



# ERM: Developing a Risk-Aware & Culture Driven Risk Management Framework

BankChat:

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Presented by:

Regina Philips, Compliance  
Director (Raymond James Bank)

Ginger Devine, Chief Risk  
Officer (Citizens First Bank)

"The views expressed in this presentation are my own  
and do not necessarily reflect the views of my employer."



# Case Study

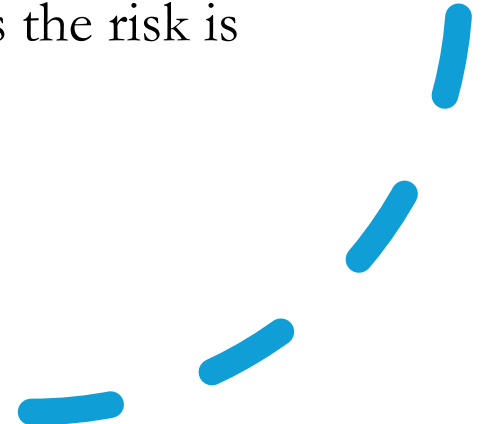
The Operations team wants to implement a change to the Core system.

To evaluate the change both the Operations and Compliance team conducts a risk assessment.

The results of those risk assessments are not in alignment:

Assessment of Risk on the control environment by the Compliance team is deemed to have too much risk (Low-Risk Appetite) while the Operational team believes the risk is appropriate (moderate-risk appetite).

Where do we go from here?



# Let's talk it out.

What do we know?

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What do we need to know?

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# But Did You Document It?

Change Management documentation should include:

- ✓ Change Implementer
- ✓ Reason for the Change
- ✓ Departments Affected
- ✓ Implementation Plan
- ✓ Testing Plan
- ✓ Timeframe
- ✓ Committee Approval
- ✓ Results of the Change

ERM Framework documentation should include:

- ✓ Risk Description
- ✓ Risk Trigger
- ✓ Probability & Impact Scores
- ✓ Action Trigger (Guard Rail)
- ✓ Response Considerations
- ✓ Results if no action taken
- ✓ Reporting
- ✓ Risk Owners
- ✓ Monitoring Systems



## Change Request Form

NOTE: Highlighted or **RED** marked fields are required

Change Request #: 223

Change Owner: Lynette Kane

Vendor Scheduled Outage? ☐ YES ☒ NO

New Vendor or Vendor Enhancement? ☒ YES ☐ NO

Type of Change: ☒ Normal ☐ Expedited ☐ Emergency

Remember to complete the due diligence required for N

Project/Change Name: Re-presentment of Returned Items

Date Created: 7/18/2023

Department Requesting the Change: Compliance

Description of the Change and System(s) Being Changed: FIS-Horizon enhancement that allows us to identify and track all check and ACH transactions that are returned unpaid and determine when such transactions have been re-presented for payment. When an unpaid item is represented, a message will display stating, "Not authorized to charge a fee for re-presented item." This functionality is only available when Returned Item Processing (RIP) Redesign is enabled.

Change Implementer: [REDACTED]

Risk Level: ☒ Low ☐ Medium ☐ High

Is This a Regulatory Issue? ☒ YES ☐ NO

Beginning Date of Change Implementation 7/21/2023

End Date of Change Implementation: 8/18/2023

Departments and/or Systems Impacted: Retail / Branch Operations, Deposit Operations

Department(s) Approval: ☒ YES ☐ NO ☐ N/A Date of Approval 7/18/2023

Does this Change affect an RPA? ☐ YES ☒ NO

### Reason for Change

The FDIC issued supervisory guidance to ensure that institutions are aware of the compliance risks associated with assessing multiple NSF fees arising from the re-presentment of unpaid ACH transactions and checks. The practice of charging multiple NSF fees for the same unpaid transaction will be viewed as consumer harm and result in heightened risks of deceptive practices violations.

### Implementation Plan

Systems will activate the redesign functionality for select team members and managers on July 21, 2023. This will include members of the customer care center, deposit operations dept., and branch operations. The redesign will be enabled for all users when the designated control group is comfortable with the functionality and training has been provided to the appropriate users.


### Test Plan

The testing will be conducted live. This is the only way for us to see check and ACH activity. RIP testing will be conducted with care center team members and supervised by Marci Duke. Marci will also be responsible for training branch personnel who process returned items. URI testing will be conducted by Tammy Vega and her designee(s). The designated control group will meet to discuss the results of the testing and implement a training plan with an expected completion date of 8/18/23.

### Back-Out Plan

Do not enable the RIP redesign.

Please add any additional attachments related to the Change Request

 Horizon Release 2023.03.0418-Re-presentment of Returned Items.pdf  
1.82 MB

 NSF Re-presentment Fees Recommendation.docx  
152.01 KB

## Change Management Documentation Example

# ERM Framework Documentation Example

Risk #	Risk Description (What Could Go Wrong)	Risk Trigger	PROB 1 – 3	IMPACT 1 – 3	PI Score (Prob times Impact)	Action Trigger (Guard Rail)	Risk Owner Responsibilities					Monitoring Systems (Verifies effectiveness of risk responses)
							Response Considerations / Description	Expected Result - No Action Taken	Reporting	Risk Owner (Committee/Group)	Risk Owner - Chairperson/ Lead	
CO-01	CRA Exam impacts ability to continue branching.	Evaluation of CRA Self Assessment or Regulatory CRA Examination; changes in or lack of qualifying community development activities; findings from audit reviews.	2	2	4	Results of internally established system triggers, management becomes aware of changes that impact performance evaluation or impedes ability to meet credit needs of the assessment area.	Evaluate CRA LAR trends, document changes to assessment area, and corporate culture.	Bank may not be able to achieve strategic goals due to lack of ability to branch. Adverse financial impact. Loss of reputation and trust of the community intended to serve.	Situations that meet action trigger threshold shared with impacted areas upon identification and discussed at meetings as they occur. Summary reported to Senior Management Group.	CRA Committee		Results of regulatory examinations, independent external audits. Internally prepared monitoring reviews and reports by Risk Department.
CO-02	Failure to meet Fair Lending/Servicing expectations restricts ability to grow the loan portfolio and penalties have adverse financial impact.	Fair Lending/Servicing examination results, consumer complaints, and/or evidence of discriminatory lending practices.	2	3	6	Results of internally established system triggers, management becomes aware of procedural changes that impact loan origination and/or loan servicing that were not considered through the established change process.	Training, documentation of expectations (procedures), Audit Program, management committees/groups and corporate culture.	Adverse financial impact or reduction in operational efficiencies. Loss of reputation and trust of the community intended to serve.	Immediate notification to impacted areas upon identification. Standard agenda item discussed at every meeting. Summary of occurrences reported to Senior Management Group.	Banking & Operations Committee		Results of regulatory examinations and independent external audits. Internally prepared monitoring reviews and reports by Risk Department, complaints and tracking log entries.
CO-03	Deficiencies in account disclosures (initial /subsequent) representation of terms, conditions and requirements.	New and/or revised account disclosures, changes to product terms and/or features, software system changes, regulatory requirement changes.	1	3	3	Results of internally established system triggers, management becomes aware of system or product changes that were not considered through the established change process.	Training, documentation of expectations (procedures), Audit Program, management committees/groups and corporate culture.	Adverse financial impact or reduction in operational efficiencies. Loss of reputation and trust of the community intended to serve.	Situations that meet action trigger threshold shared with impacted areas upon identification and discussed at meetings as they occur. Summary reported to Senior Management Group.	Banking & Operations Committee		Results of independent external audits, internally prepared monitoring reviews and reports by Risk Department of audit findings, complaints and tracking log entries.
CO-04	Vendor does not meet compliance obligations or expectations causing the bank to be in noncompliance, creating potential consumer harm and adversely impacting the banks reputation.	Changes to third party, reconciliation and/or monitoring procedures. Process changes made by third party. Vendor appropriately implements new/revised regulatory requirements.	2	3	6	Notification of vendor BCP event or system changes; management becomes aware of vendor's inability or potential inability to meet contractual agreements; vendor data integrity is compromised in whole or part.	Evaluate vendor relationship.	Adverse financial impact and misstatement in financial reporting. Loss of reputation and trust of the community intended to serve.	Immediate notification to impacted areas upon identification. Standard agenda item discussed at every meeting. Summary of occurrences reported to Senior Management Group.	IT Committee		Effective completion and reporting of annual vendor reviews. Results of independent external audits, internally prepared monitoring reviews and reports by Risk Department of audit findings, complaints and tracking log entries.