

FEDERAL FINANCIAL INSTITUTIONS EXAMINATION COUNCIL

Docket No. FFIEC-2016-0003

Uniform Interagency Consumer Compliance Rating System

AGENCY: Federal Financial Institutions Examination Council (FFIEC)

ACTION: Notice; final guidance.

SUMMARY: The Federal Financial Institutions Examination Council (FFIEC), on behalf of its members, is revising the Uniform Interagency Consumer Compliance Rating System, more commonly known as the “CC Rating System.” The agencies comprising the FFIEC are the Board of Governors of the Federal Reserve System (FRB), the Consumer Financial Protection Bureau (CFPB), the Federal Deposit Insurance Corporation (FDIC), the National Credit Union Administration (NCUA), the Office of the Comptroller of the Currency (OCC), and the State Liaison Committee (SLC) (Agencies). The FFIEC promotes compliance with federal consumer protection laws and regulations through each agency’s supervisory and outreach programs.

The CC Rating System revisions reflect the regulatory, examination (supervisory), technological, and market changes that have occurred in the years since the original rating system was established in 1980. The revisions are designed to better reflect current consumer compliance supervisory approaches and to more fully align the CC Rating System with the Agencies’ current risk-based, tailored examination processes. The CC Rating System is being published after consideration of comments received from the public.

DATE: Effective March 31, 2017.

Consumer Compliance Rating Definitions

ASSESSMENT FACTORS TO BE CONSIDERED	1	2	3	4	5
<p>Board and Management Oversight Board and management oversight factors should be evaluated commensurate with the institution's size, complexity, and risk profile. Compliance expectations below extend to third-party relationships.</p>					
Oversight and Commitment	<p>Board and management demonstrate strong commitment and oversight to the financial institution's compliance management system.</p> <p>Substantial compliance resources are provided, including systems, capital, and human resources commensurate with the financial institution's size, complexity, and risk profile. Staff is knowledgeable, empowered and held accountable for compliance with consumer laws and regulations.</p> <p>Management conducts comprehensive and ongoing due diligence and oversight of third parties consistent with agency expectations to ensure that the financial institution complies with consumer protection laws, and exercises strong oversight of third parties' policies, procedures, internal controls, and training to ensure consistent oversight of compliance responsibilities.</p>	<p>Board and management provide satisfactory oversight of the financial institution's compliance management system.</p> <p>Compliance resources are adequate and staff is generally able to ensure the financial institution is in compliance with consumer laws and regulations.</p> <p>Management conducts adequate and ongoing due diligence and oversight of third parties to ensure that the financial institution complies with consumer protection laws, and adequately oversees third parties' policies, procedures, internal controls, and training to ensure appropriate oversight of compliance responsibilities.</p>	<p>Board and management oversight of the financial institution's compliance management system is deficient.</p> <p>Compliance resources and staff are inadequate to ensure the financial institution is in compliance with consumer laws and regulations.</p> <p>Management does not adequately conduct due diligence and oversight of third parties to ensure that the financial institution complies with consumer protection laws, nor does it adequately oversee third parties' policies, procedures, internal controls, and training to ensure appropriate oversight of compliance responsibilities.</p>	<p>Board and management oversight, resources, and attention to the compliance management system are seriously deficient.</p> <p>Compliance resources and staff are seriously deficient and are ineffective at ensuring the financial institution's compliance with consumer laws and regulations.</p> <p>Management oversight and due diligence over third-party performance, as well as management's ability to adequately identify, measure, monitor, or manage compliance risks, is seriously deficient.</p>	<p>Board and management oversight, resources, and attention to the compliance management system are critically deficient.</p> <p>Compliance resources are critically deficient in supporting the financial institution's compliance with consumer laws and regulations, and management and staff are unwilling or incapable of operating within the scope of consumer protection laws and regulations.</p> <p>Management oversight and due diligence of third-party performance is critically deficient.</p>
Change Management	<p>Management anticipates and responds promptly to changes in applicable laws and regulations, market conditions and products and</p>	<p>Management responds timely and adequately to changes in applicable laws and regulations, market conditions, products and services</p>	<p>Management does not respond adequately and/or timely in adjusting to changes in applicable laws and regulations, market conditions,</p>	<p>Management's response to changes in applicable laws and regulations, market conditions, or products and services offered is seriously deficient.</p>	<p>Management fails to monitor and respond to changes in applicable laws and regulations, market conditions, or</p>

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	<p>services offered by evaluating the change and implementing responses across impacted lines of business.</p> <p>Management conducts due diligence in advance of product changes, considers the entire life cycle of a product or service in implementing change, and reviews the change after implementation to determine that actions taken have achieved planned results.</p>	<p>offered by evaluating the change and implementing responses across impacted lines of business.</p> <p>Management evaluates product changes before and after implementing the change.</p>	<p>and products and services offered.</p>		<p>products and services offered.</p>
Comprehension, Identification and Management of Risk	<p>Management has a solid comprehension of and effectively identifies compliance risks, including emerging risks, in the financial institution's products, services, and other activities.</p> <p>Management actively engages in managing those risks, including through comprehensive self-assessments.</p>	<p>Management comprehends and adequately identifies compliance risks, including emerging risks, in the financial institution's products, services, and other activities.</p> <p>Management adequately manages those risks, including through self-assessments.</p>	<p>Management has an inadequate comprehension of and ability to identify compliance risks, including emerging risks, in the financial institution's products, services, and other activities.</p>	<p>Management exhibits a seriously deficient comprehension of and ability to identify compliance risks, including emerging risks, in the financial institution.</p>	<p>Management does not comprehend nor identify compliance risks, including emerging risks, in the financial institution.</p>
Corrective Action and Self-Identification	<p>Management proactively identifies issues and promptly responds to compliance risk management deficiencies and any violations of laws or regulations, including remediation.</p>	<p>Management adequately responds to and corrects deficiencies and/or violations, including adequate remediation, in the normal course of business.</p>	<p>Management does not adequately respond to compliance deficiencies and violations including those related to remediation.</p>	<p>Management response to deficiencies, violations and examination findings is seriously deficient.</p>	<p>Management is incapable, unwilling and/or fails to respond to deficiencies, violations or examination findings.</p>
<p>Compliance Program Compliance Program factors should be evaluated commensurate with the institution's size, complexity, and risk profile. Compliance expectations below extend to third-party relationships.</p>					
Policies and Procedures	<p>Compliance policies and procedures and third-party relationship management programs are strong, comprehensive and provide standards to effectively manage compliance risk in the</p>	<p>Compliance policies and procedures and third-party relationship management programs are adequate to manage the compliance risk in the products, services and activities of the</p>	<p>Compliance policies and procedures and third-party relationship management programs are inadequate at managing the compliance risk in the products, services</p>	<p>Compliance policies and procedures and third-party relationship management programs are seriously deficient at managing compliance risk in the products, services and activities of the financial institution.</p>	<p>Compliance policies and procedures and third-party relationship management programs are critically absent.</p>

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	products, services and activities of the financial institution.	financial institution.	and activities of the financial institution.		
Training	<p>Compliance training is comprehensive, timely, and specifically tailored to the particular responsibilities of the staff receiving it, including those responsible for product development, marketing and customer service.</p> <p>The compliance training program is updated proactively in advance of the introduction of new products or new consumer protection laws and regulations to ensure that all staff are aware of compliance responsibilities before rolled out.</p>	<p>Compliance training outlining staff responsibilities is adequate and provided timely to appropriate staff.</p> <p>The compliance training program is updated to encompass new products and to comply with changes to consumer protection laws and regulations.</p>	<p>Compliance training is not adequately comprehensive, timely, updated, or appropriately tailored to the particular responsibilities of the staff.</p>	<p>Compliance training is seriously deficient in its comprehensiveness, timeliness, or relevance to staff with compliance responsibilities, or has numerous major inaccuracies.</p>	<p>Compliance training is critically absent.</p>
Monitoring and/or Audit	<p>Compliance monitoring practices, management information systems, reporting, compliance audit, and internal control systems are comprehensive, timely, and successful at identifying and measuring material compliance risk management throughout the financial institution.</p> <p>Programs are monitored proactively to identify procedural or training weaknesses to preclude regulatory violations. Program modifications are made expeditiously to minimize compliance risk.</p>	<p>Compliance monitoring practices, management information systems, reporting, compliance audit, and internal control systems adequately address compliance risks throughout the financial institution.</p>	<p>Compliance monitoring practices, management information systems, reporting, compliance audit, and internal control systems do not adequately address risks involving products, services or other activities including, timing and scope.</p>	<p>Compliance monitoring practices, management information systems, reporting, compliance audit, and internal controls are seriously deficient in addressing risks involving products, services or other activities.</p>	<p>Compliance monitoring practices, management information systems, reporting, compliance audit, or internal controls are critically absent.</p>
Consumer Complaint Response	<p>Processes and procedures for addressing consumer complaints are strong. Consumer</p>	<p>Processes and procedures for addressing consumer complaints are adequate. Consumer</p>	<p>Processes and procedures for addressing consumer complaints are inadequate.</p>	<p>Processes and procedures for addressing consumer complaints and consumer complaint</p>	<p>Processes and procedures for addressing consumer complaints are</p>

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	complaint investigations and responses are prompt and thorough. Management monitors consumer complaints to identify risks of potential consumer harm, program deficiencies, and customer service issues and takes appropriate action.	complaint investigations and responses are generally prompt and thorough. Management adequately monitors consumer complaints and responds to issues identified.	Consumer complaint investigations and responses are not thorough or timely. Management does not adequately monitor consumer complaints.	investigations are seriously deficient. Management monitoring of consumer complaints is seriously deficient.	critically absent. Meaningful investigations and responses are absent. Management exhibits a disregard for complaints or preventing consumer harm.
Violations of Law and Consumer Harm					
Root Cause	The violations are the result of minor weaknesses, if any, in the compliance risk management system.	Violations are the result of modest weaknesses in the compliance risk management system.	Violations are the result of material weaknesses in the compliance risk management system.	Violations are the result of serious deficiencies in the compliance risk management system.	Violations are the result of critical deficiencies in the compliance risk management system.
Severity	The type of consumer harm, if any, resulting from the violations would have a minimal impact on consumers.	The type of consumer harm resulting from the violations would have a limited impact on consumers.	The type of consumer harm resulting from the violations would have a considerable impact on consumers.	The type of consumer harm resulting from the violations would have a serious impact on consumers.	
Duration	The violations and resulting consumer harm, if any, occurred over a brief period of time.	The violations and resulting consumer harm, if any, occurred over a limited period of time.	The violations and resulting consumer harm, if any, occurred over an extended period of time.	The violations and resulting consumer harm, if any, have been long-standing or repeated.	
Pervasiveness	The violations and resulting consumer harm, if any, are isolated in number.	The violations and resulting consumer harm, if any, are limited in number.	The violations and resulting consumer harm, if any, are numerous.	The violations and resulting consumer harm, if any, are widespread or in multiple products or services.	

[End of proposed text.]

Dated: November 7, 2016

Federal Financial Institutions Examination Council.

Judith E. Dupre,

FFIEC Executive Secretary.