

Making Sure Your Compliance Armor is Strong!

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The words “enforcement actions” and “civil money penalties” generally cause a banker to have many aches, and sometimes, real pains. Unfortunately, this has been a somewhat regular occurrence with many bankers over the years. Compliance Officers and Compliance Committees can help to alleviate those aches with proper preparation, prevention, and protection, before the pain becomes real.

Bankers are paying millions of dollars in penalties for not having a strong compliance program. In today’s environment, last minute prep for an exam to correct a year plus of issues is no longer sufficient. In order to ensure your bank does not face the real pains enforcement actions and civil money penalties can cause, some good preventive measures need to be taken to protect you, your institution, and your reputation.

Think of the preventive measures as four different layers of an armor suit; this is your bank’s compliance management system. The first layer includes an understanding of your bank’s business model. A compliance officer needs to know where the bank focuses on drawing in their customer base. A retail bank will have a different risk assessment and consumer regulatory focus than a bank that tends to cater to commercial customers. Once that has been achieved, the compliance officer will move into the second, or, prevention layer. This layer entails having strong policies and procedures to support the business model, in addition to adequate employee training on how to properly address all of the requirements. Your third layer of protection will come in the form of monitoring. Conducting independent audits and/or having quality control reviews of your policies, procedures, and training will provide you with feedback on the effectiveness of your compliance management system. Bankers can ensure adequate monitoring by having independent internal staff or by hiring a third-party vendor. As the observations are uncovered from your audits, the fourth and final layer of protection you will need is the support of senior management and the board of directors. This final layer is key to protecting and strengthening the other three layers.

Stay tuned as we continue this series with a detailed look at each of the four layers of protection your compliance management system will give you. Up first, will be a look at your bank’s business model and addressing the risks that go along with that type of business, including a step by step process for completing a thorough, bank-wide compliance risk assessment.