

# Compliance Management Review

This section of the Manual discusses the common elements of an effective consumer compliance management system: board of directors and management oversight, the compliance program, response to consumer complaints, and audit coverage of compliance matters.

## Compliance Management System

### Introduction

The Division of Credit Unions' (DCU's) examination will include review and testing of components of the credit union's compliance management system. We expect credit unions to maintain sound compliance management system that is integrated into the overall framework for product design, delivery, and administration. We also expect credit unions to manage relationships with service providers to ensure that these providers effectively manage compliance with Federal consumer financial laws applicable to the product or service being provided.

This section of the Manual discusses the common elements of an effective consumer compliance management system: board of directors and management oversight, the compliance program, response to consumer complaints, and audit coverage of compliance matters.

A compliance management system is how a credit union:

- Establishes its compliance responsibilities;
- Communicates those responsibilities to employees;
- Ensures that responsibilities for meeting legal requirements and internal policies are incorporated into business processes;
- Reviews operations to ensure responsibilities are carried out and legal requirements are met; and
- Takes corrective action and updates tools, systems, and materials as necessary.

An effective compliance management system commonly has four interdependent control components:

1. Board and management oversight;
2. Compliance program;
3. Response to consumer complaints; and
4. Compliance audit.

When all of these four control components are strong and well-coordinated, a credit union should be successful at managing its compliance responsibilities and risks.

## **Board of Directors and Management Oversight –**

### **Examination Objectives**

The board of directors is ultimately responsible for developing and administering a compliance management system that ensures compliance with Federal consumer financial laws and regulations and addresses and prevents associated risks of harm to consumers.

Because the effectiveness of a compliance management system is grounded in the actions taken by its board and senior management, DCU examiners should seek to determine whether the board and senior management have:

1. Demonstrated clear expectations about compliance, not only within the credit union, but also to service providers.
2. Adopted clear policy statements regarding consumer compliance.
3. Appointed an appropriately qualified and experienced chief compliance officer and provided for other compliance officers with authority and accountability. (In smaller or less complex credit unions where staffing is limited, a full-time compliance officer may not be necessary. However, management should have clear responsibility for compliance management and compliance staff should be assigned to carry out this function in a manner commensurate with the size of the credit union and the nature and risks of its activities.)
4. Established a compliance function to set policies, procedures, and standards.
5. Allocated resources to the compliance function commensurate with the size and complexity of the credit union's operations and practices, the Federal consumer financial laws and regulations to which the credit union is subject, and necessary to avoid the potential consumer harm associated with violations of such laws and regulations.
6. Addressed consumer compliance issues and associated risks of harm to consumers throughout product development, marketing, and account administration, and through the credit union's handling of consumer complaints and inquiries.
7. Required audit coverage of compliance matters and reviewed the results of periodic compliance audits.
8. Provided for recurring reports of compliance risks, issues, and resolution through a committee structure or to the board.