

Consumer Compliance Management Program (CCMP) – Common Concerns and Best Practices

Outlook Live Webinar – April 10, 2014

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Agenda

- Session Overview
 - Perspective on the Current Regulatory Landscape
 - Emerging Risks in the Consumer Compliance Space
- Compliance Management Program Discussion
 - Components of a Successful CCMP
 - Risk Assessment
 - Managing Outsourcing Risk
 - Regulatory Change Management
 - Expectations for Effective CCMPs
 - New Products and Services Considerations
 - UDAP
 - Consumer Complaints
- Key Takeaways and Resources

Perspective on the Current Regulatory Landscape

- Landscape for Community Banks
 - Daily pressures felt by senior management
 - Increasing inherent risks in all business lines
 - Keeping pace with regulatory expectations
 - Introduction of new products and services (i.e. overdraft services, prepaid debit cards)
- Common Regulatory Themes
 - Emphasis on fair treatment of consumers
 - Robust due diligence
 - Consumer compliance implications in this environment

Emerging Risks in the Consumer Compliance Space

- Impact of New Products or Enhanced Products and Services
 - Products, services, and delivery mechanisms
 - Key risks
 - Regulatory concerns
- Mortgage Lending
 - New rules
 - How they affect community banks

Emerging Risks in the Consumer Compliance Space *(continued)*

- Social Media
 - [CA 13-22](#) Social Media: Consumer Compliance Risk Management Guidance
 - Banks need strong internal controls
- Third Party / Service Provider Risk Management
 - [CA 13-21](#) Guidance on Managing Outsourcing Risk
 - Always consider consumer compliance when establishing new relationships as well as maintaining existing ones
- Overall Effects
 - Focus on community banks

Components of a Successful CCMP

- Fairness-Based and Focus on Potential for Consumer Harm
 - Technical compliance with existing consumer protection rules is not a safe haven from UDAP risks
- Fully Integrated into Business Strategy, Decision-Making Framework, and Bank Operations
 - Risk management continuum across business lines with consideration of compliance, credit, legal, and operational risks
 - New products and services development, daily operations, etc.

Components of a Successful CCMP

(continued)

- Anticipatory
 - Response to institution-specific risks
 - Preventative measures to mitigate *inherent* risks
 - Fair practices even in absence of supervisory rules
 - Absence of specific rules for certain products or services does not constitute safe harbor from compliance risks in light of laws and regulations that are more broadly applicable (e.g., UDAP, Privacy, etc.)
- Culture of Compliance
 - Responsibility of all employees in organization
 - Consumer Compliance Outlook Newsletter Article: [Bank Director's Role in Establishing a “Culture of Compliance”](#)

Risk Assessment

- Develop Risk Assessment that Informs Compliance Management Program Practices
 - “In-house” versus vendor
 - Effective, complete, appropriate for institution and scalable
- Look Beyond “Technical Compliance” – Consider Impact to Consumer

Risk Assessment *(continued)*

- Emerging issues and lifecycle of products
- Risk-focused approach
 - [CA 13-19](#) Community Bank Risk Focused Consumer Compliance Supervision Program
 - [Outlook Live](#) – March 6, 2014
 - [Executive Summary](#)

Managing Outsourcing Risk

- Best Practice
 - Manage Third Party Relationships as you would any other business line, division, or function of the bank
 - [CA 13-21 / SR 13-19](#) Guidance on Managing Outsourcing Risk
 - [Outlook Live](#) – Vendor Risk Management - May 2, 2012
- Board of Directors and Senior Management Oversight and Staff Responsibilities
 - Due diligence
 - Risk assessment
 - Policies
 - Contract requirements
 - Monitoring

Managing Outsourcing Risk – Best Practices and Examples

- Business Operations
 - Audit: Appropriate for bank’s size and complexity
 - Training: Allocated based on position responsibilities and bank’s operations
- Residential Lending
 - Origination and Servicing: Testing regarding flood insurance compliance and private mortgage insurance under Regulation H and Homeowners Protection Act, respectively

Managing Outsourcing Risk – Best Practices and Examples *(continued)*

- Deposit and Other Activities
 - Core processor delivers complete, correct, and timely disclosures
 - Website, e-banking platform and other online resources updated and accurate
- Resources Regarding Current Trends
 - FFIEC: [Social Media: Consumer Compliance Risk Management Guidance](#)
 - Federal Reserve: [Consumers and Mobile Financial Services Report](#)

Regulatory Change Management

- Establish and Maintain a Change Management Process
 - Responsive to changing regulatory environment
 - Various new rules and regulatory guidance
 - Identifies, considers impact, and assigns responsibility for new rules
 - Conduct analysis and assign resources as appropriate

Regulatory Change Management

(continued)

- Change Processes to Consider
 - Cost and impact
 - Policies
 - Procedures
 - Training
 - IT / systems

Expectations for Effective CCMPs

- Sufficient Oversight
- Identification of Risks
 - Risk-focused approach
 - Risk assessment
- Integration of Consumer Compliance
 - Embedded within each business line
- Change Control Process
- Overall Business Strategy

New Products and Services Considerations

- Community Banking Connections Article – [Considerations When Introducing a New Product or Service at a Community Bank](#)
- The Vetting Process
 - Fostering a compliance culture
- Decision-Making
 - Determining the best fit for the institution
- Risk Consideration
 - Evaluating all the dynamics
- Regulatory Compliance
- Cost-Benefit Analysis
 - Analyzing options

Unfair and Deceptive Acts or Practices (UDAP)

- Consumer Touch Points
- Follow the Money
- Lifecycle Considerations
 - Are you considering the target audience?
 - Is it a win-win situation?
 - Does it pass the “smell” test?
 - Outlook Live: [UDAP – Analysis, Examinations, Case Studies, and Emerging Risks](#) – March 5, 2013

Consumer Complaints

- Big Picture
 - Complaints – Evaluate trends and identify root causes, even of individual complaints
 - Use complaints as a tool
- Potential Trends
 - Systemic issues
 - Business line weaknesses
- Analysis
 - Red flags
- Hot Topics

Key Takeaways

- Enterprise Risk Management
 - Ensuring consumer compliance management program fits your institution – scalable
 - Maintaining compliance expertise
 - Keeping pace with regulatory changes
- Strategic Focus
 - Evaluating all angles
 - Always consider fair lending and UDAP

Key Takeaways *(continued)*

- Components of a Successful CCMP
 - Third party / service provider risk management
 - Regulatory change management
 - Focus on risk
 - Risk assessments and risk-focused supervision

Resources

- Supervisory Resources Available to Community Banks
 - [Consumer Compliance Outlook Live Webinars](#)
 - [Consumer Compliance Outlook Newsletter](#)
 - [Communities & Banking Publication](#)
 - [Community Banking Connections](#)
 - Federal Reserve Bank supervisory staff

Questions?

