



Compliance Management Programs

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Weekend Intensive Overview

Part 1:	Part 2:
<ul style="list-style-type: none">• Compliance Management Program	<ul style="list-style-type: none">• Risk Assessments• Enforcement Actions• Change Management

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Part 1

Compliance Management Program (CMS)

- Purpose of CMS -Why does an Organization Need an effective CMS
- Legal/Regulatory Guidance Related to a CMS
- Components of a CMS

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Purpose of Compliance Management Program

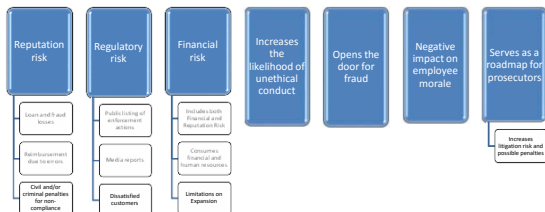
- Determines compliance responsibilities
- Ensures employees understand responsibilities
- Incorporates requirements into business policies and procedures
- Provides review of operations to ensure compliance
- Requires corrective action/updates to materials

It's a process ... not a one-time event

Importance of an Effective Compliance Management Program

- Supports the "How"
- Helps to insulate a company (and its officers, directors and employees) from civil and criminal liability and manage risks due to changing products/services and new legislative actions
- Required due to complexity of the global financial services regulatory environment
- Expected by Financial services regulators around the globe

Pitfalls of a Poorly Constructed Compliance Management Program



Complexity of Financial Regulations

For Example:

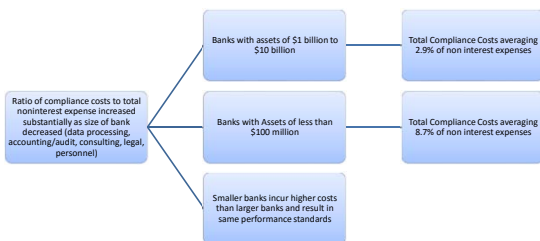
Anti-Money Laundering	Bank Secrecy Act	Customer Due Diligence
Customer Identification Program	Community Reinvestment Act	Equal Credit Opportunity Act
Fair Credit Reporting Act	Home Mortgage Disclosure Act	Office of Foreign Asset control
Real Estate Settlement Procedures Act	Truth in Lending	Truth in Savings
Unfair, Deceptive and Abusive Acts or Practices	Military Lending Act	Gramm-Leach-Bliley Act
National Flood Insurance Program	Fair Debt Collection Act	Right to Financial Privacy
Telephone Consumer Protection Act	Do Not Call Program	CAN-SPAM Act

Increasing Compliance Burden

Issue	Cost/Reason
No let up in change	Experiencing regulatory fatigue/overload * 43 new major rules in 2015 increasing costs \$22 billion. Since 2000, total cost of new rules - \$100 billion plus!
Tracking regulatory change	More than 10 hours tracking change each week
Resource Challenges	Scarcity of skilled compliance personnel, costs increasing due to demand and need for additional senior staff <ul style="list-style-type: none"> • HSBC: Risk/compliance staff 10% of workforce; \$750,000 annually (25% increase) • GE Capital - 120 compliance professionals just for r OFAC
Outsourcing	25% of firms opt to outsource at least part of compliance functions (lack of in-house skill/need for assurance in processes)
Focus on Regulatory Risk	75% expect focus on managing risk to rise (greater regulatory demands on management) <ul style="list-style-type: none"> • Now requires legal component
Personal Liability	60% expect personal liability of compliance officers to increase
Technology and reporting	Regulatory developments driving technology changes (cyber security, AML, complex regulations)

<https://risk.thomsonreuters.com/content/dam/openweb/documents/pdf/risk/report/cost-compliance-2016.pdf>
 The Heritage Foundation - 2016 <http://www.heritage.org/government-regulation/report/real-tape-rising-2016-obama-cap-top-100-billion-annually>

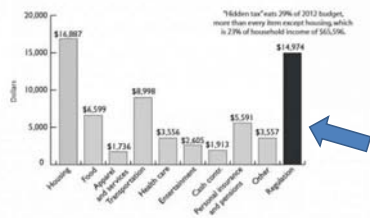
Rising Cost of Compliance – Financial Institutions



Federal Reserve Bank of St. Louis, Scale Matters: Community Banks and Compliance Costs, July 2016

Rising Cost of Compliance – 29% of U.S. Household Budget

Figure 7. The U.S. Household Expense Budget of \$51,442 Contains \$14,974 in Embedded Regulatory Costs



Source: Reason.com April 30, 2014

Result of Non-Compliance – Reputation Risk

CFPB – Regions Bank – CFPB Orders Regions Bank to pay \$7.5 million fine for charging fees without permission (April 2015)

Consumer Financial Protection Bureau Fines Wells Fargo \$100 Million for Widespread Illegal Practice of Secretly Opening Unauthorized Accounts (9/8/16)

OCC issues \$1.1M enforcement action against NC BoFA for 'Flood Acts' violations (8/26/15)

Regulators hit JPMorgan with two enforcement actions (1/14/13)

FDIC Enforcement Actions Against Community Banks for Cyber Shortcomings (8 community banks listed - 2/5/14)

FDIC Makes Public December Enforcement Actions (Press Release 1/29/16)

DOJ Settles Action Alleging Bank Discrimination Against Disability Income Recipients (2/2/16)

CFPB and DOJ Take Action Against National City Bank for Discriminatory Mortgage Pricing (12/23/13)

CFPB Takes Enforcement Action Against FinTech Lender Flurish, Inc. (9/27/16)

Guidance Related to Compliance Management Programs

Sources:

- Federal Sentencing Guidelines
- Prudential Regulators/FFIEC Interagency Exam Rating System
 - Federal Reserve Board
 - Office of the Comptroller of the Currency
 - Federal Deposit Insurance Corporation
 - Consumer Financial Protection Bureau
- Enforcement Actions
- Case Law

Federal Reserve Board CMS Guidance

Firm-wide approach to compliance risk management including a corporate compliance function	Independence of compliance staff and Compliance monitoring and testing
Board responsibilities <ul style="list-style-type: none"> • Setting appropriate culture of compliance • Clear policies regarding the management of key risks • Ensuring policies are adhered to 	Senior Management responsibilities <ul style="list-style-type: none"> • Communicating and reinforcing compliance culture • Implement and enforce compliance policies and risk management standards • Compliance function Senior Management should establish, support and oversee compliance management program • Periodically report to the Board on significant compliance matters and effectiveness of compliance management program

Compliance Risk Management Programs and Oversight at Large Banking Organizations with Complex Compliance Profiles, October 16, 2008.

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Federal Reserve Board CMS Guidance

Regardless of size/complexity, CMS tailored to organization's risk profile

- Oversight varies depending on scope and complexity
 - Within/across business lines, support units, legal entities, and jurisdictional operations:
- Larger organization require firm wide approach
 - Established in framework for identifying, assessing, controlling, measuring, monitoring and reporting compliance risk across organization
 - Provide training, documentation (policies, procedures and compliance risk management standards)

<https://www.federalreserve.gov/boarddocs/srletters/2008/SR0808.htm>

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Office of the Comptroller of the Currency CMS Guidance

Framework for identifying, assessing, controlling, measuring, monitoring and reporting compliance risks across the organization	Training throughout the organization	Three lines of defense: <ul style="list-style-type: none"> • Ownership of risks by front line departments • Independent risk/compliance management function • Internal Audit validation of risk/compliance governance framework
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<https://occ.gov/publications/publications-by-type/comptrollers-handbook/cms.pdf>

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Federal Deposit Insurance Corporation CMS Guidance

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graph TD; A[Defines compliance responsibilities] --> B[Ensures employees understand responsibilities]; B --> C[Ensures requirements are incorporated into business processes]; C --> D[Reviews operations to ensure responsibilities are carried out and requirements are met]; D --> E[Takes corrective action and updates materials as necessary.];
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<https://www.fdic.gov/regulations/resources/director/presentations/cms.pdf>

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Components of a Compliance Management System

An effective CMS is comprised of three independent elements:

- 1) Board and Management Oversight
- 2) Compliance Program
- 3) Compliance Audit

<https://www.fdic.gov/regulations/resources/director/presentations/cms.pdf>

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Consumer Financial Protection Bureau Focus

- Goal: Remain competitive and responsive to *consumer needs*
 - Continually assess business strategies/modify product and service offerings and delivery channels
 - Develop/Maintain sound compliance management system – covers product design, delivery and administration (entire product lifecycle)

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**Consumer Financial Protection Bureau
CMS Guidance**

http://files.consumerfinance.gov/f/201210_cfpb_supervision-and-examination-manual-v2.pdf

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Legal Ramifications: Lack of Effective Compliance and Ethics Program

- Organizations act through agents and generally are vicariously liable for offenses committed by their agents.
- Individual agents are responsible for their own criminal conduct.
- Federal prosecutions of organizations frequently involve individual and organizational co-defendants.
- Convicted individual agents of organizations are sentenced in accordance with the guidelines.
- Designed so that the sanctions imposed upon organizations and their agents will provide just punishment, adequate deterrence, and incentives for organizations to maintain internal mechanisms for preventing, detecting, and reporting criminal conduct.
- Three key high-level elements: culture, standards and procedures and risk assessments.

Source: Federal Sentencing Guidelines Overview (§882), Effective 11/1/91 Revised 11/1/04

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Effective Compliance and Ethics Program

- An organization shall:
 - exercise due diligence to prevent and detect criminal conduct; and
 - otherwise promote an organizational culture that encourages ethical conduct and a commitment to compliance with the law.
- Compliance and ethics program shall be reasonably designed, implemented, and enforced so that the program is generally effective in preventing and detecting criminal conduct.
- The failure to prevent or detect the instant offense does not necessarily mean that the program is not generally effective in preventing and detecting criminal conduct.

Source: Federal Sentencing Guidelines (§882.1.(a))

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Organizational Culture Influence

- Due diligence and the promotion of an organizational culture that encourages ethical conduct and a commitment to compliance with the law within the meaning of subsection (a) minimally require the following:
 - The organization shall establish standards and procedures to prevent and detect criminal conduct.

Federal Sentencing Guidelines - Effective Compliance and Ethics Program §8B2.1.(b)(1)

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Establishing a Compliance Culture

- Sufficient management support
 - Money, time, authority
- Strong expertise
 - Compliance Officer, department heads, auditing manager
- Effective internal structure/organization of program
 - Policies, procedures, controls, training, audit, accountability
- Evaluation and mitigation of known problems/weaknesses
 - Audit and exam findings, customer complaints/lawsuits
 - Illegal or unethical conduct

“All firms have a culture with respect to compliance that may vary — the overall culture within which compliance operates can serve to foster and enhance compliance efforts, or, at its worst, it can impede or render compliance efforts meaningless.”

Lori A. Richards, Director Office of Compliance Inspections and Examinations, SEC.

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Three Lines of Defense

- Business Unit**
 - Establish/Develop Policies, Procedures, Controls
- Compliance Unit**
 - Complete Risk Assessment
 - Test Controls
 - Establish Monitoring Schedule
- Audit (Internal or External)**
 - Validate Compliance Program (effectiveness)

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Compliance Management System: Compliance Program

- Written compliance program to guide compliance activities – source document to use as training and reference tool
- Well planned, implemented and maintained
- Includes:
 - Policies – Company Commitment to Compliance
 - Must be reduced to writing!
 - Focus on “what” and “why”
 - Consistent layout/format, unique to the institution
 - Major headings:
 - Overriding purpose
 - Individual responsible
 - Internal controls
 - Independent testing
 - Training
 - Procedures – details of how compliance will be achieved

Compliance Management System: Procedures

- Who, when, where, how
 - Operations – who performs
 - Controls – is it done properly
 - Audit – verify controls are working
- Standard procedures for operations, production, controls, and even audit
- Include goals and how to meet those goals
- Reduce daily practice to writing – include all information needed for personnel to perform business transaction
- Reviewed and updated as business/regulatory environment changes
- Must be readily accessible as reference for staff!

Reasonable Oversight

- (A) Governing authority shall be knowledgeable about the content and operation of the compliance and ethics program and shall exercise reasonable oversight with respect to the implementation and effectiveness of the compliance and ethics program.
- (B) High-level personnel of the organization shall ensure that the organization has an effective compliance and ethics program. High-level personnel shall be assigned overall responsibility for the compliance and ethics program.
- (C) Specific individual(s) shall be delegated day-to-day operational responsibility for the compliance and ethics program. Such individual(s) shall report periodically to high-level personnel and, as appropriate, to the governing authority on the effectiveness of the compliance and ethics program. To carry out such operational responsibility, such individual(s) shall be given adequate resources, appropriate authority, and direct access to the governing authority.

Federal Sentencing Guidelines - Effective Compliance and Ethics Program (§8B2.1.(b)(2))

Compliance Management System: Board & Management Oversight

- Board of Directors
 - Board is ultimately responsible for developing and administering CMS that ensures compliance with federal consumer protection laws and regulations
 - Demonstrating clear and unequivocal expectations about compliance (within organization and with third-party providers)
 - Adopt clear policy statements
 - Appoint those with authority and accountability(Compliance Officer/Committee)
 - Allocate resources to compliance functions commensurate with level and complexity of institution's operations
 - Ensure performance and accountability (audit/monitoring)
 - Could have personal liability for compliance failures

Compliance Management System: Management Oversight

Compliance Officer

- Senior level employee
 - Sufficient authority and responsibility within institution
- Oversee program and/or compliance committee
- Sufficient expertise
- Independent of audit/review function

Compliance Committee

- Accountability throughout organization
- Specialists in area of responsibility
- Continuity of process/communication

Compliance Department

- Independent from Business Units
- Perform monitoring function
- Test effectiveness of controls

Example of Escalation Process



Personnel

The organization shall use reasonable efforts not to include within the substantial authority personnel of the organization any individual whom the organization knew, or should have known through the exercise of due diligence, has engaged in illegal activities or other conduct inconsistent with an effective compliance and ethics program.

Federal Sentencing Guidelines - Effective Compliance and Ethics Program (§8B2.1.(b)(3))

Communicate Standards & Procedures

(A) The organization shall take reasonable steps to communicate periodically and in a practical manner its standards and procedures, and other aspects of the compliance and ethics program, to the individuals referred to in subparagraph (B) by conducting effective training programs and otherwise disseminating information appropriate to such individuals' respective roles and responsibilities.

(B) The individuals referred to in subparagraph (A) are the members of the governing authority, high-level personnel, substantial authority personnel, the organization's employees, and, as appropriate, the organization's agents.

Federal Sentencing Guidelines - Effective Compliance and Ethics Program (§8B2.1.(b)(4))

Compliance Management System: Training

- Training
 - Board, Management and Staff – necessary to maintain an effective program.
 - Frequently updated with current, complete and accurate information
 - Training should include initial, ongoing and targeted information
 - Use a variety of techniques
 - Schools, seminars
 - In-house: face-to-face, videos, e-learning
 - Individual research and study
 - Document attendance and content

Training Content/Frequency/Position

Varies by business model and risk

Benchmarking – compare to similarly situated businesses

Required by Regulation/Law

- SAFE Act, BSA, Privacy, funds Availability, Fair Lending, Code of Ethics, Information Security

Modified based on violations

- Pattern and practice
- Employee turnover
- New Vendor/Software
- New guidance/regulations
- Business Environment
- Mergers/Acquisitions

Monitoring and Auditing

The organization shall take reasonable steps:

(A) to ensure that the organization's compliance and ethics program is followed, including monitoring and auditing to detect criminal conduct;

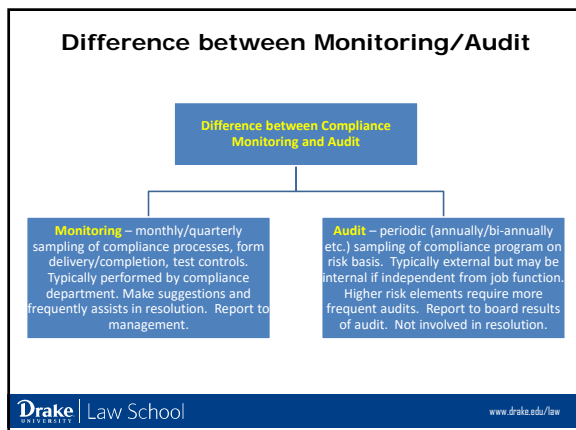
(B) to evaluate periodically the effectiveness of the organization's compliance and ethics program; and

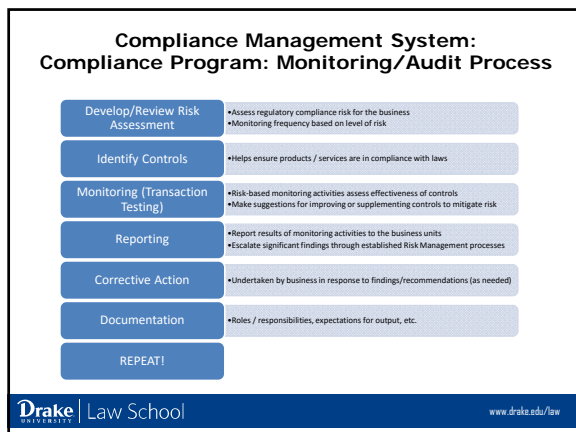
(C) to have and publicize a system, which may include mechanisms that allow for anonymity or confidentiality, whereby the organization's employees and agents may report or seek guidance regarding potential or actual criminal conduct without fear of retaliation.

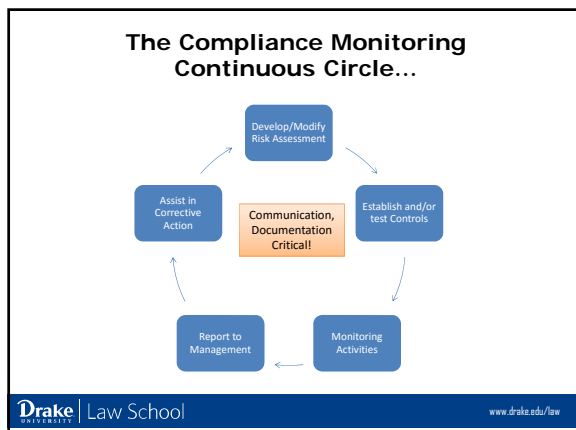
Federal Sentencing Guidelines - Effective Compliance and Ethics Program §8B2.1.(b)(5)

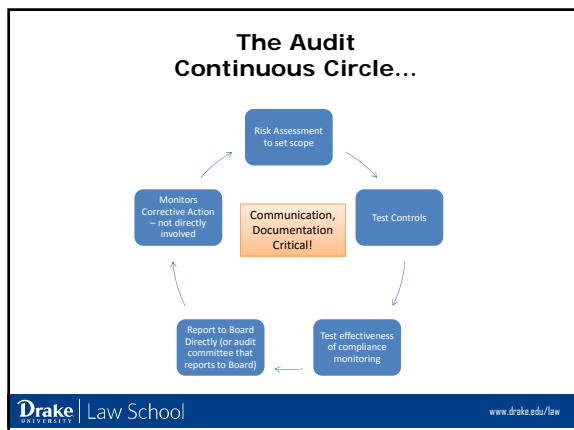
Compliance Management System Compliance Program: Monitoring/Audit

- Proactive approach to identify procedural and training weaknesses in an effort to preclude regulatory violations
- Increase effectiveness by including compliance officer in planning, development and implementation of business propositions
- Includes routine review to ensure procedures are properly followed
- Identify issues prior to audit/exam





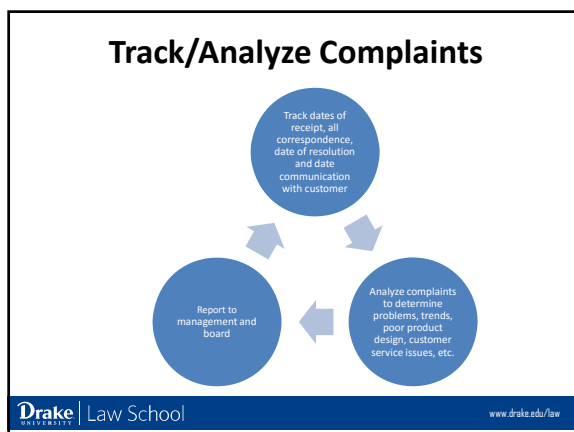




Compliance Management System: Compliance Program: Track Complaints

- Define “complaints”
 - Mistake needing correction, systemic issue, discontent with bank change, issue involving one branch/person/product
 - Not Customer Service – inquiry, misunderstanding that is isolated
- Ensure complaints are logged promptly no matter how received
 - Mail, e-mail, phone, in person, social media
- Assign to appropriate person/department for response
 - Procedures should be developed for addressing complaints, responsibility
- Trends should be analyzed to identify systemic compliance programs

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Incentives/Disciplinary Measures

The organization's compliance and ethics program shall be promoted and enforced consistently throughout the organization through (A) appropriate incentives to perform in accordance with the compliance and ethics program; and (B) appropriate disciplinary measures for engaging in criminal conduct and for failing to take reasonable steps to prevent or detect criminal conduct.

Federal Sentencing Guidelines - Effective Compliance and Ethics Program (§8B2.1.(b)(6))

Measures to Improve Ethics Compliance

- Code of Business Conduct
 - Explain business expectations
 - Stress legal doesn't necessarily mean Ethical
 - Cover Anti-Bribery laws/ethics
 - Critical for international operations
 - Obligation to report unethical behavior
 - Read and acknowledge annually
 - Violations:
 - Performance Reviews
 - Possible Termination



Respond and Prevent Criminal Conduct

After criminal conduct has been detected, the organization shall take reasonable steps to respond appropriately to the criminal conduct and to prevent further similar criminal conduct, including making any necessary modifications to the organization's compliance and ethics program.

Federal Sentencing Guidelines - Effective Compliance and Ethics Program (§8B2.1.(b)(7))

Assess Criminal Conduct Risk and Modify Requirements

(c) In implementing subsection (b), the organization shall periodically assess the risk of criminal conduct and shall take appropriate steps to design, implement, or modify each requirement set forth in subsection (b) to reduce the risk of criminal conduct identified through this process.

Federal Sentencing Guidelines - Effective Compliance and Ethics Program (§8B2.1.(c))

Part Two


- Risk Assessments
 - Considerations
 - Elements of Risk Assessment
 - Regulatory Compliance Risk Management Programs
- Recent Enforcement Actions
- Change Management

Risk Assessments in Rising Risk Environment

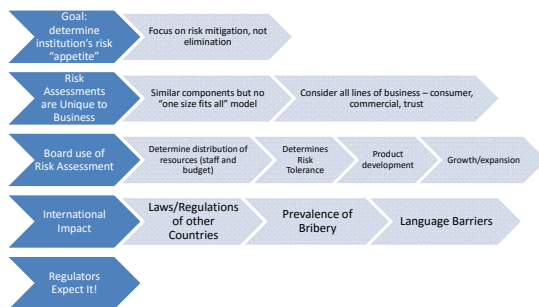
- OCC focus on credit risk, compliance risk as top priorities
 - Compliance Risk elevated with concerns about BSA compliance and wave of new regulations
 - “Evolving compliance risks and increasing complexity of risk environment present significant challenges for bank compliance risk management systems” – per acting comptroller Keith Noreika
 - Change Management challenges as adapt to new rules (MLA, TRID, HMDA)
 - Strategic risk remains high for smaller/midsize banks due to non-bank competition, merger trends, persistent low-rate environment and governance issues.


Risk Assessment

- Perform Risk Assessment
 - Consider:
 - Regulatory Risk – violations, cease/desist
 - Reputation Risk – customer impact
 - Operational Risk - process changes
 - Financial Risk – law suits, charge offs, CMPs, Default


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Risk Assessment




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Elements of a Risk Assessment

- Considerations
 - Category of Risk – Compliance, Operational, Reputational, etc...
 - Quantity of Risk
 - Inherent Risk – risk without controls
 - Quality of Risk Management
 - Strength of Controls
 - Direction of Risk
 - Increasing
 - Decreasing
 - Stable
- Aggregate Level of Risk – Enterprise Risk Management


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Risk Assessment Categories

- Identify risk categories
 - Products
 - Services
 - Customers (Entities)
 - Transactions
 - Locations
- Assess risks in each category
 - Consider exam/audit findings
 - Market changes
 - New technology
 - Consumer complaints
- Inherent risk
- Controls & safeguards
 - Procedures & processes
 - Monitor for unusual activity
 - Goal is to reduce risk to acceptable level
- Assign residual risk rating
 - Consider risk mitigation efforts
- Report to the Board
 - Document in Board minutes
- Review & adjust as needed

Overall risk rating is always changing; continually review and adjust as necessary

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Example of a Risk Assessment

Category of Risk:

Asset	Threat	Probability	Impact	Control	Residual Risk	Risk Mitigation Control
Informational assets that could possibly contain non-public personal information about the bank, our customers, or our critical vendors. Information and informational systems are identified as technical and non-technical assets.	Events that could cause information or information systems to be unavailable or compromised, integrity, availability, operations, and vulnerabilities decreasing threat of the bank if the event occurred.	The likelihood that confidentiality, integrity, availability, operations, and vulnerabilities decreasing threat of the bank if the event occurred.	Impact to the confidentiality, integrity, availability, operations, and vulnerabilities decreasing threat of the bank if the event occurred.	The controls used to mitigate threats and vulnerabilities decreasing threat of the bank if the event occurred. These controls can be in the form of preventative, detective, and corrective.	Remaining risk after control is implemented.	Additional mitigating controls that should be considered to assist in further reducing the risks.
Technical - Information systems (hardware/software)	Internal Accessibility Threat - Employees, Vendor, Proc Employees, Service Providers		Confidentiality - Impact to the confidential nature of the informational asset.	Preventative Controls - Pro-active controls that limit or prevent exposure.		
Non-Technical - Informational data.	External Accessibility Threat - Competitors, Hackers, Corruption, Terrorists.		Integrity - Impact to data integrity.	Detective Controls - Controls that assist in detecting harmful actions if and when they occur.		
	Natural Threat - Non-Man-Made Disasters		Availability - Impact to the availability of systems.	Corrective Controls - Reactive controls that help to facilitate termination and reduce damage.		
	Human Threat - Man-Made (Disasters or data integrity)		Operations - Impact to daily banking operations.			
	Technical Threat - Inherent technical disasters other than accessibility threats.		Financials - Impact to the bottom line.			

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Example: E-Commerce Risk Assessment

Asset/Threat/Probability/Impact

Asset	Threat	Probability	Impact
Telephone Banking	Potential dollar exposure related to possible misuse or errors in the system.	3.00	2.00
Telephone Banking	Capacity for transactions to not be delayed or errors to occur in the system.		
Telephone Banking	Potential for financial loss due to operational disruption.		
Telephone Banking	Potential for financial loss due to vendor personnel factors (experience, staffing, turnover).		
Telephone Banking	Ongoing risk identification and risk measurement assessments may not be adequately performed.		
Telephone Banking	Verification of telephone banking enrollment may not be adequate.		
Telephone Banking	Potential for customer information to be known when signing up for telephone banking.		
Telephone Banking	Customer may share log in information with family members.		
Telephone Banking	Vendor support/resources to provide for and monitor the system's capacity may not remain adequate.		
Overall Risk Category Ratings:		0.33	0.22

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Expectations = Controls Example: Incentive Comp

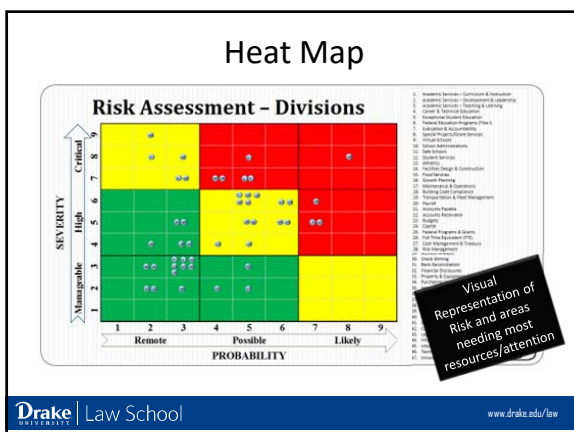
Controls	Examples
Board	Set Risk Appetite, consider outcomes, how incentives can create harm, unintended consequences, provide resources to monitor
Policies/Procedures	Goals reasonably attainable and transparent, manage risks at each stage (marketing, sales, servicing, collection), identify potential conflict and investigate
Training	Ethical behavior, address risky behavior, terms/conditions shared with customers, consumer consent, validate/update training schedule and audience
Compliance Monitoring	Key metrics, track outliers
Corrective Action	Delay in paying incentives, disciplinary action
Complaint Management Program	Accounts opened without consent, Credit score issues, fees charged without knowledge, account not functioning as sold
Independent Compliance Audit	Review program, results

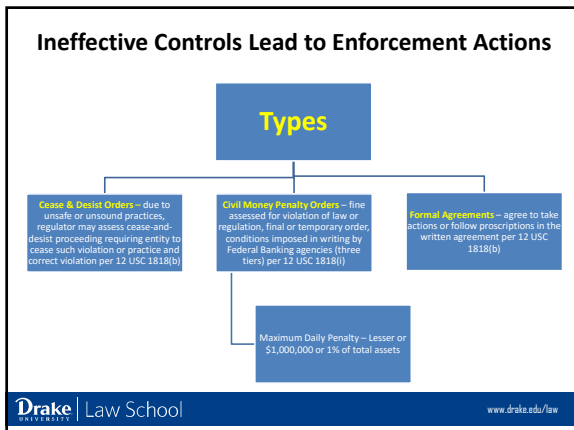
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Sample: E-Commerce Risk Assessment: Controls/Inherent Risk/Residual/Direction

Control	Control Description - Preventive (P), Detective (D), Corrective (C)	Inherent Risk	Residual Risk	Mitigation Strategy	Direction
3.00	P- Customers only have access to check balances and transfer between common ownership accounts. Accounts are locked after three unsuccessful login attempts. Inactive accounts are deleted after 90 days. P- Patch management policies and procedures documented and implemented. Access to install or upgrade software restricted to individuals requiring access to perform job responsibilities. Firmware management must approve operating software releases prior to being placed into production. P- Connected to Fireeye via T1 from the centralized data center. Fireeye managed routers at the data center and is monitored by both Fireeye and LightEdge. Any communication or equipment problems are reported immediately. P- Formal job descriptions are defined for each job position. D- Competency requirements must be met. C- Mid-year performance discussions and year-end evaluations are completed. D- Any issues are documented and followed up on immediately to determine the problem, resolution and any procedural changes to be made as a result. P- Retail banking personnel call all new telephone banking customers to verify that they set up the account and everything is working. P- Account and pin number needed for access. P- Customers only have access to check balances and transfer between common ownership accounts. Accounts are locked after three unsuccessful login attempts. Inactive accounts are deleted after 90 days. P- BCP & SA570	5.00	1.67		
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BSA Compliance Management

- 5/30/17 – Deutsche Bank USA Corp, New York
 - \$41,000,000 CMP
 - Failures by bank operations to maintain an effective compliance program to comply with BSA/AML
 - Deficiencies in transaction monitoring capabilities regarding billions of dollars in potential suspicious transactions

<https://www.federalreserve.gov/newsevents/pressreleases/files/enf20170530a1.pdf>

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RESPA

- 6/6/17 – Fay Servicing LLC
 - \$1,150,000 restitution
 - Violation of RESPA (prohibited foreclosure action, failure to have policies/procedures related to foreclosure, notice requirements, loss-mitigation; failed to send timely notices; failed to mention required docs for loss-mitigation; failed to correctly advise borrowers on right of appeal.

https://s3.amazonaws.com/files.consumerfinance.gov/f/documents/062017_cfbp_Fay_Servicing-consent_order.pdf

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Flood

- 5/26/17 - First Bank& Trust, Paris IL
 - \$8,000 CMP
 - Failed to obtain/maintain adequate flood insurance for 5 borrowers and failed to provide written notice concerning flood insurance to 2 borrowers
- 5/25/17 – SunTrust Bank, Atlanta, GA
 - \$1,501,000 CMP
 - Various flood violations
 - <https://www.federalreserve.gov/newsevents/pressreleases/files/enf20170525a1.pdf>
- 5/22/17 – Pioneer Community Bank, Laeger, WV
 - \$52,750 CMP
 - Failed to obtain flood insurance prior to loan origination on 27 loans; maintain adequate flood insurance on 6 loans; provide notices on 9 loans; provide timely notice on 16 loans.

UDAAP

- 5/10/17 –Bank of Lake Mills, Norfolk, VA - affiliates
 - \$37,000 CMP Military Credit Service LLC
 - \$54,000 CMP Freedom Stores Inc.
 - \$151,000 Bank of Lake Mills
 - \$3,000,000 in consumer restitution
 - Engaged in unfair and deceptive acts/practices affecting commerce, deceptive marketing of loans and add-on products
- https://s3.amazonaws.com/files.consumerfinance.gov/f/documents/062017_cfbp_Fay_Servicing-consent_order.pdf

Fair Debt Collection/Practices Act

- 4/26/17 – Security National Automotive Acceptance Company LLC
 - \$1,250,000 CMP
 - \$720,000 restitution (refunds to 925 consumers)
 - \$370,000 restitution (new credits to 1,000 consumers)
 - \$75,000 to Bureau for administrative costs
 - Issued worthless credits to loans settled-in full, loans discharged in bankruptcy, loans with no balances and failed to make redress under settlement agreement
- http://files.consumerfinance.gov/f/documents/201704_SNAAC-consent-order.pdf

HMDA

- 3/15/17 – Nationstar Mortgage LLC
 - \$1,750,000 CMP
 - Consistently failing to report accurate data about mortgage transactions from 2012-2014

https://s3.amazonaws.com/files.consumerfinance.gov/f/documents/201703_cfpb_Nationstar-Mortgage-consent-order.pdf

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Change Management – Key to CMS Success

Example: 14,000 pages of regulations from the Dodd-Frank Financial Reform Act since 2014 and they aren't finished yet!!!

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Change Management Process

- **Identifying Change** - Regulatory Monitoring process:
 - What: Proposals, comment letters, final rules, enforcement actions, guidance documents, FAQs
 - Where: Directly from regulators, ABA, IBA, other professionals
- **Impact of Change** – Perform Risk Assessment
 - Determine which apply to organization
 - Review exemptions carefully
 - Asset size, products/services, volume
 - Identify vendor involvement
 - Document analysis

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Change Management Action Plan

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Ownership – Team Effort

- Consistent processes to document hand-off of information and accountability
- Proper audit trail – progress/resolution
- Delegation
 - Knowledge vs Wisdom
 - Book smart versus experienced – need both!

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Involve Business Units

Strategic Planning/Project Management:

- Consider Infrastructure Needs
- Technology Needs
- Vendor Involvement/Reliance
 - Systems Reconfiguration
 - System Validation

Costs: Monetary, Time
Commitment, Expertise, Training

- Create a well-articulated cross-functional and cross-product coordination process
- Require active participation from all major business and functional areas

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Management Support

Dedicate regulatory change resources

- Appropriate skills
- Funds/Systems
- Empowered by Senior Management
- Involve Compliance, Legal

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Training Components

Training

- Communicate
 - Policies = Commitment
 - Processes = What and Who
 - Procedures = How
 - Controls = How well

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Monitoring - Effectiveness

Ongoing Monitoring

- Identify corrective action needed
 - Revise procedures, processes, document templates
 - Enhance internal controls
 - "Remedial" training
 - Routine monitoring to ensure adherence to new procedures
 - Regular testing of improvements
 - Exam manuals available online

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