



Making Your CMS Greater Than the Sum of Its Parts

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WIIFM?

What's in it for me?

“

*Don't tell me what you value.
Show me your budget, and I'll
tell you what you value.*

- Joseph R. Biden, Sr.

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What is a CMS?

A CMS is how an institution:

- Learns about its compliance responsibilities
- Ensures that employees understand these responsibilities
- Ensures that requirements are incorporated into business processes
- Reviews operations to ensure responsibilities are carried out and requirements are met
- Takes corrective action and updates materials as necessary

(www.fdic.gov/regulations/resources/director/presentations/cms.pdf)

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Why Is a CMS Important?

- **It helps manage risk**

A CMS helps manage risks associated with:

- Changing product and service offerings
- New legislation enacted to address developments in the marketplace

- **Noncompliance with consumer protection laws may result in:**

Litigation, monetary penalties, and other formal enforcement actions

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(www.fdic.gov/regulations/resources/director/presentations/cms.pdf)

Components of a CMS

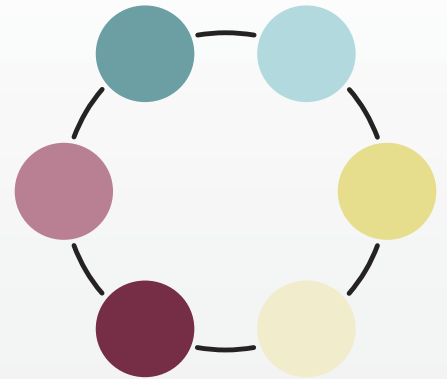
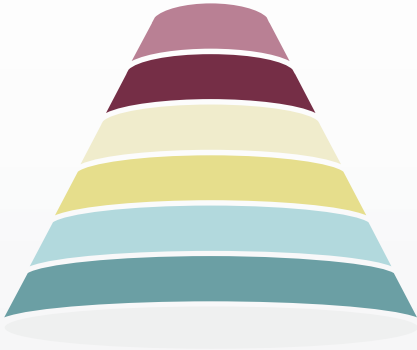
An effective CMS is comprised of three interdependent elements:

1. Board and management oversight
2. Compliance program (policies and procedures, training, monitoring, and consumer complaint response)
3. Compliance audit

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(www.fdic.gov/regulations/resources/director/presentations/cms.pdf)

The Compliance Program (insert shape here)



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My Favorite

Critical components of a robust regulatory-compliance risk-management program



When "should" becomes "shall" – Rethinking compliance management for banks.
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deloitte.wsj.com/riskandcompliance/2014/07/29/for-banks-rethinking-regulatory-compliance-management/

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Practical Call Outs

Governance

- Set and maintain a "culture of compliance" including board and senior management oversight
- Establish clear roles and responsibilities (e.g. 1st, 2nd, 3rd lines)

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Risk Assessment

- Establish common risk language, definitions and tolerance levels
- **Align the risk assessment with other components of the compliance program**

Policies & Procedures

- Anchor policies, procedures, and related controls documentation to regulatory guidance.

https://deloitte.wsj.com/riskandcompliance/files/2014/07/banks_compliance_mgmt.png

Practical Call Outs

Monitoring & Testing

- Perform true risk-based testing (controls vs. outputs)
- Centralize issue management (also applies to complaint management)

Consumer Complaints

- Capture data for complaint and trend analysis
- Compare with testing and issue trends

Reporting

- Be clear on stakeholder needs (Board / Compliance Leadership / Business line / etc.)
- Develop dashboards and critical key risk indicators

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https://deloitte.wsj.com/riskandcompliance/files/2014/07/banks_compliance_mgmt.png

Practical Call Outs

Training

- Conduct a risk-focused compliance training needs assessment (includes new employees and transfers)

Technology

- Seek and utilize automation where possible for risk assessment, testing, reporting, and issue management

Regulatory Interaction

- Identify critical stakeholders within the first and second lines of defense to engage during regulatory discussions

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https://deloitte.wsj.com/riskandcompliance/files/2014/07/banks_compliance_mgmt.png

Chose Your Own Adventure

How much effort would it take to provide advice if/when:

- Your institution wants to launch a product that is new to the institution?
- Your marketing team wants to use a new marketing channel (e.g. social media)?
- Your credit department proposes to "significantly tighten" credit standards in response to an economic downturn?

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Chose Your Own Adventure

How much effort would it take to provide advice if/when:

- CCPA goes into effect?
- Your institution moves collections from in-house to a third-party service provider?
- Your institution's president asks how well you think your institution will do in its upcoming compliance examination?

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Additional Resources

Consider compliance exams as an open-book test and use the compliance examination manuals.

www.fdic.gov/regulations/compliance/manual/index.html

www.occ.treas.gov/publications-and-resources/publications/comptrollers-handbook/index-comptrollers-handbook.html

www.consumerfinance.gov/policy-compliance/guidance/supervision-examinations/

www.federalreserve.gov/publications/supervision_cch.htm

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WIIFM?

What's in it for me?

15 Are you working for your CMS, or is your CMS working for you?

Thanks!

Any questions?

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