



Compliance Check

Q&A: Navigating Regulatory Compliance

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Ask CrossCheck

If you are grappling with a regulatory compliance issue, we invite you to send your query to [Ask CrossCheck](#). Our team of compliance experts are ready to provide the guidance and support you need.

In the following sections, we explore essential aspects of board oversight in compliance, addressing crucial questions such as which compliance matters require formal board approval and what type of compliance training is necessary for board members. We examine the board's responsibilities in establishing a strong compliance culture, the key information that should be reported to the board, and best practices for documenting board engagement and oversight. These insights are intended to guide effective governance and reinforce the board's pivotal role in managing regulatory risk and promoting institutional accountability.

Board Approval in Compliance Oversight: Key Matters Requiring Formal Director Endorsement



Which compliance matters should be approved by the board of directors (Board)?



The Board holds broad oversight responsibilities in ensuring an institution's compliance, with applicable laws and regulations. While many compliance matters require regular updates to the Board, certain issues warrant formal Board approval. This active engagement not only reinforces the Board's understanding of the institution's regulatory obligations but also promotes a strong tone at the top and establishes accountability in managing compliance risks.

Key compliance matters that should receive formal Board approval include:

1. Compliance Management System (CMS): The organization should document its compliance program, which the Board should formally approve. The compliance program should address the organization's overall compliance structure and framework, including governance, resource allocation, independence of the compliance function, performance monitoring, and identification of emerging risks. For more information related to CMS, see the CFPB's Examination Procedures:

https://files.consumerfinance.gov/f/documents/201708_cfpb_compliance-management-review_supervision-and-examination-manual.pdf

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2. Key Compliance Policies: The Board should formally approve essential policies that provide strategic direction and organizational standards for the compliance program. These may include, but are not limited to:

- Compliance Policy
- Bank Secrecy Act (BSA)/Anti-Money Laundering (AML)/Countering the Financing of Terrorism (CFT) Program and Policy
- Fair Lending Program and Policy
- Community Reinvestment Act (CRA) Policy
- Unfair, Deceptive, or Abusive Acts or Practices (UDAAP) Policy
- Privacy and Information Security (Gramm-Leach-Bliley Act - GLBA)
- Complaint Management Policy
- Vendor/Third-Party Risk Management Policy
- Compliance Training Policy

Keep in mind that policies provide overarching rules and guidance but do not include day-to day procedures.

3. Annual Compliance Risk Assessment: The Board should approve the compliance risk assessment (generally annually or more frequently if risks change), which identifies areas of elevated risk and helps to ensure alignment with the institution's risk appetite. Assessment results should inform strategic decisions, policies, audit and monitoring plans, and risk mitigation efforts.

4. Designation of the BSA/AML/CFT Officer: The Board should formally appoint the BSA/AML/CFT Officer, and annually reaffirm and acknowledge their authority, independence, and access to the resources necessary to fulfill their responsibilities.

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5. Appointment of the Compliance Officer: The Board should appoint the Compliance Officer, annually reaffirm and reinforce the Compliance Officer's independence and ensure they have appropriate access to senior management and the Board.

6. Compensation Policy: The Board should review and approve compensation and incentive plans at least annually or as changes occur to ensure they promote behavior that mitigates compliance risk and prevents consumer harm.

7. Security Program and Officer Appointment: The Board must approve the institution's security program and formally designate the Security Officer annually in accordance with the Bank Protection Act.

8. Compliance Training Programs: Board approval should be obtained for institution-wide compliance training programs covering directors, officers, and employees.

9. Regulatory Compliance Monitoring, Examinations, Enforcement Actions and Audits: The Board should be apprised of internal and external audit or examination findings, including any required remediation. A deeper discussion is required for supervisory matters including Matters Requiring Attention, Matters Requiring Board Attention, or enforcement issues. The Board should also ensure findings and issues are corrected effectively and in a timely manner.



Essential Compliance Training Topics for Board Members



What compliance training should be provided to the Board?



Board members often bring diverse professional backgrounds, which may not necessarily include expertise in banking or financial regulation. To effectively fulfill their oversight responsibilities, it is essential that they receive tailored compliance training aligned with the institution's unique risk profile.

The specific training requirements will vary depending on factors such as the Board's collective experience, the size of the institution, and the range of products and services offered. A formal, ongoing training program should be established. Board members should receive compliance training at least annually, and more frequent updates may be necessary to address evolving regulatory requirements. A resourceful compliance officer can incorporate relevant training topics into each regularly scheduled compliance update or presentation.

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Key components of Board compliance training should include:

1. **Core Compliance Areas:** Topics such as the BSA/AML/CFT, Fair Lending, CRA, UDAAP, and Regulation O - Loans to Executive Officers, Directors, and Principal Shareholders.
2. **Emerging Regulatory Changes:** An overview of any new or pending regulatory developments impacting the institution's operations.
3. **Institution-Specific Risks:** Training on risks directly tied to the institution's unique products and services that may include areas such as payday lending, cannabis-related businesses, and fintech partnerships, among other specialized areas.

By implementing a comprehensive training program, the Board can be better positioned to mitigate risk and ensure that the institution remains compliant with all applicable regulations.



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