execution and integration risks. Before acquiring Signature, NYCB had already absorbed Flagstar Bank. The acquisitions of Flagstar and Signature elevated NYCB into a higher asset category, pushing the bank over the \$100 billion threshold and triggering stricter capital and liquidity requirements and additional expenses, which impacted profits.

Additionally, the operational system conversion with Flagstar didn't finish until almost a year after NYCB acquired Signature. Simultaneously integrating NYCB, Flagstar and Signature — each with its own unique systems, processes and culture — presented substantial execution risks. One of the biggest challenges banks face is managing data and analytics. The root of the problem often lies in outdated systems and incom-

Osborne (continued on page 38)

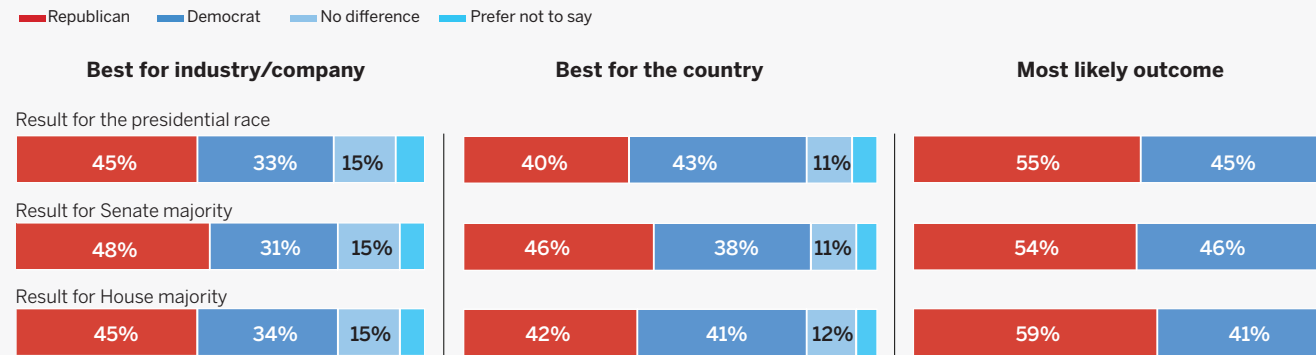
“[T]he deal presented an opportunity for NYCB to strengthen its position and contribute to financial stability while expanding its reach.”

Election 2024 heats up

A recent Arizent survey asked which party business leaders across a variety of sectors, including banking, would vote for in the upcoming presidential race. The research also uncovered what these professionals are hoping that the next administration and Congress will focus on.

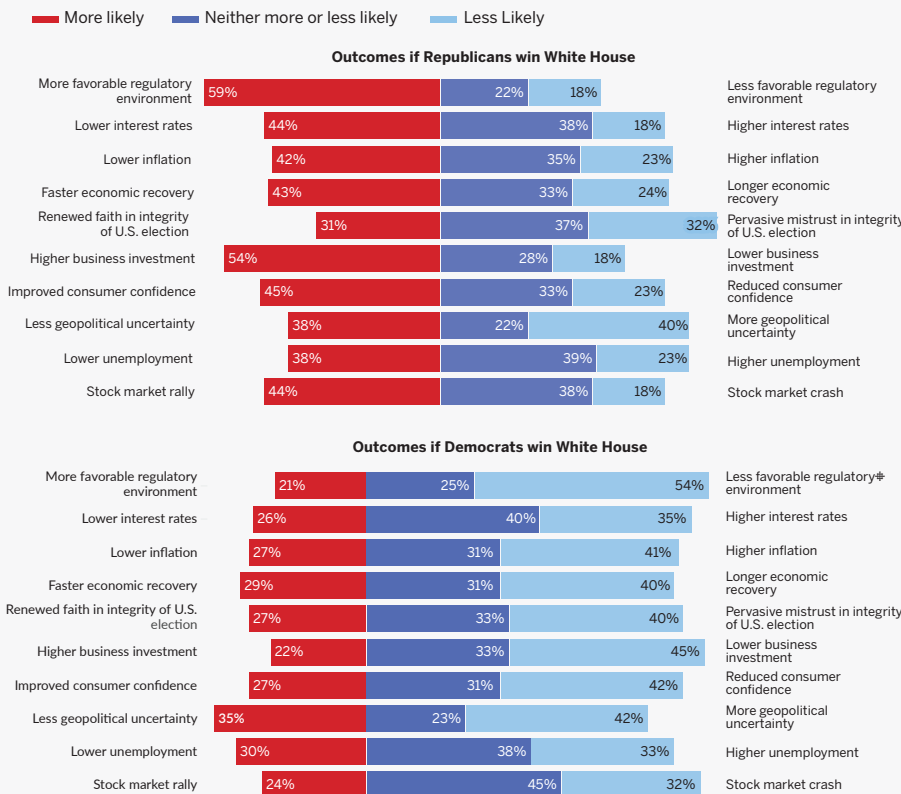
Predicting a Republican president

A majority of respondents not only believed that a Republican president retaking the White House would be better for their company and industry but this was also predicted as the likely outcome of the November election. However, more respondents believed that a Democrat winning would be better for the country.



Who would be better for regulation?

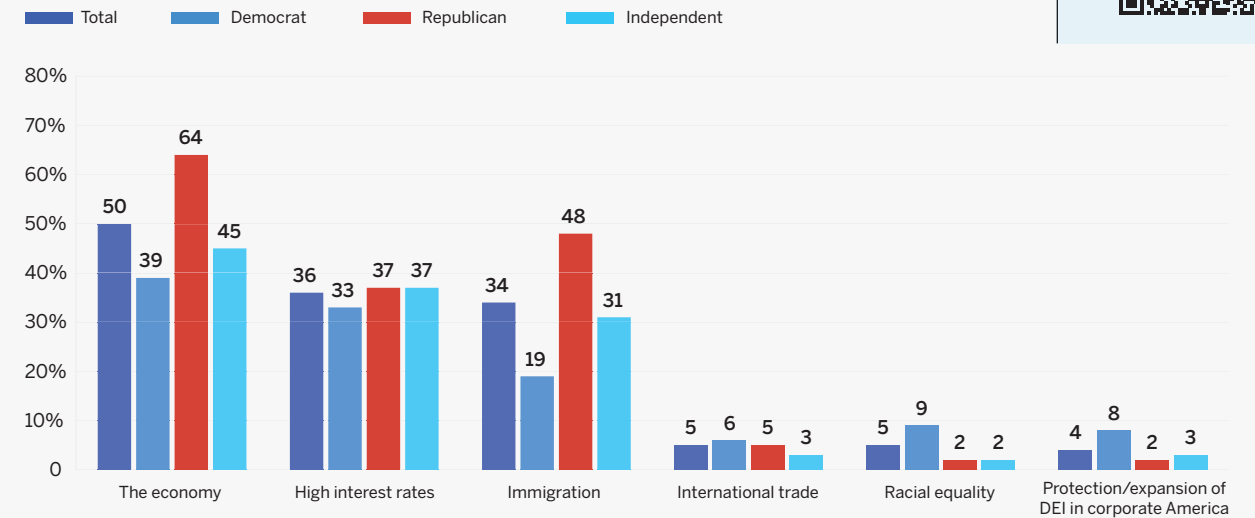
Fifty-nine percent of respondents believed that a Republican winning the White House would lead to a more favorable regulatory environment. That's compared with 18% who said that a Republican winning would mean a less favorable regulatory climate and 54% who said that a Democrat becoming president would be worse for regulation. More respondents also believe that a Republican president would mean lower interest rates, lower inflation and more business investment.



Source: Arizent's first-quarter election 2024 survey

Promoting priorities

When thinking about their organization's business interests, the majority of respondents wanted the next presidential administration and Congress to focus on a few priorities, including the economy and high interest rates. Tackling racial equality and protecting and expanding DEI in corporate America were toward the bottom of the priorities list.

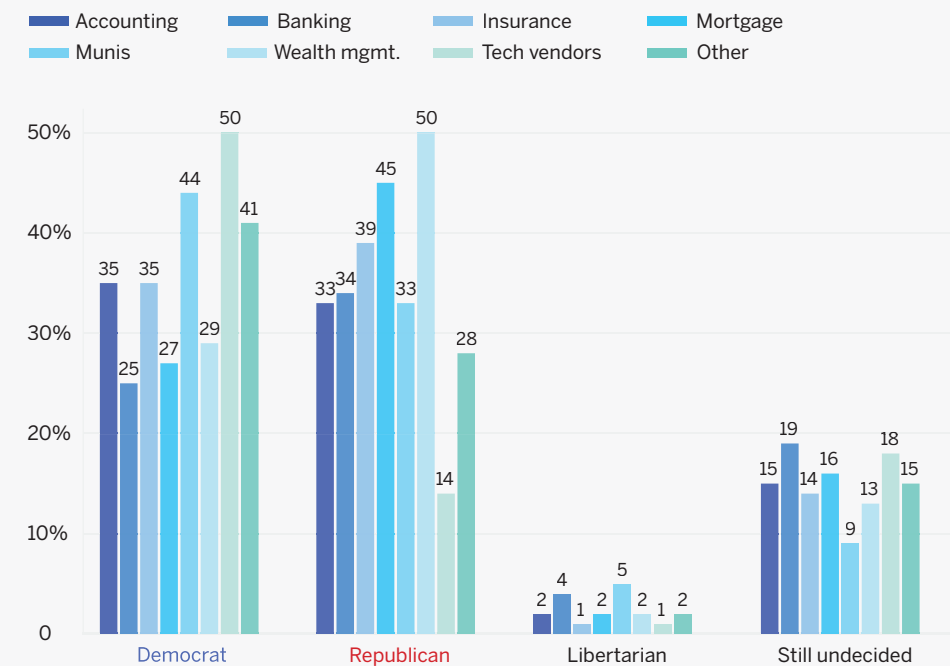


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Casting a vote

Thirty-four percent of bankers said they would vote for a Republican for president compared with 25% who said they were supporting a Democrat. Those in the wealth management sector had the highest percentage who were supporting a Republican while tech vendors were the biggest supporters of a Democratic White House.



Methodology

A total of 1,227 business leaders and professionals were surveyed online from March 6 to March 12. The industries represented include banks, payments firms, mortgage lenders, insurance agents and carriers, municipal finance agencies and advisors, accounting firms, tax preparers and wealth management and financial advisory firms. The largest share of respondents came from accounting firms and tax professionals (15%), followed by wealth management and financial advisors (13%), insurance carriers, brokers and agents (13%), mortgage firms (11%) and banks (10%). The margin of error on a sample size of 1,227 at the 95% confidence level is +/-2.71 percentage points.

SBA's push to revive an old idea

Isabel Casillas Guzman, administrator of the Small Business Administration, wants the agency to get involved in direct lending, a practice that was discontinued during the Clinton administration. Congress has not embraced the idea, to put it mildly.



By John Reosti | May 2024 | 15 Min Read

Love may be lovelier the second time around. The same cannot be said about the Small Business Administration's updated direct lending proposal.

In 2022, the agency sought unsuccessfully to win approval for a plan letting it make loans under its flagship 7(a) program, as well as guaranteeing them. SBA renewed the push last month, only to see the staunch opposition that characterized the initial bid quickly resurface.

In addition to near unified condemnation from congressional Republicans, direct lending has triggered similarly strong, similarly negative reactions from financial services trade groups. The National Association of Government Guaranteed Lenders has come out against it, along with the American Bankers Association, Independent Community Bankers of America and America's Credit Unions.

Led by Sen. Tim Scott, R-South Carolina, and Sen. John Kennedy, R-Louisiana, Republicans in the Senate introduced a bill last month that would prohibit SBA from making direct loans as part of the \$35 billion regular 7(a) program. Trade groups quickly signaled their support. Jim Nussle, America's Credit Unions' president and CEO, wrote in a March 19 letter to Scott that a move by SBA into lending threatens to disrupt a longstanding, finely tuned and highly successful public-private partnership, one where the agency's role is limited to guaranteeing loans private-sector lenders make.

"Direct lending would drive up program costs and disincentivize 7(a) authorization within financial institutions, draining the value of the public-private partnership," Nussle wrote. "Further, by becoming a direct lender ... the SBA is likely to harm local financial institutions' relationships with small businesses."

Isabel Casillas Guzman, administrator of the Small Business Administration, wants the agency to start making direct loans again to small-business borrowers. But the idea has faced stiff opposition.

Photo: Ting Shen/Bloomberg

“Too many times businesses are left to bootstrap or depend on high-interest credit cards or predatory lenders. The SBA was specifically started to fill gaps [in access to credit] during the Eisenhower administration, but really it has not done so effectively in underserved communities.”

— Isabel Casillas Guzman, Administrator, Small Business Administration

In another letter to Scott, ICBA President and CEO Rebeca Romero Rainey cited the extensive network of banks, credit unions, community development financial institutions and other private sector lenders “already in place to meet demand for small-business borrowers.”

“SBA direct lending is a poor and costly alternative to private sector lending and would reach fewer borrowers,” Romero Rainey wrote.

The Scott-Kennedy legislation has 13 co-sponsors, all Republicans.

“Fraud and inefficiency characterize the Small Business Administration’s history in direct lending,” Kennedy said in a press release. “The government shouldn’t crowd out private lenders that are already doing a good job getting funds to the small businesses that need them.”

Mission driven

The 7(a) program is SBA’s largest. It served as the operational platform for the massive Paycheck Protection Program, so it was central to the federal government’s response to the COVID pandemic. It’s continued to play a central role the past two years, distributing tens of billions of dollars in capital as the number of small-business entrepreneurs has exploded.

It’s not too big a stretch to assert 7(a) has thrived in COVID’s aftermath. The program has guaranteed 138,000 loans since October 2021 totaling more than \$66 billion. Along the way, private-sector 7(a) lenders have made more small-dollar loans, reducing the average loan size by 40% since September 2021. They’ve also increased lending to African Americans and other traditionally underserved groups. Black borrowers’ share of 7(a)’s lending volume jumped from about 2.6% at the end of fiscal 2021 to 4.9% through the first half of fiscal 2024.

Testifying last month before the Senate Small Business Committee, SBA Administrator Isabel Casillas Guzman touched on what some have termed a boom in small-business formation. Citing U.S. Census Bureau figures, the Center for American Progress estimated the number of employer business applications — measuring firms likely to hire employees — totaled 5.2 million between 2021 and 2023, up 34% over the three years preceding the 2020 pandemic year.

“These acts of hope, as President Biden calls them, are powered by entrepreneurs in every state, and especially by women and people of color, who are leading with the highest startup rates,” Guzman said in her testimony.

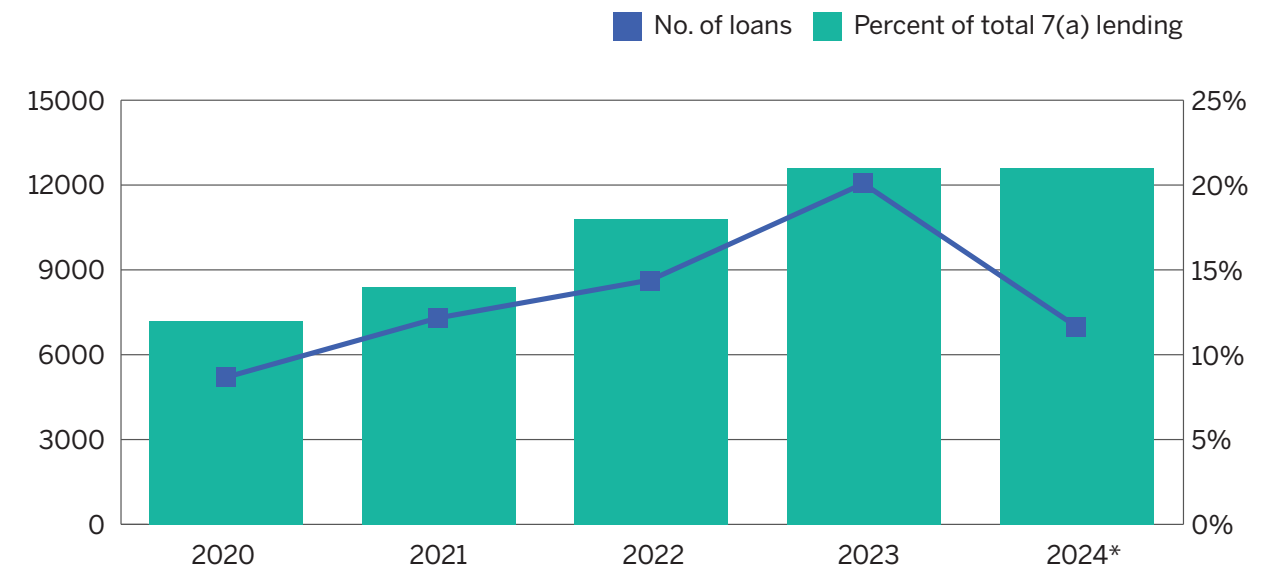
Overall startup applications are up sharply, as well. “The first, second and third strongest years of new business applications on record ever is a pretty great testimony to what is happening in our economy,” Sen. Cory Booker, D-New Jersey, said at the March 20 Senate Small Business Committee hearing.

All that may beg the obvious question, why mess with success? For Guzman, who has led SBA since March 2021, it’s about access. While she lauds current trends, Guzman remains unsatisfied with the rate of progress.

“Too many times businesses are left to bootstrap or depend on high-interest credit cards or predatory lenders,” Guzman said during a Feb. 26 interview on Philadelphia’s WURD Radio. “The SBA was specifically started to fill gaps [in access to credit] during the Eisenhower administration, but really it has not done

Reaching a new audience

More SBA 7(a) loans have been going to minority borrowers over the past few years



Source: SBA; each year corresponds with SBA’s fiscal year, which ends Sept. 30; *through April 10

so effectively in underserved communities.”

SBA did not respond to an interview request prior to the deadline for this story.

Guzman has made boosting access to capital a touchstone of her tenure. One of the administration’s first acts, implemented just before Guzman’s March 16, 2021, confirmation, was to adjust the funding formula for small-dollar PPP applicants, allowing them to use gross income, instead of net, to calculate their eligible loan amount. The switch opened PPP more broadly to the small-dollar applicants, sole proprietors, independent contractors and self-employed individuals. Average PPP loan size, about \$101,000 in 2020, dropped below \$42,000 in 2021.

In August 2023, Guzman and SBA implemented changes to the Small Business Investor Company program, which provides capital to privately owned and managed investment funds, to permit the creation of smaller “micro” funds focused on investing in underserved communities. The fiscal 2025 budget includes a proposed

increase in SBIC funding to \$7 billion, up from \$5 billion in the current 2024 fiscal year.

Those reforms were relatively noncontroversial. Reaction to Guzman’s plans for 7(a) has been a different story. In an April 2023 rule change, SBA ended a 40-year policy capping the number of nondepository Small Business Lending Companies permitted to participate in the program at 14. The policy was aimed at further stimulating small-dollar lending, which is seen as benefiting underserved borrowers who tend to seek smaller-size loans. It was met, nevertheless, with harsh criticism, especially in banking and credit union circles, for opening 7(a) to participation by fintech lenders, some of whom were singled out as prominent sources of the fraud that marred the PPP.

The policy took a further hit in March when senior executives at London-based Funding Circle, one of three nondepository lenders to receive a new SBLC license under the new rule, announced plans to emphasize operations in the United Kingdom and hinted at a possible sale of the company’s U.S. subsidiary.



Photo: Soobum Im

Rebeca Romero Rainey, head of the ICBA, has been vocally opposed to the SBA engaging in direct lending.

History lesson

The reaction to the revived direct lending plan has been similarly fierce, with some critics pointing out the practice was discontinued during the Clinton administration. Potentially resuming direct lending following the 2008-2009 financial crisis was rejected by no less an authority than President Obama. “It’s disappointing, but not surprising, to hear that direct loans are back on the table,” Tad DeHaven, a policy analyst who has commented frequently on SBA issues, wrote last month in an email to *American Banker*. “I suppose it was only a matter of time until the special interests agitating for a drink straight from the U.S. Treasury’s spigot found receptive political hacks in the White House.”

For progressive Democrats, the roots of direct lending — especially when paired with the goal of advancing economic equity — extend back further than 2022, further than Obama’s presidency, further than even Clinton, who occupied the White House from 1993 to 2001. In fact, they go all the way back to the heady opening phase of

the War on Poverty, when Congress passed the landmark Economic Opportunity Act of 1964.

A core building block of President Lyndon Johnson’s Great Society initiative, the Economic Opportunity Act included provisions encouraging loans to businesses that had struggled to obtain credit, even from SBA. Jean Heimlich, who worked at SBA in 1965 and wrote a dissertation on the origins and implementation of Economic Opportunity Loans two years later, traced their genesis to a desire among then-SBA Administrator Eugene Foley’s senior advisors to create a vehicle “to provide equity-type financing for small firms, particularly sole proprietorships.” Foley proved receptive to the idea.

“Foley wanted SBA to reach smaller businesses. He was especially interested in those concerns because he knew most [African American] firms fell into that category, and he felt SBA had not been doing enough for [African Americans],” Heimlich wrote in her dissertation.

Sixty years later, a history feature currently posted on

the agency’s website frames the Economic Opportunity Loan program in a positive light, concluding it “[provided] encouragement to new businesses that had been unable to attract financial backing but were sound commercial initiatives.”

However, officials and scholars who administered and studied the effort during the program’s two-decade existence, were frequently less glowing in their commentary. A December 1980 report prepared by the General Accounting Office noted “more borrowers have defaulted on the loans than repaid them,” adding that many of the borrowers that did meet their repayment obligation subsequently folded.

According to the GAO report, the SBA had made approximately 62,000 Economic Opportunity Loans through the 1979 fiscal year, two thirds of which were originated directly by the agency, the remainder by private lenders. Only 31% of the portfolio had been paid in full. Another 39% had been placed in liquidation or charged off. In testimony before the Senate Small Business Committee in October 1981, Lowell Dodge, associate director of GAO’s Community and Economic Development Division, stated the Economic Opportunity Loan program “had been a means of sustained economic progress for relatively few borrowers.”

Similarly, an August 1979 GAO study of the wider 7(a) program found direct loans produced a significantly higher loss rate than the private-sector credits SBA guaranteed in each of the four fiscal years reviewed. In fiscal 1978, for instance, direct loans had a 6.61% loss rate, compared to 3.37% for guaranteed loans.

Bill Cunningham, founder and CEO of Creative Investment Research in Washington, D.C., said any assessment of programs like Economic Opportunity Loans have to be weighed against the discriminatory roadblocks that confronted minority entrepreneurs in the 1960s and 1970s. Even when they were able to get a loan, Black entrepreneurs rarely received all the capital they required. “If they needed \$1,000, they got \$500,” Cunningham said in an interview. “I’m surprised by the number of businesses that did succeed.”

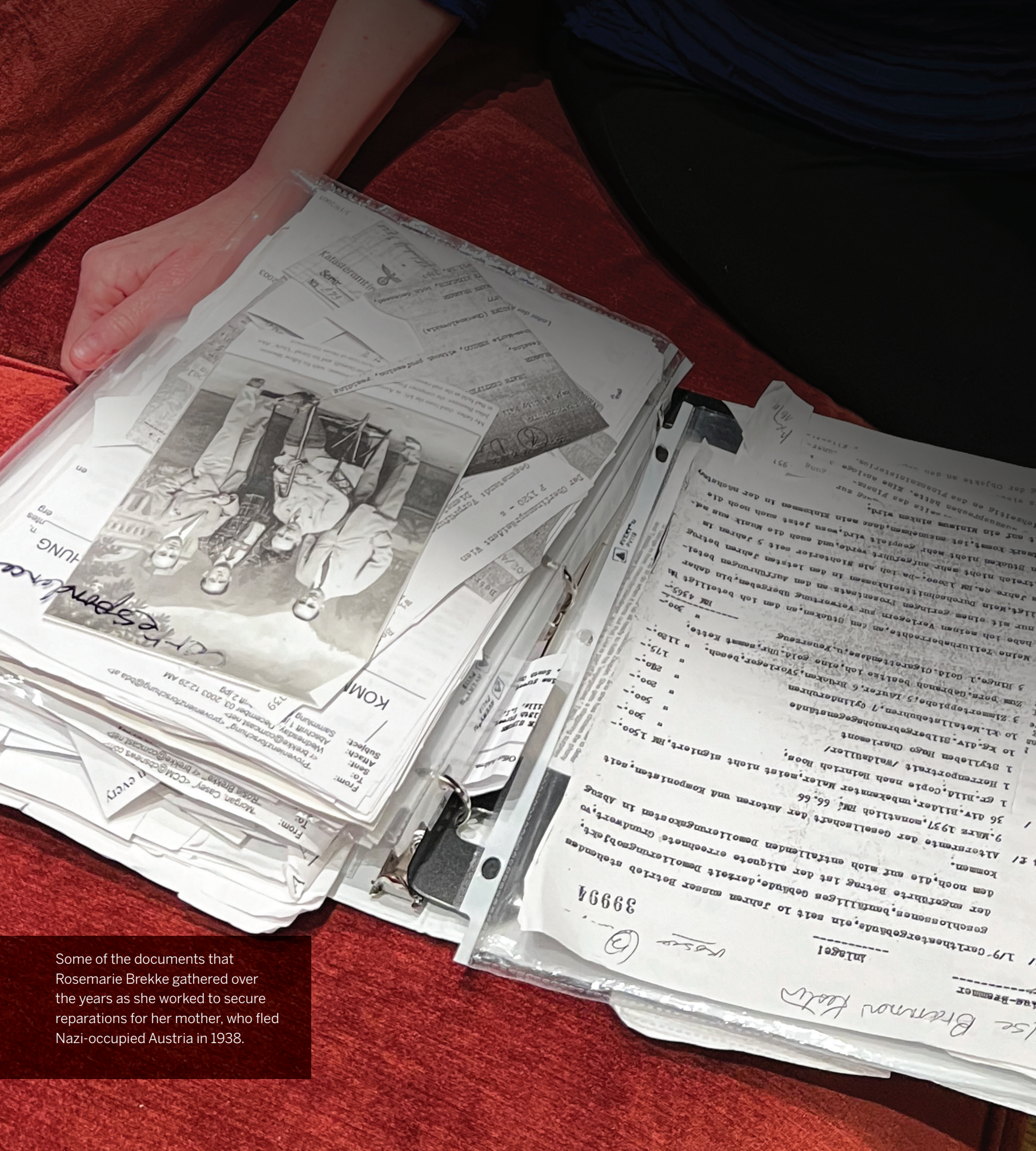
To be sure, there are no indications that Guzman is modeling the SBA’s current direct lending scheme after Economic Opportunity Loans. And while no Democratic senators stepped forward to defend the proposal during the March 20 Small Business Committee hearing, the plan does have its backers.

“Though we’ve seen record new business growth among minority-owned firms, the fact remains their businesses are more likely to be completely shut out of financing,” Imani Augustus, director of the Alliance for Entrepreneurial Equity in Washington, D.C., said in a statement to *American Banker*. “Four-in-10 Black-owned businesses were denied loans and lines of credit in 2023 according to the Federal Reserve. Only 32% of those businesses were fully approved for all the financing they sought. Compare that to white-owned businesses who are fully approved 56% of the time and have a one-in-five chance of being denied.

“There are many reasons why underserved businesses are unable to access capital through traditional lenders,” Augustus added. “Disparities in wealth can limit collateral options, some business owners lack established banking relationships, other businesses are more likely to be labeled a high credit risk. This is why the president’s move to bring affordable capital to historically underserved businesses through SBA direct lending is so critical.” **AB**

“SBA direct lending is a poor and costly alternative to private sector lending and would reach fewer borrowers.”

— Rebeca Romero Rainey, President and CEO, Independent Community Bankers of America



Some of the documents that Rosemarie Brekke gathered over the years as she worked to secure reparations for her mother, who fled Nazi-occupied Austria in 1938.

Double damage

After a California woman spent more than a decade obtaining reparations for Nazi plundering of her family's belongings, the money disappeared from her bank account. Her saga highlights a gap in fraud cases between what consumers expect from their banks and what those banks are in a position to deliver.



By Kevin Wack | May 2024 | 20 Min Read

After weeks of fruitless phone calls and futile visits to the bank, Rosemarie Brekke was fed up.

She walked into the Bank of America branch in downtown San Rafael, California — across the Golden Gate Bridge from San Francisco — and joined one of the teller lines. It was a Friday afternoon in February 2018, and the branch was busy.

When Brekke got to the window, she angled her body so that the other customers could hear the exasperation in her voice as she spoke to the teller. Then she explained her predicament.

Four and a half months earlier, Brekke had visited this same BofA branch to open a savings account. At the time, the 70-year-old widow needed a banking relationship that would allow her to accept a payment from Austria — the country that her Jewish mother had fled as a refugee in 1938.

Brekke opened an account, and she later received a \$45,496.57 payment from the Austria-based General Settlement Fund for Victims of National Socialism. She planned to keep the reparations money at BofA while she worked to settle her late mother's estate.

Photo: Susan Read

“The money that came into BofA was pennies on the dollar. And I knew that was going to be the case.”

— Rosemarie Brekke, 76, of San Rafael, California (Pictured right)

Photo: Susan Read



Now, on a cloudy February afternoon, Brekke was back inside the BofA branch on 4th Street in San Rafael, facing a nightmare scenario: The bank had taken more than half of the reparations money from her account.

Over the last few weeks, she'd spent many hours trying to get Bank of America to resolve the situation, but she'd gotten nowhere. Since patience wasn't working, Brekke figured she needed to grab folks' attention. Even if she risked sounding like a crazy person.

“The money was stolen by the Nazis first. And Bank of America is now the corporate thief that stole it again!” Brekke exclaimed.

This is the story of a woman who was victimized twice — once through events that occurred across the Atlantic Ocean before she was born, and a second time through a case of identity fraud in modern-day California.

Brekke is an inveterate record-keeper, and she provided many documents that support the account she shared in multiple interviews.

Together, the interviews and documents provide an unusually detailed

picture of a bank's mishandling of a fraud case, and how it intersected with the victim's quest to unearth her family's hidden past.

Brekke's story offers a vivid illustration of what is being lost with the steady decline of relationship banking in the United States. At a smaller, locally owned bank, it's easy to imagine that her dispute might have been resolved quickly. At the nation's second-largest bank, Brekke interacted with branch workers who seemingly wanted to make things right but weren't empowered to do so.

Naomi Patton, a Bank of America spokesperson, did not answer numerous written questions about the situation, citing client confidentiality and saying that a BofA client team had been unable to determine certain information about events that occurred more than six years ago.

Patton did not dispute a detailed chronology of Brekke's case that American Banker provided to the bank.

A dark, hidden history

Brekke was reared in the South in the 1950s and 1960s by a mother who avoided talking about her past. After college, she worked as a high-school math teacher in Charleston, South Carolina.

Her ticket to the wider world was a job as a Pan Am flight attendant. In 1977, two years after she got married, she and her husband bought a ranch-style house in San Rafael. They raised their two daughters there. Brekke still lives in that home today.

Her battle to recover more than \$27,000 from Bank of America was preceded by an even more arduous effort to recoup what was rightfully hers. That yearslong struggle was not about money, she says. It was about reclaiming her family's history.

“The money that came into BofA was pennies on the dollar. And I knew that was going to be the case,” she explained.

Brekke's maternal grandfather was an Austrian librettist named Julius Brammer. He wrote the lyrics for operettas, which were a popular form of entertainment in Austria during the early 20th century.

Brammer's many credits include “Countess Maritza,” which was adapted for multiple films after its stage premiere in 1924. That same year, Brammer's wife, Rose Marie, gave birth to their daughter Ilse.

The Brammers had full lives in a city rich with culture.

And they were prosperous. Their assets included part ownership of a theater in Vienna, real estate in Berlin and a villa in the picturesque Austrian hot-springs town of Bad Ischl.

In 1938, the Nazis invaded Vienna. Germany's annexation of Austria — known as the Anschluss — had the support of many Austrian citizens. It immediately sparked widespread persecution of Jews.

The Nazis' arrival split the Brammer family apart. Julius, Rose Marie and Ilse fled — first to Switzerland and soon after to France. But three of Julius' sisters, who had lived with the Brammers in Vienna and helped to raise Ilse, stayed behind.

In France, 14-year-old Ilse did not continue her schooling. Toward the end of World War II, she met an American soldier, Grier Kester, who was stationed in France. They got married, and Ilse, who went by the nickname Lisette, started a new life in her husband's home state of South Carolina.

Brekke, the oldest of the couple's three children, was raised in Columbia, South Carolina. The family did not have a lot of money. Brekke recalled that whenever her mom was asked about her life in Europe, she responded: “All of that is history to me.”

Still, Brekke kept trying. She asked her mother whether she was Jewish. Her mom denied it, insisting that she was Catholic.

Brekke eventually learned that at around age 18, during World War II in France, Lisette had been baptized and confirmed in the Catholic Church, as her parents sought to protect her from the Holocaust.

In 2002, Brekke's father died. One of his last requests of his daughter was that she ask her mother about the war. Brekke tried again. Her mom still refused to discuss her past. But Brekke started researching her family's history, and she learned about a process underway in Austria to pay restitution to victims of the Nazis.

Brekke called Randy Schoenberg, a Los Angeles lawyer who had emerged as an advocate for Jewish families whose property was stolen during the war.

At the time, Schoenberg was representing Maria Altmann, a Jewish refugee from Vienna who had eventually settled in California, as she sought to recover a Gustav Klimt masterpiece that belonged to her family. That ultimately successful legal battle was later dramatized in the

2015 film “Woman in Gold.”

Schoenberg advised Brekke on how to track down records in Austria, and on how to navigate the various processes that had been set up to compensate victims. Claims could be filed for different categories of assets, including bank accounts, investments, insurance policies, education losses, liquidated businesses, real property and moveable property such as art, household valuables and cars.

Brekke threw herself into the tedious process. She obtained key family records from Austrian archives and got some of them translated from German.

As part of her quest, Brekke set out to find three pieces of artwork that had gone missing. She sent letters to museums around the world. But she never managed to locate the art. Nor was she able to track down various watches and pieces of jewelry that had belonged to her grandparents.

“A lot of the things I did were a long shot,” Brekke said. “Every crumb that someone threw my way during that time, I did follow up on.”

Brekke’s mother refused to participate in the historical excavation project. But in 2004, Brekke was able to secure for her mom a small pension from the Austrian government — compensation for the fact that Lisette was denied even a high school education.

Years passed by. When Brekke’s husband, Gary, was diagnosed with kidney cancer, she put her historical research to the side. But after Gary Brekke died in 2007, Rosemarie resumed the project of reclaiming her family’s past.

Eventually, she traveled to Austria. She saw an outdoor performance of “Countess Maritza” and took the train to Bad Ischl, where she found the villa that once belonged to her grandparents.

In 2013, Lisette Kester died. But shortly before she passed away, she posed a question to her daughter, who’d been researching their family’s history for more than a decade. Lisette wanted to know what had happened to her three aunts who had stayed in Austria. “They loved Vienna, and they didn’t want to leave,” Brekke recalled her mom saying.

Brekke shared what she had found in her research: All three aunts had died either en route to Auschwitz or inside the death camp. Lisette replied, “At least I don’t have to live



A shopping district in central Vienna in July 2023. Rosemarie Brekke’s mother was raised in the city but fled after the Nazi invasion.

Photo: Andrey Rudakov/Bloomberg

“I exhausted myself for 11 years trying to get to the bottom of different things. I pursued everything.”

— Rosemarie Brekke, 76, of San Rafael, California

the rest of my life wondering what happened to them.”

Brekke’s mother had always claimed that she was from a small family. “She really was from a big family,” Brekke said in a recent interview. “They just didn’t survive the war.”

The year after her mother passed away, Brekke’s application for reparations was approved. “I exhausted myself for 11 years trying to get to the bottom of different things,” she said. “I pursued everything.”

Still, there were unanswered questions, and Brekke’s continuing search for answers delayed the payment from Austria. Finally in September 2017, the General Settlement Fund for Victims of National Socialism sent Brekke a letter explaining that it would be making a payment to settle her mother’s claims.

Those claims were calculated to be worth around \$389,000, but because the value of valid claims far exceeded the money available, they were paid on a proportional basis. The letter sent to Brekke said that she should

expect to receive a transfer of \$45,496.57, or about 12 cents on the dollar.

To receive the money, Brekke needed an account at a bank that had a SWIFT code. So she went to the Bank of America branch in downtown San Rafael to inquire about a savings account.

“I opened that account,” Brekke recalled, “and explained to them the significance, and asked them to notify me when the money came in from Europe.” In November, the funds arrived from Austria. Additional money that Brekke deposited brought the balance to more than \$70,000.

Detective work

Two months later, Brekke received an unexpected letter in the mail from Bank of America. It threw her for a loop.

The January 2018 letter was sent to her correct address in San Rafael, but her name was spelled wrong. Brekke’s full name is Rosemarie Elizabeth Brekke. The correct spelling appeared on her BofA savings account. Oddly, though, this letter was addressed to Rose M. Brekke.

The unsigned letter claimed that Brekke had a business account at BofA, which was false. It further stated that the account, which would turn out to be a business credit card, was past due; that the bank had been unsuccessful in its efforts to recov-



Photo: Kevin Wack

The business on Wilshire Boulevard in Los Angeles that fraudsters used as the address on the Bank of America small-business credit card opened in Rosemarie Brekke's name.

er the debt; and that the account had been charged off.

"We've also exercised our right to deduct the amount of the debt from your deposit account and apply it to your business account," the letter stated.

And with that, \$27,169.80 was gone from Brekke's savings account. It amounted to about 60% of the funds that she'd fought so long to collect from Austria. The letter advised Brekke to call a toll-free number if she had questions. She did so, anticipating that the bank would acknowledge its error.

"I just figured on Monday they would say, 'Oh my God, we made a mistake. Oh, we're really sorry,'" she said.

But she was unable to get the situation resolved.

A short time later, Brekke returned to the BofA branch

on 4th Street in San Rafael. A branch employee called BofA's fraud department and was told that in August 2016, Brekke had opened a small-business credit card that had a \$27,000 credit limit.

Brekke continued to search for answers. Over the next week or so, she called various Bank of America phone numbers but got stuck in a special kind of customer-service hell. She recalls being placed on hold for long stretches, getting disconnected mysteriously and being falsely accused of wrongdoing.

Brekke was experiencing headaches and insomnia. Her stress was magnified by the fact that she was responsible for her late mother's estate. She became a regular visitor to BofA branches, spending hours waiting while an

employee tried to get the right person on the phone. She brought along work to make use of the time.

Finally, during one call to the fraud department, came a bit of a breakthrough. The woman on the other end of the line initially admonished Brekke, saying that the credit card debt was hers, and advised her to stop trying to get the money back. Brekke replied that the bank had never notified her of the debt, and she asked if monthly bills had been sent out. The BofA representative said that the bills had indeed been sent to her at an address on Wilshire Boulevard in Los Angeles.

"I said, 'I don't live on Wilshire Boulevard. I've lived in the same house and had the same address since 1977,'" Brekke recalled.

Brekke requested copies of the credit card statements, which arrived a short time later. The bills contained some clues.

The name on the credit card account was Rose M. Brekke, along with the name of an apparently fictitious LLC. The address was a building on Wilshire, near the edge of LA's Koreatown neighborhood, that housed a business where mailboxes were available for rent.

The transactions on the statement dated to August 2016, or about a year before Brekke opened her BofA savings account. There was a \$26,500 charge to a bail bonds company, as well as a \$110 payment to Costco, among other smaller purchases.

Brekke, a longtime Costco member, knew what to do next. She walked into a local Costco store, provided her Costco ID card and asked for help.

A short time later, a Costco staffer pulled up information about an account that had been paid for with the fraudulent credit card. The account listed the names of a Los Angeles-area woman and man, and it also included the woman's photograph. Their address matched up with the location of a second Southern California store that rented mailboxes — this one in the city of Burbank.

Identity fraud, in which criminals use a stolen identity to commit fraud, is a common problem. Last year, losses from traditional identity fraud totaled \$23 billion, according to an April report by Javelin Strategy & Research.

The study also found that the average out-of-pocket expenses for victims increased by 70% last year to \$202, and that the average amount of time that consumers

spent resolving issues stemming from identity fraud rose from around six hours in 2022 to nearly 10 hours last year.

"Consumers rely on their financial institutions to be trustworthy and highly knowledgeable resources when it comes to resolving identity fraud," Suzanne Sando, the Javelin report's author, said in a press release. "There are certainly areas where the fraud resolution process could be drastically improved, especially given the uptick in the average out-of-pocket expenses victims incurred while resolving identity fraud."

When Brekke tried to share what she'd learned from Costco with Bank of America, she was told that the bank didn't want the information. BofA would conduct its own investigation, which would take 90 to 150 days, she recalls being told.

The contrast with the swift actions of the Costco worker was stark. "He made it so easy, and BofA made it seem so difficult," she said.

Brekke reported the fraud to the San Rafael Police Department, and the matter was later referred to the Los Angeles Police Department. Records show that the LAPD produced an investigative report, but the authorities never informed Brekke that any arrests were made.

American Banker sought comment from the two individuals whose names were listed on the Costco account, but did not receive responses. Their names are being withheld because no evidence could be found that criminal charges were filed against them.

Brekke continued to do detective work. She obtained her Experian credit report, which showed a hard credit inquiry in July 2016 by Capital One Financial. Unlike Bank of America, which approved an account for Rose M. Brekke around the same time, Capital One rejected the application.

After Brekke followed up with Capital One, the McLean, Virginia-based company sent her a letter stating that a credit card application it received on July 27, 2016, used her name and Social Security number, and listed an address in Los Angeles.

"We have confirmed the application as fraud and canceled it," the letter stated.

One mystery about Brekke's case is why Bank of America did not flag the 2016 credit card application as fraudulent, especially in light of the fact that another lend-



Photo: Mike Ambrosi

To obtain the reparations for her mother from the Austrian government, Rosemarie Brekke said she followed up on every lead, even if it was a long shot.

er saw red flags. Bank of America’s spokesperson did not answer several questions that could offer clues about how it happened.

Those questions include: What personally identifiable information did the credit card applicant provide? Did BofA run a credit inquiry? What procedures did BofA have in place in 2016 to identify new account fraud? What personally identifying information did BofA later use to connect the fraudulent credit card account to Brekke’s savings account at BofA?

Bank of America was unable to determine the answer to another key question — whether the fraudulent 2016

credit card application was submitted online or in person — according to Patton, the bank’s spokesperson.

Patton said that identity thieves are sophisticated, and that figuring out how they pulled off a scam can be difficult. “It’s a challenge in the industry,” she said.

The Federal Trade Commission’s website lists several common red flags indicating the possibility of identity theft. Those warning signs include listing an address that doesn’t match the credit report and inconsistencies in the information that the applicant provides to the lender.

The credit card that caused Brekke’s ordeal was not under her real name, and it listed an address that differed from the one where she had lived for decades. Additional scrutiny by the bank could have shown that the Wilshire Boulevard address was a P.O. Box.

At the time the credit card was opened, Brekke was an existing BofA customer. Though she had not yet opened the savings account, she’d long had a mortgage with the bank, and that account listed her correct name and address.

The methods that financial institutions use to detect identity fraud have advanced significantly since 2016. Still, experts were puzzled by Bank of America’s decision to approve this particular credit card application.

“It is kind of surprising that the bank didn’t have better authentication in place,” said Tracy Kitten, director of fraud and security at Javelin.

Richard Tsai, head of markets and product marketing for global fraud solutions at TransUnion, agreed. “I’m not sure what was done here,” he said, “but it does seem like there were a number of things that were missed in this opening process.”

The breaking point

Brekke decided to make a scene at a Bank of America branch after the bank’s representatives told her that they were not interested in the sleuthing she had done on the fraudulently obtained Costco account. She was also harboring doubts about BofA’s promise that it would conduct its own investigation.

After Brekke entered the downtown San Rafael branch and invoked the Nazis’ theft of her family’s assets, which drew the attention of other BofA customers, the teller went to find a security guard.

“I don’t think she knew what to do with me,” Brekke

recalled. “So it gave me enough time that when people migrated over to me, she wasn’t right there in front of me. And so people were saying, ‘Did that really happen?’ I mean, it really did happen. ‘It happened to me, it could happen to you.’

“I said to all the people that were looking at me, ‘Your money is not safe here, you really should be careful because your money is not safe.’”

A short time later, another BofA branch employee who knew Brekke and had previously tried to help her to recoup the money sought to de-escalate the situation. He asked her if they could deal with the matter later. “No, later is now,” Brekke recalls saying.

She walked out of the branch that day with two cashier’s checks totaling \$43,000. About four weeks later, a final check for more than \$27,000 arrived in the mail, which made Brekke whole.

After being asked to provide comment for this article, BofA said in a written statement: “Bank of America follows industry-standard credit card application reviews and processes. The bank honored Ms. Brekke’s claim following an investigation of her claim.”

The Charlotte, North Carolina-based bank did not explain why it ultimately decided to honor the claim.

As Brekke’s story shows, there exists a chasm between the often impersonal experience of doing business with a megabank and the deeply personal nature of certain financial transactions.

Brekke, who’s now 76, spoke recently about the lifelong harm that the Nazis inflicted on her mother. “I never felt she had a real full life because of what happened to her over there,” she said.

“My mom tried to fit in when she came to this country. Refugees weren’t welcome,” she said. “And she made it her business to learn the language. But she carried with her — I think it was a paranoia about a lot of things, and about people.”

While her mother was still alive, Brekke asked her if the two of them could visit Europe together. “I said, ‘It would be great for me to experience Vienna with you, because that’s where you were raised,’” Brekke recalled. “She just couldn’t, wouldn’t and didn’t.”

The process of applying for reparations may have been a way for Brekke to connect with her family’s past at a time when her mother couldn’t engage on the topic.

But she had also hoped the funds would improve her mother’s material circumstances. Throughout many decades living in the United States, her mom never had much money.

“It was really for her, and I had hoped that the money would come in while she was alive so she could enjoy it,” Brekke said.

The funds ultimately arrived too late to help her mom. But the money still holds meaning to Brekke, which may explain why her outrage at Bank of America is undiminished more than six years after much of the cash disappeared from her savings account, even though the bank did eventually return the money.

“The \$45,000 was a symbol,” she said. “It was just an acknowledgment, a token of an acknowledgment on a global scale.” **AB**



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Workers enter Goldman Sachs' headquarters in June 2021. The investment banking giant said in a memo in 2019 that it would relax its dress code.

When it comes to fashion choices, bankers get a dress-down

Gone are the days when Wall Street executives dressed in conspicuously expensive clothing. Now the industry has adopted a more relaxed and casual dress code.



By Ebrima Sanneh | May 2024 | 20 Min Read

WASHINGTON — Almost 40 years ago, Gordon Gekko declared “Greed is good” in the 1987 movie “Wall Street.” Michael Douglas’ iconic character, decked out in sharply tailored suits and slicked back hair, came to represent what many thought titans of the financial sector looked and dressed like.

But gone are the days of the suits and suspenders, power ties and polished shoes. To be sure, the financial sector is less dominated by men today than it was in the 1980s when Douglas popularized the Gekko image, and overall women’s fashion has undergone its own set of changes. Instead, bankers, especially men, are now embracing a more casual style and less conspicuous consumption, while still projecting a sense of dignity and gravitas. This mirrors broader changes in social norms, corporate culture and client expectations.

“Bankers have engendered, by the very definition of their work, financial responsibility in all their business relationships and should be dressed in a sober capacity but one that still represents their background and integrity,” said Richard Press, who ran J. Press in New York for over three decades before it was acquired by the Japanese apparel firm Onward Kashiyama

Photo: Michael Nagler/Bloomberg

“We couldn’t make clothes fast enough to address — no pun intended — all the people coming in who wanted to look like their version of Michael Douglas. Gordon Gekko is still kind of an influence — even if it’s unconscious — in the way some people want to look.”

— Alan Flusser,
Clothier
(Pictured right)

Photo: Rose Callahan



in 1986. “I think that’s best represented by wearing a natural shoulder dark gray suit with an appropriate repp-stripe or emblematic tie that provides the image of fiscal responsibility.”

A history of business fashion

Crucial to understanding the foundation for what is considered proper business attire today for men is the history of tailored suits. Derek Guy, a menswear expert who goes by @dieworkwear on the social platform X, says the archetypal banker look largely originates from the longstanding traditions of a certain social class in England. Until the last century, British professionals split their time, and getups, into two distinct modes. (For full disclosure, I am an aficionado of men’s fashion and because of that, I have focused mostly on menswear in this story. I’ll leave commentary on women’s business attire to others who are more suited to that task.)

“The upper class in Britain had wardrobes that were divided between the city

— in this case the city London — where you did business and the country where you pursued sport, and that was often Scottish estates,” Guy said.

City wear consisted of generally more conservative attire. That meant darker suiting, solid shirts, black footwear, silk scarves and charcoal or black overcoats — often in the Chesterfield style with a velvet collar. Country attire was all about sporting, and would include heavier wool tweeds, tattersall or tartan patterned shirts, brown pebbled leather shoes and tweed flat caps.

Though menswear styles have changed over the decades, hints of those conventions can be felt in Gekko’s look — designed by renowned clothier Alan Flusser. The character specifically wore shirts with a more formal, stiff spread-collar reminiscent of an English banker style.

Overall, Douglas’ costumes in “Wall Street” were a composite caricature of the most ostentatious aspects of city banker attire of the 1980s. Flusser based Douglas’ wardrobe for the movie on what Wall Street power brokers at the time wore when they became successful.

“In those days, when guys made a lot of money, they went to Savile Row to get the clothes, shoes and everything else made,” said Flusser, referring to the area of London well known for its bespoke clothing for men. “That was the top of the sartorial mountain as such.”

Flusser noted the cultural impact of the movie was quite massive. “It was really remarkable. We couldn’t make clothes fast enough to address — no pun intended — all the people coming in who wanted to look like their version of Michael Douglas,” said Flusser. “Gordon Gekko is still kind of an influence — even if it’s unconscious — in the way some people want to look.”

For decades, Press clothed many Wall Street bankers from his Ivy League-inspired menswear boutique, J. Press. The company was founded in 1902 by Press’ grandfather, Jacobi Press, on Yale University’s campus. It still maintains brick-and-mortar stores in major East Coast hubs.

However, unlike the Gekko character, Press said that many male bankers, especially those who were Ivy League graduates, preferred button-down shirts which had soft, billowing collars anchored down by buttons. While often considered a more informal type of shirt in business attire, the buttoned collar style was a signature of Ivy League dress throughout the 20th century and continues today.

“A very large percentage of our custom [and] bespoke

customers at that time were bankers,” he said. “For daytime wear, their outfits were usually gray suits, whether it was solid, pinstripe, dark, flannel or herringbone.”

But as Guy noted, this standard is decades out of vogue. The suit and tie have been in recession for years now. “I don’t think many people wear that anymore,” he said. “Over the last 80 years the tie has been on a slow descent and went into free fall after the casual Fridays of the 1990s.”

Things got casual

When thinking about Wall Street firms, there are few more prominent than the white-shoe investment banking giant Goldman Sachs. It’s the company that young and hungry recent college graduates with degrees in finance and economics strive to work for.

Given this reputation, it was rather shocking when the company announced, in 2019, that it was shifting toward a more casual dress code. Though the memo outlining the change didn’t provide specifics, CEO David Solomon wrote, “All of us know what is and is not appropriate for the workplace.” Certain divisions within Goldman had been allowed to dress more casually before the change became companywide.

At the time of the announcement, one news report called the move “once unimaginable” for the company’s “monk-shoed partners and bankers in bespoke suits.” Goldman declined to comment for this story.

The shift was a stark example of the suit being in decline for the banking sector. This move reflected a broader trend away from formal office attire and tied into evolving client expectations and the growing influence of the highly casual tech sector.

However, some expressed concerns that it may have introduced ambiguity regarding what constitutes ‘appropriate’ office attire.

“They just said, ‘You can dress more casually except for times where you clearly need to wear a suit,’” said Guy. “And then I think their vague advice was, ‘We all know what is acceptable and not acceptable’ ... but no, many people don’t know what’s acceptable or not acceptable.”

Alex Klingelhoefter, currently a wealth advisor at the Oklahoma City-based Exencial Wealth Advisors, began his career at a Charles Schwab call center in Austin, Texas, in 2013, right as the company would make a sharp turn in its



Group of Seven leaders go casual for a photo during a summit in 2022.

Photo: Liesa Johannssen-Koppitz/Bloomberg

office attire expectations. Klingelhoefter said shortly after arriving at Schwab, norms were relaxed in an attempt to appear more approachable. The change meant that ties, rather than being the standard for dressing up, now represented a stuffy and outdated look. The firm, said Klingelhoefter, was attempting to stay current by casualizing attire.

“The first year I’m there in 2013 — basically right out of school — you want to look sharp: Brooks Brothers tie, a striped shirt and a Hart Schaffner Marx suit I couldn’t afford — but whatever, you gotta look sharp,” he said. “The next year, same deal, we’re doing our executive meeting this quarter in Austin [we were told] ‘no ties, we’re approachable.’”

Klingelhoefter attributes the relaxed dress code to the rise of the technology sector. At the time, tech companies overtook financial and energy companies to boast the largest market caps and were, therefore, more popular to invest in. Silicon Valley famously has a more informal dress code. (To reference another popular movie about business, see Mark Zuckerberg’s hoodie and flip-flops in

“The Social Network.”)

The shift in the kinds of clients showing up to meetings meant that approachability became more important than dressing conservatively.

“It went from energy back in like the 2000s, then it was finance in 2005 and [from] 2013 and on it’s been tech; and whatever is popular from an investment sense, a financial sense and almost from a cultural sense, that’s where the fashion follows,” he said. “I think the thing to always remember is that banking is a service industry, there’s a lot of technical stuff, but it’s ultimately about clients.”

Klingelhoefter said the trend has only been amplified over time particularly with the effects of remote work scrambling the traditional workplace model. This is especially pronounced with high value clients who are no longer required to be physically present or dressed formally to engage in business. Fridays, Klingelhoefter said, are typically quiet in offices, particularly in client-facing roles, as clients are often away at country clubs or on vacation. Klingelhoefter emphasized the importance of being avail-

able in these settings to address clients’ inquiries effectively.

“For whatever reason, for people of means these days: Monday is like a holiday, Friday is like a holiday. You get some stuff done Tuesday through Thursday and then from Thursday afternoon onwards it’s like whatever, they’re kind of working, kind of not,” he said. “You used to have clients that show up in a suit or whatever, that sort of thing. [You] never [see that now,] it’s golf shirts, T-shirts.”

He further illustrates this change by describing the CEO’s attire at meetings.

“Our CEO will come into meetings with, you know, jeans and a nice belt or whatever ... and a nice print shirt,” he said. “To me, that’s like the uniform ... that’s what you’ll see like higher powered execs in anytime they’re on camera, more or less.”

Klingelhoefter noted that while this casual attire is less fussy than the previous uniform, there are regional nuances to what is considered appropriate. Bankers have to adjust their attire to meet their clients’ expectations.

“When you go down to [Dallas Fort Worth International Airport], you see a ton of dudes in like L.L. Bean fleece vests with weird colored socks and loafers because they’re all working with private equity guys out of Dallas,” he said. “Occasionally they’ll throw on some boots and go over to Fort Worth, because they’re helping guys out in the Permian [Basin] finance their oil companies. So ultimately, whoever your clients are, the dress is gonna flow from that.”

Jessica Cadmus, founder of Rogue Paq Accessories and a stylist at Wardrobe Whisperer, has made a career out of styling Wall Street professionals. Cadmus emphasized the importance of her clients projecting a polished image, tailored to their individual preferences, while remaining open to the aesthetic preferences of their clients.

“You want to try to match the vibe while always being neat, clean and polished,” she said. “Ostentatiousness with clients is typically frowned upon,” she added. “The unwritten rule is to avoid conspicuous consumption, which definitely pertains to attire.”

Cadmus highlighted the importance of personal branding and appearance on Wall Street. While codes have relaxed, there are still red lines for bankers, as certain clothing choices are universally deemed unsuitable for a banking setting. For example, she says denim is typically relegated to Fridays in many prominent firms. And typically larger firms tend to be still more formal in their clothing requirements while smaller companies are more casual. She noted that Goldman Sachs and Morgan Stanley usually set the standard. Morgan Stanley declined to comment for this story.

“Most of my banking clients are either asking for, or being trusted with, large amounts of money and, so, personal appearance needs to convey trustworthiness or, at the very least, competence,” she said.



Photo: Courtesy of Wardrobe Whisperer

“Ostentatiousness with clients is typically frowned upon. The unwritten rule is to avoid conspicuous consumption, which definitely pertains to attire.”

— Jessica Cadmus,
Stylist, Wardrobe Whisperer
Founder, Rogue Paq Accessories

Photo: Hollie Adams/Bloomberg



A pedestrian passes a shop window on Savile Row in March 2022. That area of London is well known for its bespoke clothing for men.

“Visible tattoos for client-facing employees remains a bit of a taboo [as are] open-toed shoes for women and white pants for men.”

When it comes to setting the gold standard for Wall Street banker attire, Cadmus said certain firms lead the way. She says Wall Street attire — like the business itself — also reflects a hierarchical culture, where seniority influences attire choices. While cleanliness and polish are universal expectations across all levels, the details of attire evolve as individuals progress through the ranks.

“If you just focus on watches, a VP would typically wear a Cartier Tank watch — these days with a leather strap versus a metal strap — and a senior [managing director] or partner — as they still call them at Goldman — would more likely wear a Panerai or a Patek Philippe,” she says. “If a junior person came in sporting a Patek Philippe that would be frowned upon.”

While subtle expressions of success are still prevalent, she says good taste dictates keeping overt displays of

wealth to a minimum.

“Actually, it would be more likely that the partner would wear a Timex to work but have a collection at home that would include a Panerai, Patek Philippe, a Rolex and maybe a Favre-Leuba,” she said.

Are ties gone forever?

Wall Street business attire has been trending toward the more casual. But experts are split on whether this is a permanent change. Guy thinks the days of neckties are squarely behind us. “I talked to high-end clothiers and one told me that he thinks of his necktie collection now as just part of the store’s decor, the way that TGI Fridays puts up those chintzy roadside signs ... it’s just a way to set the mood,” he said.

Some, like Cadmus, have a more nuanced perspective on the trajectory of fashion trends. While she remains skeptical about the complete resurgence of the formal styles prevalent in the ‘80s and ‘90s, she acknowledges a

shift within the industry away from the exceedingly casual norms that emerged during the pandemic era.

“At recent conferences, my clients were reporting more formal attire overall — suits and no ties, versus what they experienced over the last few years, which was more blazers and no suits at all,” she said. “Women have made a large shift toward dresses — or pants and blazers — versus the corporate suit that was a staple for years.”

Womenswear, she added, has undergone some of the most stark changes, with dresses and new kinds of footwear being worked into financial professionals’ rotations. For example, she said Maxi dresses are currently in vogue for women as are chunky loafers and shorter boots. “Akris has excellent workwear dresses as does Max Mara and brands like The Row, Diane Von Furstenberg and Loro Piana,” she said. “As for shoes, block heels have largely replaced the pump. This past winter we saw a resurgence of boots that ended below the knee versus the to-the-knee and higher boots we’ve seen the last several years.”

Data indicates that as the banking industry continues to adjust to the new normal, there might be a wider cultural movement toward adopting slightly more formal attire as the pandemic becomes a distant memory.

As employees make their way back to the office, Rent the Runway, a wardrobe rental service, experienced a significant increase in the demand for workwear rentals during the summer of 2023. This surge suggests a potential revival in the requirement for office-appropriate clothing, reminiscent of trends observed prior to early 2020.

According to the Partnership for NYC, 65% of financial sector employees are back to work, one of the highest rates across all sectors. Additionally, observations from Morgan Stanley’s 2023 annual financial conference revealed a notable increase in formal attire, with only roughly half of the executives opting to forgo ties compared with 81% in 2021.

Circana, a firm which tracks consumer behavioral data, highlighted a notable boost in the tailored clothing market in 2023, with sales revenue surpassing even pre-pandemic levels by 8%. This resurgence in tailored clothing sales suggests a renewed interest in traditional business attire as professionals readjust to in-person work environments.

Made-to-measure menswear retailer Indochino’s record-setting revenue in the first quarter of 2023 further

corroborates this trend, signaling a growing demand for tailored clothing among consumers across the board.

As the return-to-office trend gathers steam, it seems that the general public is inclined toward a sharper appearance compared with recent years. This suggests that it might only be a matter of time before the effect trickles upward, influencing bank clients to adopt more tailored attire, thereby influencing bankers to do the same.

As new sales of tailored clothing have increased, the market has evolved to include styles which blend formality and approachability, such as J. Crew’s more casual Ludlow suits and loafers as opposed to laced dress shoes.

“The biggest way [to stay up-to-date] for men is largely losing the tie and the biggest way for women is largely ditching heels, or maybe wearing them once or twice per week instead of daily,” Cadmus said. “[Loafers] are a huge trend and they are meeting that middle ground in dress that is the current sweet spot.”

Guy argued relaxed workplace norms can allow professionals to find freedom in their attire selection. He says the days of being reprimanded for eschewing a tie seem like relics of a bygone era.

“For the guy who’s trying to just look appropriate for the office, to me that’s not, it’s not too difficult. Like you could go to Brooks Brothers, J. Press or even J. Crew, buy a few pairs of at least chinos, if not wool trousers, a button-up shirt and maybe buy at least one tie if you really need it, but you probably don’t,” he said. “The nice thing about our current kind of dress culture is that you can wear whatever you want, with very little recourse.”

Flusser noted that informality does not necessarily mean poor dress. He argued comfort does not necessarily mean schlubby.

“Now the question is, how comfortable can you be, are you allowed to be, and still look business-like,” he said.

Cadmus notes that with companies still trying to enforce their return-to-work mandates, attire is somewhat a secondary concern.

“Things are still a bit all over the place with some people wearing suits at one end of the spectrum, and some people still trying to get away with denim and/or sneakers,” she said.

“Firms are so focused on just getting people back in the building that they are not yet completely cracking down on dress,” Cadmus added. **AB**

Why this fintech isn't rushing retirees out the door

DCI in Hutchinson, Kansas, is giving employees unsure about retirement the option to work part-time and gradually ease into the next phase of their lives.



By Frank Gargano | May 2024 | 15 Min Read

Collaboration was a core tenet of DCI's foundation more than 60 years ago, when four banks in Hutchinson, Kansas, came together to build a core processor for institutions of all asset sizes.

Those ideals remain important today. DCI has created a retention program for employees who want to scale back their hours but not retire completely.

This initiative, among other factors, made DCI one of American Banker's Best Places to Work in Fintech this year.

The birth of the firm's part-time retiree program came about in early 2022, after a conversation between Janet Seiler, who was then a development manager for DCI, and her manager Sandra Schmitt first led to the prospect of helping employees ease their way into the next phase of their lives. Seiler was nearing retirement age but was interested in staying on at the company in some capacity.

"Through many discussions, [Seiler and Schmitt] talked about hearing from friends and past retirees of enjoying retirement but feeling a sense of boredom. ... That is what prompted their [boss] to throw out the idea to see if a part-time arrangement could be possible," said Katie Albers, vice president of human resources for DCI.

When determining if an employee is eligible to stay on in a part-time capacity, specific criteria for the program must first be met. This starts with making sure the opportunity is mutually beneficial for both DCI and the individual. That includes a discussion about whether the employee is interested in the arrangement and determining if there is a business need that could be addressed with the person only partially retiring.

After initial discussions, both parties work together to build an appropriate plan for what the reduced workload will look like, help train the employee's successor and set a potential benchmark date to fully step away from the company. Seiler, who was the first employee to take advantage of the program, ended up working for another two years past her original retirement date and stepped down earlier this year.

"This first use case was so successful, that employees nearing retirement age have begun asking about the possibility of a similar arrangement," Albers said. "While it doesn't fit all cases and scenarios, it is a great option to explore and use when the conditions are right."



A group of DCI employees enjoy a shaved ice truck during a kickoff event for the company's rebranding. The fintech has been looking for ways to retain workers, and that has included offering a part-time retiree program.

Photo: Courtesy of DCI

Overall, four staff members have participated in the part-time retiree program.

Employee retention and succession planning are two big issues that the financial services industry has been grappling with over the last few years. C-suite executives who delayed their planned retirement due to the COVID-19 pandemic in 2020 have stepped down in a wave of departures, creating a dearth of expert talent.

More recently, institutions like Zions Bancorp in Salt Lake City, the Toronto-based TD Bank Group, Navy Federal Credit Union in Vienna, Virginia, and JPMorgan Chase have appointed new chiefs or begun facing the question of who to appoint for senior managerial spots.

Allowing for the partial retirement of veteran workers can help ease these transitions throughout an organization and retain important institutional knowledge so it is passed onto the next generation of workers.

And it's an issue that companies will likely have to deal with for the next few years as baby boomers outline retirement plans.

Roughly 62% of older employees, those who are 65 and older, are working full time, compared to 47% in 1987, according to the Pew Research Center. Last year,

the nonprofit analyzed earnings, hours and employment characteristic data from the U.S. Census Bureau's Current Population Survey, as well as findings on employment, retirement and participation in gig activities from the Federal Reserve's 2022 Survey of Household Economics and Decisionmaking to better understand the role of the workforce 65 and older in the U.S.

Factors such as higher education levels, better health standards and evolved retirement plans have made it possible for older Americans to remain in the workforce. Wages have also gone up, with 2022's average of \$22 per hour close to double that of \$13 per hour in 1987.

The combination of these market conditions has led older workers to account for 7% of all wages and salaries last year, more than triple its 2% share in 1987.

But beyond the financial and employment advantages afforded to both employers and employees, experts say that retirement experiences are individual to each person, and programs like the one offered by DCI can help dispel negative stereotypes toward older workers.

"Semantic memory, which is the [storing and recollection of] facts and information, is something we actually know is well maintained into late life," said Dr. Laura

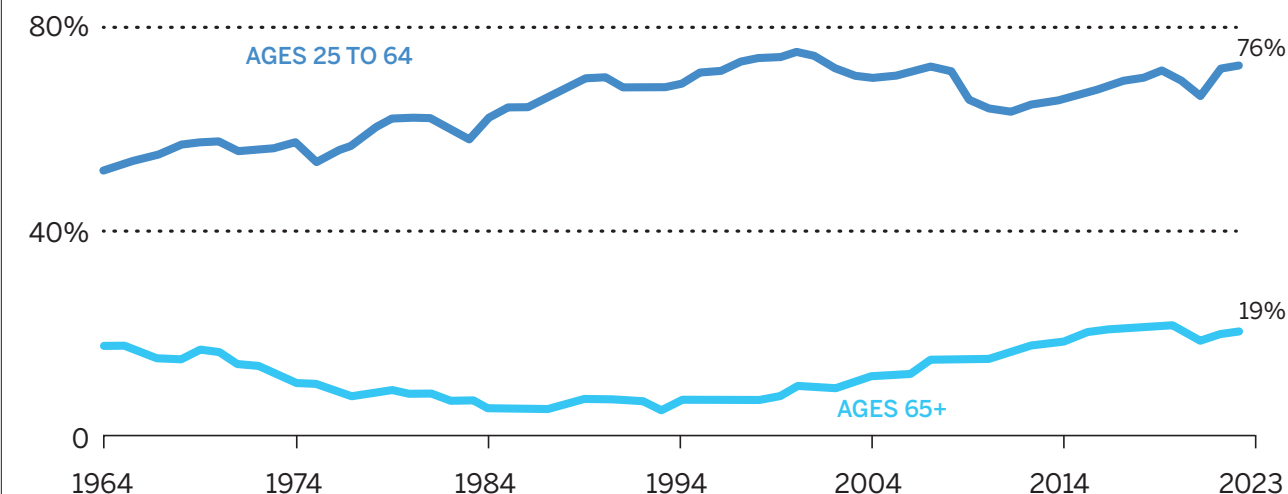
Richmond, a psychology professor at Stony Brook University in New York. "As you might imagine, it's not uncommon for older workers to serve as mentors or leaders in their field and help bring new workers on, help get [them] integrated and provide guidance for how to think about solving complex workplace problems."

Richmond, who specializes in researching everyday cognition, said that older members of the workforce, by virtue of the time spent in their respective fields, expectedly carry more expertise than others.

Programs such as these that assist in using an aging knowledge base to support ongoing projects and train successors "speaks against some of the typical ageist attitudes that we might see pervading the workplace environment and I think western

Age(nt) of change

The percentage of Americans 65 and older who are still employed has been steadily trending upward for the past 30 years



Source: Pew Research Center analysis of Current Population Survey Annual Social and Economic Supplement (IPUMS)

culture as a whole," Richmond said.

Hiring employees with varying skill sets and knowledge remains a key focus for many organizations across the financial services industry, pushing leaders to develop programs like mentorships, employee resource groups and more in the hopes of attracting — and retaining — talent. The part-time retiree program is just one example of those concerted efforts to bolster staff.

"Even after they're gone, how many companies can say that they stay in touch with their retirees to the level that we do. ... It's the relationships that we're building with those folks while they're working here and inside our four walls," Albers said. "We become family."

DCI has taken other steps to help ensure smooth transitions as staff members consider retirement. Earlier this year, the fintech surveyed all 307 of its employees to gauge interest in taking on a management or leadership role, as well as what the ideal timeline for that change would look like.

They found that by allowing employees to express those goals without the need for an in-person interview,

more staff members than expected were interested in leadership positions.

These opportunities are not exclusive to early career professionals, as many seasoned employees are also eager for advancement.

"It's been really cool to see [those responses] and then be able to start" sifting through the responses to match interested employees with current experiences "to make them better suited and ready for when that opportunity knocks at the door," Albers said. **AB**

More on Best Places to Work in Fintech

For complete coverage of this year's Best Places to Work in Fintech, please visit americanbanker.com. The 40 honorees were selected based on a two-part process. The first involved a review of each applicant's benefits and policies. For the second part, employees completed an engagement and satisfaction survey where they responded to dozens of different statements that covered a range of topics including leadership, communication and work environment.

Big goals take planning.
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Tools require experts.
Experts create possibilities.
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The Best Places to Work in Fintech in 2024

Rank	Company	Executive	# U.S. Employees	Service	Interesting fact
1	Union Credit Santa Rosa, California	Dave Buerger CEO & co-founder	18	Hosts marketplace that lets credit unions offer loans at the point of purchase	Union Credit offers staff members the opportunity to own a stake in the company through stock options. Union Credit said that this "provides employees with a sense of ownership, aligns their interests with the company's success and fosters a greater commitment to achieving organizational goals."
2	PEX New York	Toffer Grant CEO	71	Provides software for expense and card management	PEX has competitive employees who enjoy quarterly virtual events, such as trivia games and escape rooms. It also hosts quarterly in-person events. For example, recently staff members went bowling and had a scavenger hunt at a museum near the company's New York headquarters.
3	Inclined Sausalito, California	Joshua Wyss CEO & co-founder	22	Offers a revolving line of credit backed by a life insurance policy	Inclined's values are "simplicity, empowerment, transparency, humility and accountability." The company said this focus helps create an environment where employees feel safe to ask questions and give feedback and everyone trusts their colleagues to work diligently and ethically.
4	StoneCastle Cash Management New York	Dan Farrell CEO	42	Provides deposit services to financial institutions	StoneCastle Cash Management said that it trusts staff members to be productive at home and gives everyone the flexibility to take care of personal issues, such as picking up children from school or going to a doctor's appointment, as needed. Employees have the option to telecommute four days a week.
5	IntraFi Network Arlington Virginia	Mark Jacobsen CEO	271	Provides deposit services to financial institutions	IntraFi said that it considers employee retention a top priority. To keep veteran workers, it offers a 30-day sabbatical for employees who reach their 15-year anniversary with the company.
6	Ascent Funding San Diego	Ken Ruggiero Chairman & CEO	87	Provides student loans	Ascent Funding takes wellness seriously. The company offers employees a variety of wellness-related benefits, including membership to a rooftop gym near its office, group fitness classes and \$200 annually for employees to spend on purchases related to wellness.
7	YCharts Chicago	Sean Brown President & CEO	126	Financial data research platform for asset managers and advisors	On birthdays and work anniversaries, employees are given credits to the YCharts gift store so they can purchase any item of their choosing, such as clothing, accessories or backpacks.
8	CRS Folsom, Georgia	Stephen Hawkins CEO & co-founder	30	Provides credit data APIs, credit monitoring, CRM integrations	CRS has a #watercooler Slack channel where employees share interesting articles, provide music recommendations, post photos from personal activities and discuss other interests.
9	WebBank Summit, New Jersey	Jason Lloyd President & CEO	253	Bank partner to fintechs	To celebrate Tommy Lasorda Day, WebBank gives its employees a day off to recognize Tommy Lasorda, the late longtime manager of the Los Angeles Dodgers, and his contributions to youth initiatives.
10	MVB Bank Bridgeport, West Virginia	Larry Mazza CEO	371	Bank partner to fintechs	Recognizing employee contributions is important at MVB Bank. Staff members who are heavily involved in corporate-level projects are given thank-you gifts. Additionally, employees can nominate their colleagues to be recognized through the "rock stars of the month" program for demonstrating the company's values. The nominees are given a shout out during monthly town hall meetings.

Rank	Company	Executive	# U.S. Emp.	Service
11	Trovata , Solana Beach, California	Brett Turner , CEO & founder	91	Helps businesses automate cash reporting, forecasting and analysis
12	Praxent , Austin, Texas	Tim Hamilton , CEO	43	Provides user-experience design and consulting to fintechs and banks
13	teslar Software , Springdale, Arkansas	Joe Ehrhardt , CEO & founder	62	Provides automated workflow and loan portfolio management tools
14	Aces Quality Management , Denver	Trevor Gauthier , CEO	81	Provides audit technology
15	Braviant Holdings , Chicago	Stephanie Klein , CEO	48	Online lender for underserved customers
16	Corserv , Atlanta	Anil Goyal , CEO	86	Provides card issuing platform for banks and fintechs
17	Summit Technology Consulting Group , Mechanicsburg, Pennsylvania	Benjamin Wallace , CEO	70	A consulting firm that provides software services
18	Member Driven Technologies , Farmington Hills, Michigan	Larry Nichols , President & CEO	149	A credit union service organization that provides core technology and services
19	KlariVis , Roanoke, Virginia	Kim Snyder , CEO & founder	54	A data analytics firm
20	Hometap , Boston	Jeffrey Glass , CEO	196	A home equity investment firm
21	Mpower Financing , Washington, D.C.	Manu Smadja , CEO	35	Lender to international students
22	Apiture , Wilmington, North Carolina	Chris Babcock , CEO	286	Provider of digital banking products
23	DCI , Hutchinson, Kansas	Sarah Fankhauser , President & CEO	307	Provider of core processing and digital banking products
24	Encapture , Dallas	Will Robinson , CEO	48	A machine-learning platform for streamlining tasks
25	Smiley Technologies , Little Rock, Arkansas	Elizabeth Glasbrenner , President & CEO	86	Provides core and digital banking software
26	IOU Financial , Kennesaw, Georgia	Robert Gloer , CEO	75	Online lender to small businesses
27	PayQuicker , Rochester, New York	Paul Beldham , CEO	62	A global payments platform
28	Alloy , New York	Tommy Nicholas , CEO	240	Provides identity verification technology
29	Manti , New York	Nathaniel Harley , CEO	93	Provides account-opening software
30	Capitolis , New York	Gil Mandelzis , CEO	55	A business-to-business marketplace for capital
31	Bond.AI , Little Rock, Arkansas	Uday Akkaraju , Chairman & CEO	16	A financial intelligence platform
32	Alkami Technology , Plano, Texas	Alex Shootman , CEO	898	Provides cloud-based digital banking technology
33	Green Check Verified , Bonita Springs, Florida	Kevin Hart , CEO	81	Provides products to help financial institutions serve the cannabis industry
34	Advyzon , Lisle, Illinois	Hailin Li , CEO & founder	61	Wealth-management CRM software
35	Glia Technologies , New York	Daniel Michaeli , CEO & co-founder	146	Provider of customer service communication software
36	T-Rex Group , New York	Benjamin Cohen , CEO	34	Provides software and data services for structured finance and private credit
37	Expansion Capital Group , Sioux Falls, South Dakota	Vincent Ney , CEO	89	Lender to small businesses
38	Allied Payment Network , Fort Wayne, Indiana	Geoff Knapp , CEO	41	Provides payments technology to financial institutions
39	Tyfone , Portland, Oregon	Siva Narendra , CEO & co-founder	37	A digital banking platform
40	Plaid , San Francisco	Zach Perret , CEO & co-founder	908	Data sharing between banks and fintechs

Deposits & Withdrawals, Kelleher (continued)

natory practices that hurt African American borrowers. With only the state regulators approving the merger, NYCB engaged in what looks like blatant regulatory arbitrage. In April 2022, NYCB dropped its pending merger proposal and began the process to become a national bank. This required the banks to restructure the merger so that Flagstar would be acquiring NYCB, not the other way around as before. The regulator switch also meant that the OCC would now make the decision on the merger application. The agency inexplicably approved the merger, which was finalized in December 2022.

That the OCC would allow these banks to engage in what seemed to be blatant regulatory arbitrage, moving from one regulator to another, to get a different outcome, is unbelievable. It is reminiscent of the disreputable and discredited “charter shopping” that occurred before the 2008 crash and was a primary driver for eliminating the Office of Thrift Supervision in the Dodd-Frank Act. The apparent willingness of the OCC to do this and ignore a pattern of racial discriminatory conduct by merger participants adds insult to injury.

As the 2023 regional banking crisis unfolded, less than 100 days had passed since the merger with NYCB had been approved. The many complicated aspects of merging those two banks were in the very earliest stages. Nevertheless, regulators allowed Flagstar to become an approved bidder in the auction for the then-failing banks. What’s worse, regulators selected it to be the winning bidder for Signature.

Given the recent ongoing merger and the discrimination, it is shocking that Flagstar was even approved as a qualified bidder. It is even less understandable how regulators could possibly have chosen it as the winning bidder. Executing a merger and integrating banks successfully are exceedingly challenging, even under the best of circumstances. Here, the regulators’ approval required these banks to do all of that simultaneously under what was probably the worst of circumstances. The American people deserve better from their financial regulators, and they deserve to know how this could have happened. A thorough, but independent investigation of the regulators’ conduct in connection with the mergers leading to NYCB’s problems must be conducted. **AB**

Deposits & Withdrawals, Osborne (continued)

patible data, hindering integration. The compatibility issue could have also impacted NYCB’s ability to properly assess execution and integration risks, even if they had all the required financial statements and reports. NYCB’s announcement in January revealed delays in Signature’s integration that could potentially stretch into next year. Analysts subsequently expressed waning confidence in NYCB’s integration capabilities.

Finally, internal controls and governance played a role. M&A requires robust internal controls and governance. Did NYCB use adequate risk models? Did the risk committee have access to Signature’s real estate exposure? What financial ratios were considered and assessed beyond LDR? Including dissenting voices would have helped. Also, compliance alone isn’t enough; transparency is crucial. NYCB’s delay in disclosing key executive exits raised “governance concerns” among analysts.

So, what’s the solution? Merging financial institutions is no small feat, especially when dealing with rapidly changing market dynamics, legacy systems, differing processes and regulatory headwinds. NYCB’s journey highlights that regional banks eyeing an acquisition must consider a few factors. One is broader market dynamics. A lot of CRE is still sitting on regional banks’ balance sheets. If considering an acquisition, assess the CRE portfolio that will be inherited.

Another issue is carefully assessing execution risks and planning the integration strategically. Ensure someone on the risk committee is playing devil’s advocate and challenging assumptions.

Finally, potential buyers must prioritize robust internal controls and governance. Ensure adequate risk models and governance frameworks address all aspects of the deal, good and bad. Assign responsibility for monitoring financial ratios beyond basic metrics and embrace diverse viewpoints to enhance decision-making. Compliance is just a baseline; prioritize transparency to build trust. Learn from instances like NYCB’s governance lapses and prioritize openness.

So, was NYCB’s acquisition of Signature a mistake? It was the right decision at the time. However, in hindsight, there were several crucial factors which could have been further reviewed. **AB**

Inside the shady world of cyber weapons

In “This Is How They Tell Me the World Ends,” Nicole Perloth, a former New York Times reporter, offers a detailed picture of how the zero-day exploit trade developed and affects critical infrastructure.



By Carter Pape | May 2024 | 10 Min Read

This Is How They Tell Me the World Ends: The Cyberweapons Arms Race

By Nicole Perloth

For an important reminder of the stakes involved in shoring up the cybersecurity of the nation’s critical infrastructure, from banks to power plant operators, read the nonfiction book “This Is How They Tell Me the World Ends” by Nicole Perloth.

Though the book came out in 2021, it remains an important read for bankers today because it helps explain much about the current landscape of cyber threats. It covers not just how nation-states attack their enemies with cyber warfare, but the proactive mindset that banks need in efforts to mitigate their own risks and risks to the financial system as a whole. All of this remains relevant today.

Perloth is a former New York Times reporter who has moved on to cybersecurity venture capital, advising the Department of Homeland Security’s Cybersecurity and Infrastructure Security Administration (one of the many subjects of her book) and producing a television series adaptation of her book for FX Networks.

Perloth’s reporting has unearthed Russian hacks of nuclear plants, airports, elections and petrochemical plants; North Korea’s cyberattack against Sony Pictures, Bangladesh banks and crypto exchanges; Iranian attacks on oil companies, banks and dams; and thousands of Chinese cyberattacks against American businesses, including against the Times itself.

“This Is How They Tell Me the World Ends” is Perloth’s

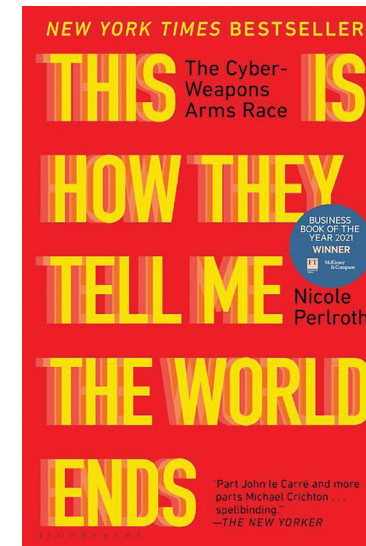
opus. It synthesizes and expands on her impressive body of work. It opens with the dramatic moment in 2013 when her editors at the Times pulled her onto the cybersecurity beat, stuffing her into publisher Arthur Sulzberger’s storage closet alongside other Times reporters to analyze files leaked by Edward Snowden. It ends in 2021 with her locked up in quarantine because of COVID-19, anxious that the next big hack might come at any second.

Between those bookends, Perloth’s writing reads like a spy thriller. It is, but it is also nonfiction, written by a reporter who, during her eight years as a cybersecurity reporter for the Times, was often first to break news about the cyberwar playing out between the U.S. and its adversaries.

The book largely dives into the world of zero-day vulnerabilities. These are bugs in computer systems that are not (yet) known to their owners, developers or anyone else capable of mitigating them. Zero-day exploits underpinned the successful campaign by the U.S. and Israel to set back Iran’s nuclear program by several years, using a computer worm called Stuxnet.

Perloth’s book pierces the veil that zero-day marketplace participants have built. These participants include governments, contractors, notorious hackers and mercenaries. Perloth’s romp through secrets and stories clarifies the market forces that, among other things, have driven up the prices that governments and companies of all sizes and intentions are willing to pay for zero-day exploits.

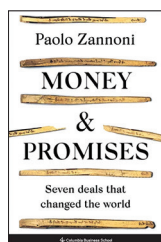
On one side is Google with its Project Zero, a program that hires security analysts to find zero-day vulnerabilities



Further Reading



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 world
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 @2024
 Columbia University Press

Carter Pape is a reporter for American Banker based in Davis, California. He primarily covers cybersecurity.

in popular software, disclose the vulnerabilities to the software manufacturer, then publicly documents the vulnerability after the manufacturer fixes the bug (or after 90 days, if the manufacturer drags its feet).

On another side is the National Security Agency. Perlroth describes in the book how, around 2010, the agency discovered a vulnerability in Microsoft Windows. Rather than tell Microsoft or anyone else about it, the NSA exploited that vulnerability for espionage. Only in 2017 did the vulnerability become public, when someone stole or leaked the agency's actions, allowing North Koreans and Russians to deploy it against a variety of companies and states, particularly in Ukraine.

One important upshot of the stories Perlroth tells is that companies — banks and other firms that make up the nation's critical infrastructure — have frequently been casualties and bystanders of the global cyberwar described in the book. The most glaring example of that is the NSA's attempt to exploit the Windows bug, which later backfired when it was leaked. Honda, FedEx, Merck and others in attacks dubbed WannaCry and NotPetya were all affected.

Alas, for all the value Perlroth offers readers in the storytelling — whether by holding the NSA's feet to the fire for poor judgment or negligence, shedding light on the important inefficiencies in the zero-day exploit market or lionizing heroes of the zero-day marketplace for selfless acts — the book has its cringeworthy moments.

For one, the book is chock-full of truisms. "Digital vulnerabilities that affect one affect us all," and "the world is on the precipice of a cyber catastrophe" are two examples. Most of these are innocuous enough; some border on misleading and hyperbolic. To her credit, Perlroth is aware of these moments. She discusses the acronym FUD, which stands for fear, uncertainty and doubt — something she calls "a scourge in the cybersecurity industry" — and acknowledges that the more technically minded readers "will argue I have overgeneralized and oversimplified," and she admits some subjects are better left to them.

"But," Perlroth goes on, "I would also argue that many are not technical at all, that we each have a role to play, and that the longer we keep everyday people in the dark, the more we relinquish control of the problem to those with the least incentive to actually solve it."

She writes this in her epilogue, which offers some of her opinions on policy prescriptions meant to address the negative externalities of the zero-day exploit market and the insecurities inherent in the many computer systems that reach into every corner of life. Naturally, opinions differ on the ideas she pushes in this section.

But there is also some sound advice targeted at the "everyday people" for whom she wrote the book — the people who know enough and care enough to pick up the book, but who can't effect change from the top of the corporate food chain.

To sum it up: Use strong passwords, and turn on multifactor authentication whenever available. As scary as zero-day exploits are, the vast majority of cyberattacks — 98%, according to Perlroth — start with a phishing attack that contains no zero-day, no malware. Strong passwords and multifactor authentication are excellent antidotes to these common attacks.

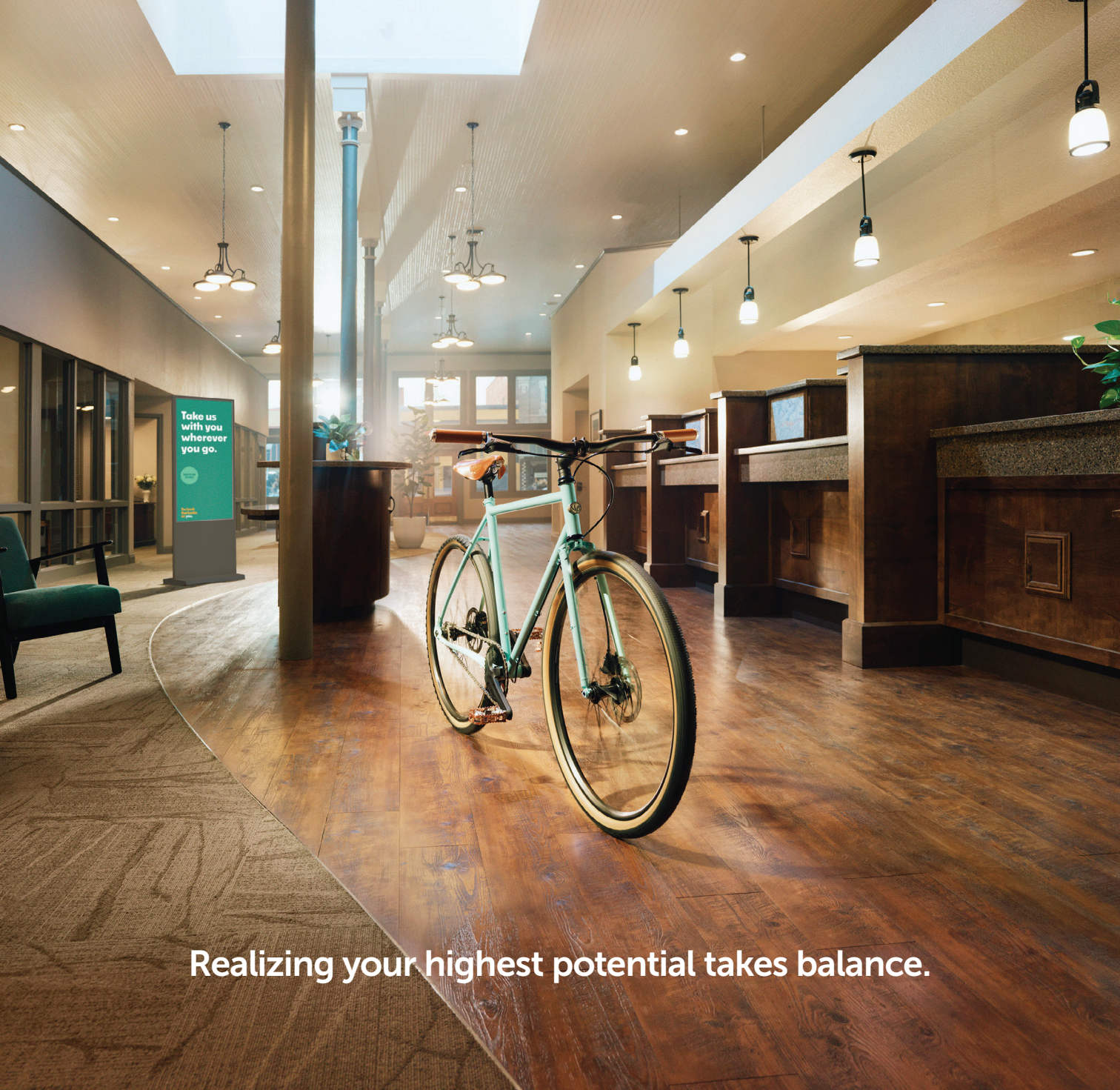
As for the remaining 2%: Those are the most interesting attacks, and if you want to better understand them, pick up "This Is How They Tell Me the World Ends." **AB**

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