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MEMORANDUM

November 15, 2016

To Our Clients and Friends

Re: FFIEC Issues Final Guidance on the Uniform Interagency
Consumer Compliance Rating System

The Federal Financial Institutions Examination Council (FFIEC) has revised the uniform interagency consumer compliance rating system (CCRS).¹ The revisions are designed to reflect changes in consumer compliance supervision since the current system was introduced in 1980. The FFIEC member agencies will begin using the revised CCRS for examinations that start on or after March 31, 2017.

The revised CCRS is organized under the following three broad categories, which include the following assessment factors:

- **Board and Management Oversight.** Oversight and commitment to the institution's compliance management system (CMS); effectiveness of the institution's change management processes; comprehension, identification and management of risks arising from the institution's products, services, and activities; and self-identification of consumer compliance issues and corrective action.
- **Compliance Program.** Whether the institution's policies and procedures are appropriate to the risk in the products, services, and activities of the institution; the degree to which compliance training is current and tailored to risk and staff responsibilities; the sufficiency of the monitoring and, if applicable, audit to encompass compliance risks throughout the institution; and the responsiveness and effectiveness of the consumer complaint resolution process.
- **Violations of Law and Consumer Harm.** The root causes of any violations of law identified during the examination; the severity of any consumer harm resulting from violations; the duration of time over which the violations occurred; and the pervasiveness of the violations.

The guidance states that the relative importance of each category or assessment factor may vary depending on the size, complexity, and risk profile of an individual institution. An examiner will balance conclusions about effectiveness of the financial institution's CMS over individual products, services, and activities of the organization when arriving at a consumer compliance rating.

¹ The FFIEC is comprised of the Federal Reserve System Board, the Consumer Financial Protection Bureau (CFPB), the Federal Deposit Insurance Corporation, the National Credit Union Administration, the Office of the Comptroller of the Currency, and the State Liaison Committee.

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The revised CCRS will use a scale of 1 through 5, with 1 representing the highest rating and lowest degree of supervisory concern, and 5 representing the lowest rating and most deficient level of performance. An institution does not have to receive a satisfactory rating in all categories to receive an overall satisfactory rating. Additionally, the CCRS provides incentives for self-identification of violations of law and consumer harm.

The guidance states that the regulators will take into consideration any material supervisory information provided by the CFPB relating to supervisory activities or examinations. The CFPB will also use the CCRS to assign a consumer compliance rating for institutions with total assets of more than \$10 billion, as well as nonbanks for which it has jurisdiction.

A copy of the FFIEC final guidance is available on our website at <http://www.schwartzandballen.com/news.html>

If you have any questions, please call Gilbert Schwartz, Robert Ballen, Tom Fox, Heidi Wicker or Magda Gathani at (202) 776-0700.