

RB 9 was rescinded 12/19/02 by CEO Memo 171 and the revised Compliance Self-Assessment Guide. Click [HERE](#) to link to CEO Memo 171. Click [HERE](#) to link to the Compliance Self-Assessment Guide.

Handbook: Compliance Activities  
Subjects: Administration

Section: 100  
RB 9

December 27, 1988

# RESCINDED

## Purpose and Use of "Compliance: A Self-Assessment Guide"

*Summary:* This Bulletin explains "Compliance: A Self-Assessment Guide" and its application to the compliance examination process.

### *For Further Information Contact:*

The FHLBank District in which you are located, or the Compliance Programs Division of the Office of Regulatory Activities, Washington, DC.

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#### Introduction

The purpose of this regulatory bulletin is to explain "Compliance: A Self-Assessment Guide," and its intended role in the compliance examination process. The guide was developed by the staff of the Division of Compliance Programs in the spring of 1988, with the input of five industry representatives and the assistance of a consumer analyst from the Federal Home Loan Bank of San Francisco. The guide was published by the Office of Regulatory Activities in June 1988 and a copy was sent free to each member institution by the District Banks.

#### Purpose of the Guide

"Compliance: A Self-Assessment Guide" was developed to provide institutions with a tool by which to evaluate their record of compliance, develop a compliance program, enhance an existing program, and provide them with a source of information on compliance topics and issues. Due to the differences in institutions (e.g., size, products offered), the guide was designed to present a wide range of information that each institution could adapt to its specific needs.

The guide contains materials to assist an institution in both developing a new compliance program or enhancing an existing one and evaluating its compliance with applicable laws and regulations. Generally, the guide covers the consumer protection and public-interest related laws and regulations for which the Federal Home Loan Bank System has enforcement and administrative responsibility. In addition to providing institutions with a framework to develop, establish, and implement a sound internal compliance program, the guide provides tools to monitor periodically compliance performance levels through the conduct of internal reviews.

#### The Role of the Guide in the Examination Process

While institutions are not required to use the guide, they should certainly be encouraged to consider it. It is this Office's strong conviction, and one of the developmental objectives, that the diligent use of the concepts contained in the guide would result in more efficient examinations for institutions, and help to more effectively set the scope of examinations by pinpointing areas of known or suspected weaknesses for investigation. Given this precept, a fundamental part of the compliance examination process should be the determination of the extent to which an institution has put the principles of the guide, or an equivalent compliance program, to use in its operations. Questions relative to

an institution's use of the guide will be included in a "pre-examination response kit" that is being developed in connection with the administrative sections of the Compliance Activities Handbook.

In essence, the examiner should first ascertain whether the institution has received the guide and that it has found its way into the appropriate hands. Second, the examiner should determine the progress the institution has made in implementing a compliance program based upon the principles in the guide. If, in the examiner's judgment, sufficient progress has not been made in developing an effective program to manage the compliance effort, this matter should be discussed with management at the close of the examination and included in the examination report.

Next, in considering the scope of the examination, the examiner needs to assess the quality of the institution's compliance program. The examiner should look at the results of any internal and external reviews conducted by the institution to get an initial reading of the degree to which these reviews have been successful at identifying areas where an additional commitment of management resources is necessary to improve performance. Basically, the examiner needs to establish a "comfort level" with the institution's self-assessment efforts by getting a feel for the degree of reliance that can be placed on the institution's results by

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spot-checking, testing, and assessing the competence of those persons who conducted any such reviews. Where the institution has implemented what appears to the examiner to be a sound compliance program, a small sample of transactions should be taken to confirm the soundness of the program. However, given the sensitivity of issues associated with the Bank Secrecy Act, the Community Reinvestment Act and Nondiscrimination, the examiner should perform further independent steps in assessing substantial compliance with the requirements of those laws and regulations. These procedures will be addressed in detail in the Compliance Activities Handbook.

This process is designed to ensure that the institution is in substantial

compliance with the actual requirements of the applicable laws and regulations. In addition to this process, as described above, examiners need to evaluate, as part of the "top-down" approach, the institution's policies and procedures related to compliance matters for adequacy and propriety. This evaluation should focus on the efficacy and comprehensiveness of the policies and procedures themselves.

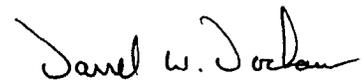
## Other Administrative Details

As indicated earlier, to promote and encourage use of the guide, a copy was provided free to each member institution. Anyone can obtain additional copies of the guide at a cost of \$20 each by contacting the Publica-

tions Unit in the Office of Regulatory Activities, 801 17th Street, N.W., Washington, D.C. 20006. Payment must be made in advance.

To heighten awareness about the guide, the Division of Compliance Programs has prepared a brochure on this publication. The brochure offers an overview of the guide for those interested in obtaining copies. A supply of these brochures is available to the District Banks upon request to the Division of Compliance Programs. Consideration should be given to distributing these brochures at any appropriate educational sessions for the industry. A facsimile of the brochure is attached.

Attachment



— Darrel W. Dochow, Executive Director

# Compliance: A Self-Assessment Guide

The Office of Regulatory Activities of the Federal Home Loan Bank System has published a new handbook entitled **Compliance: A Self-Assessment Guide**.

## Purpose

- The Guide will help thrift institutions develop or improve internal policies and programs to ensure compliance with consumer and public interest laws.
- The Guide covers consumer protection laws and their implementing regulations, and several other statutes including the Bank Secrecy and Bank Protection Acts.
- The Guide will assist an institution to:
  - Evaluate its current record of compliance
  - Develop a compliance program
  - Enhance an existing program
  - Stay abreast of compliance topics and issues.

## Audience

While the primary audience of the Guide is the small institution, even the most sophisticated thrift will find it helpful. Officers from small, medium and very large institutions made valuable contributions to the development of the Guide.

An institution easily can adapt the wide range of information presented to accommodate differences in institution size, types of products offered, etc.

## Contents

The Guide includes:

- **Board Policy Statement**  
A statement from the Federal Home Loan Bank Board stressing the importance of compliance review programs for consumer and public interest laws.
- **Introduction**  
An overview of the purpose and use of the Guide.
- **Compliance Review Program**  
General information on conducting an internal review for compliance.
- **Position Descriptions**  
Sample position descriptions for both part-time and full-time compliance officers.
- **Compliance Matrices**  
Simple illustrations of which laws and regulations are applicable to lending transactions commonly offered by thrifts.
- **Policy and Management Checklists**  
Tools for senior management to determine, on a general level, what should be included in the institution's compliance policies and to assess the institution's compliance with pertinent laws and regulations.
- **Compliance Checklists**  
Complete and detailed questionnaires for each law and regulation.
- **Compliance Resources**  
A list of compliance resources—books, pamphlets, and training courses—available to the industry.

## To Get a Copy

One copy of the new handbook **Compliance: A Self-Assessment Guide** has been provided to each Federal Home Loan Bank System member institution. Additional copies can be obtained by writing to the Office of Regulatory Activities, Publications Unit, 801 Seventeenth Street, N.W., Washington, D.C. 20006. Copies are \$20.00 each and orders must be prepaid.

## Updates

As major changes take place in consumer and public interest laws which impact thrifts, updates to the Guide will be issued. They will be sent to member institutions and to those who ordered the Guide.

## Other Publications

Regulatory Handbook Series:  
EDP (\$75)

*Look for these Handbooks:*  
Applications Processing  
Compliance Activities  
Holding Companies  
Service Corporations  
Thrift Activities  
Trust Activities

CEBA Questions and Answers (\$3)

If you are interested in ordering any Office of Regulatory Activities publications currently available, please send your request in writing with payment to the Office of Regulatory Activities, Publications Unit, 801 17th St., N.W. 20006, (202) 785-5450.

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