

When financial institutions scale, merge, acquire, and reach new asset thresholds, issuers need to be proactive about their fraud and dispute management process. Falling behind on fraud and disputes will present severe problems for issuers, such as non-compliance, regulatory issues, dissatisfied customers, not to mention fraud losses. In this article, Quavo's Experts discuss key institutional milestones for when and why issuers should adopt an automated dispute management solution.

\$10 Billion in Asset Thresholds

Institutions approaching or having attained the \$10 billion thresholds in assets should prepare for a new level of rules and regulations, if not already so. Institutions that surpass the \$10 billion mark are now subject to primary consumer compliance supervision by the Consumer Financial Protection Bureau. As of December 31, 2021, the CFPB had 173 depository institutions under its supervision. When a depository institution, company, individual, or other entity subject to the CFPB's enforcement authority breaks the law, enforcement action is taken by the CFPB. Suppose an institution doesn't have a dedicated process to manage chargebacks. In that case, they are likely to fall behind, causing regulatory issues, increased losses, dissatisfied clients, or direct account holders, leading to CFPB complaints and investigations. A [recent Hitachi article](#) indicated, "Regulatory compliance has become one of the most significant banking industry challenges as a direct result of the dramatic increase in regulatory fees relative to earnings and credit losses since the 2008 financial crisis." The article adds, "Faced with severe consequences for non-compliance, banks have incurred additional cost and risk (without a proportional enhancement to risk mitigation) to stay up to date on the latest regulatory changes and implement the controls necessary to satisfy those requirements. Overcoming regulatory compliance challenges requires banks and credit unions to foster a culture of compliance within the organization, as well as implement formal compliance structures and systems."

If an institution is set to surpass the \$10 billion asset line, it needs to get ahead of its fraud and dispute management process before compliance issues arise. Fraud and dispute rates do not grow proportionate to an institution's portfolio growth and sometimes grow faster. Institutions that don't manage their growing fraud and dispute problem are at risk of noncompliance, regulatory pressures, and the accompanying costs. A [2021 Congressional Research Service Report](#), *Over the Line: Asset Thresholds in Bank Regulations*, stated, "In absolute terms, regulatory compliance costs are likely to rise with size..." Quavo's chargeback management offering for issuing fintechs and financial institutions is unique in requiring zero upfront implementation costs while supporting clients with automatic regulatory, card network association, and product enhancement updates.

Institutional Milestone:

Exceeding the \$10 billion asset threshold and subject to primary consumer compliance supervision by the CFPB.

Quavo Solution:

At Quavo Fraud & Disputes, our clients' consumer protection, customer service, and regulatory compliance are top concerns. Our

QFD™ dispute management solution prioritizes claims by the regulatory guidelines that they fall under with our Get Next Work algorithm. This tool automatically leverages multiple data points to optimize the order in which claims are assigned to back-office investigators. This also enables issuers to work claims to uphold regulatory guidelines without relying on agents with extensive regulatory experience. Quavo's expertise and commitment to streamlining the fraud and dispute process give our issuing clients peace of mind knowing that their automated chargeback solutions are equipped to handle the challenges associated with exceeding the \$10 billion asset threshold and facing the CFPB.

Mergers & Acquisitions

An S&P Global report identified that the total value of U.S. bank mergers and acquisitions (M&A) in 2021 was valued at \$51.92 billion year-to-date, as of September 2021, nearly doubling 2020's full-year total. With technologies emerging and fintech companies booming, banks are looking for fintech products, people, and capabilities. A 2022 Deloitte report stated, "We expect fintechs to continue seeking funding sources to help them scale operations. They also are acquiring other fintechs to rapidly expand their capabilities and transition from niche players to end-to-end service providers, further disrupting incumbent financial institutions. Integration diligence and planning are critical to ensure that a newly acquired fintech's products and people can be successfully integrated into the acquirer's established environment and culture without destroying their value."

M&As can push an institution over the \$10 billion asset line, leading to further regulatory oversight. Additionally, since two institutions are coming together, products and services will be consolidated during the merger or acquisition. When institutions merge and acquire and neglect the fraud and dispute process, the problem doesn't disappear; it likely doubles. Following an acquisition, a non-banking financial institution and current Quavo client expanded its offering to include a proprietary digital payments processing platform, extending into digital accounts and flexible payments offerings. With the purchase, the client reduced the number of employees, doubled the size of fraud and dispute claims, and could not account for the influx in claims turning to Quavo to rectify the high claim volume.

Institutional Milestone:

Merging with or acquiring a financial institution.

Quavo Solution:

Quavo's automated fraud and dispute management software is the only fully automated, cloud-based SaaS offering for issuers. Our cloud-based solutions are scalable to grow with your business needs, offering white-label and multi-tenant capabilities. Quavo's automated dispute management software QFDTM handles any number of influxes in fraud and dispute claims, reducing the cost of disputes while increasing the opportunity for recovery.



Growth in the Market

Another significant milestone for issuing financial institutions that would benefit from implementing an automated dispute management solution is unexpected growth. New market entrants establishing their position in the industry may experience a surge in development, growing faster than anticipated. Institutions that experience substantial growth quickly may not contemplate what the growth will mean for fraud and dispute volumes. Financial institutions can't predict the magnitude of fraud and disputes based on their expected portfolio growth. For example, the COVID-19 pandemic introduced a change in consumer behaviors, and spending increases led to incremental fraud and dispute claims. Due to the changing trends, financial institutions were not prepared to deal with the flood of fraud and dispute claims, especially during a pandemic and recession.

As institutions grow, they can not scale people to meet the demands of the fraud and dispute volume presented, but an automated solution can. At the beginning of 2020, an innovative payment processor and current Quavo client saw around 20,000 fraud and dispute transactions a month, and as of July 2021, the client was up to 100,000 a month. The growth of this institution was unforeseen, but the client recognized the rate at which the fraud and dispute claims were coming in. By implementing Quavo's automated dispute management software, the client managed the claim volume and faced fraud and disputes head-on.

Institutional Milestone:

Growth in the market that issuers are unprepared for.

Quavo Solution:

Our Disputes as a Service™ offering features automated software, AI technology, and back-office investigation services that are all supported by a team of experienced fraud and dispute experts. By electing all of Quavo's solutions, issuers can automate up to 90% of the entire dispute management process, from intake to resolution through recovery. What's more, our chargeback management offering features a pay-per-action pricing model, so issuers pay only for what they use.

Institutions need to be aware of fraud and dispute trends and manage these trends to prevent losses. Don't get caught ill-equipped to handle fraud and disputes. Being proactive about your chargeback management process is simple with Quavo Fraud & Disputes. Learn more about how your team can seamlessly integrate automated fraud and dispute management solutions by contacting our Experts online. Start automating for tomorrow, today.