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TOP TRENDS BY CCI

## Bank Growth & Compliance Woes

As Bank Compliance Consultants, we see many ways of setting up Compliance Management Systems (CMS). A lot of our time is spent assisting with setting up or reviewing a CMS. Complete Compliance Inc. (CCI) is often asked to assist in creating policies and procedures, providing auditing advice, implementing internal control best practices, or even temporarily filling staffing gaps when internal resources are stretched. Those items can be easily answered or provided. However, the more complicated question we encounter is **“When should a Bank hire additional compliance staff?”**

The decision to hire additional compliance staff depends on a variety of factors unique to “each Bank's size, complexity, and risk profile”. Doesn’t that sound like a regulatory answer!

CCI will try to break that broad answer down for you.


## Key Considerations

Here are some key considerations:

- **Asset Size:** The first thing a Bank can consider is its current asset size. Now, not all asset sizes are created equal. But this is a good jumping-off point. Some considerations regarding asset size are as follows: Is the Bank heavily centered in consumer products? Such as deposits, installment loans, lines of credit, and mortgages. Compared to a Bank that is heavily reliant on Agricultural and Commercial products.

  The more consumer-based a Community Bank, the greater the compliance complexity and burden. Below is a chart that samples some of our clients’ staffing in compliance and Bank Secrecy Act. As you can see, if you are hitting the 250 million asset range or higher and only operating with one full-time employee (FTE), it may be time to think of recruiting additional staff.

| Bank Asset Size (Millions) | Compliance FTEs | BSA FTEs |
|---|---|---|

| | | |
|---|---|---|
| <$250M | .5 | .5 |
| $250-$500M | 1.5 | 1.5 |
| $500M-$1B | 2 | 2 |
| >$1B | 2+ | 2+ |

- **Growth and Increased Regulatory Burden:** As a Bank grows in size, enters new markets, or offers new products and services, the complexity of its compliance obligations increases, requiring additional staff to manage the expanding workload.
    - Expanded workload can include:
        - Additional audit/monitoring
        - Larger audit samples
        - Additional staff training
        - Creating additional policy and procedures
        - Creating additional disclosures

- **Regulatory Changes:** The financial industry faces a constantly evolving regulatory landscape. New laws, regulations, and enforcement actions can necessitate additional compliance resources to ensure adherence.

- **Inadequate Resources:** If a Bank's existing compliance team is struggling to keep pace with the workload and failing to meet deadlines, it's a clear sign that additional staff is needed.
    - Signs of struggling with workload:
        - Additional regulatory examination findings
        - Additional internal audit findings
        - Late or inadequate reports to the Board
        - Employee burnout

- **Expansion into Regulated Markets:** Entering new geographical markets or offering services in highly regulated sectors will require specialized compliance expertise and potentially additional staff to navigate the specific regulatory requirements.

  Going into a new market, for example, establishing a branch office located in a metropolitan statistical area, could make the Bank subject to the Home Mortgage Disclosure Act (HMDA). While it is not a new regulation for the industry, the collecting and reporting requirements of HMDA may be new to that Bank.

- **Increased Regulatory Scrutiny:** If regulators have identified compliance issues or imposed enforcement actions, a Bank may be required to beef up its compliance department as part of remediation efforts.

- **Technological Advancements and Fraud Prevention:** The rise of Banks utilizing anti-money laundering (AML) and anti-fraud monitoring software could potentially require additional assistant AML officers or compliance officers with expertise in these areas. AML software does not necessarily reduce the workload of the Bank Secrecy Act (BSA) staff. The large number of alerts and cases created by the software will need to be investigated and documented in a timely manner. Possible areas of increased staff include customer due diligence procedures and increased SAR filings.

A robust compliance program is essential for protecting a Bank's reputation, financial stability, and operational efficiency. Hiring qualified compliance professionals is a key strategic move in proactive risk management, helping prevent costly violations and supporting long-term growth.

In essence, Banks should continuously assess their compliance needs and the capacity of their existing team. Regularly evaluating factors like growth trajectory, regulatory changes, and risk assessments will help determine the optimal timing for hiring additional staff to maintain a strong and effective compliance function.

## Staffing Analysis/Plan

If you are feeling the pinch of being a Compliance and/or BSA Officer, it may be time (in your spare time, HA!) for you and Human Resources to do a staffing analysis and create a staffing plan for your business unit.

Staffing plans allow Banks to identify and assess their personnel needs so they can achieve their strategic goals. These plans can make it easier for Banks to find employees to assist in ensuring regulatory requirements are met and to identify the proper skill sets for the staffing gap.

**What is a staffing plan?**
A staffing plan is a tool that the Bank can use to analyze its current and future staffing needs. When companies grow, they may decide to scale their labor to match the demand. A staffing plan helps businesses analyze the skills they need to determine which roles to create.

**Creating a staffing plan**
Here are some steps you can take to create an effective staffing plan for your business unit:

1. **Determine your goals**

First, evaluate the goals you want to achieve by considering the Bank’s goals. For example, if you work for a Bank that has plans to expand into a new market or expects to sell products to a new market by a specific date, consider how that might affect your staffing goals. Understanding the Board of Directors’ expectations can assist you in aligning your staffing goals with your Bank’s strategic goals.
Goal examples:

- Ensure BSA SAR and CTR reports continue to be completed accurately and filed in a timely manner
- Provide “X” amount of training to staff per quarter
- Implement and manage new software (HMDA and/or AML)
- Complete “X” number of internal audits per quarter

2. **Assess current staff**

You can give the Board a better understanding of the staffing needs by compiling a list of current job descriptions and analyzing the current staff. For many Compliance and/or BSA Officers, this is easy because it is “you” who is juggling an overabundance of duties.
Compiling the list of current duties on your plate can help you examine what is required to maintain a positive compliance structure for the Bank. Listing current job duties and the time required to complete them can also serve as a helpful reference when it's time to hire additional staff. Review the following job responsibilities (not all inclusive) and ask yourself:

- “How many of these job functions am I doing?”
- “How many of these job functions am I not doing?
- “How much time are these job functions taking?” vs “How much time is needed to perform effectively?”


## Compliance Officer Responsibilities

**Regulatory Tracking**: Monitor changes in regulations, new regulations, and other financial authority guidelines; initiate internal updates.

**Policy Enforcement**: Ensure adherence to internal compliance frameworks, operational manuals, and standard procedures.

**Audit Coordination**: Prepare documentation for statutory, internal, and external audits; manage audit queries.

**Risk Assessment**: Identify procedural gaps, assess compliance risk areas, and recommend mitigation measures.

**Training Oversight**: Conduct internal awareness programs for teams on new or revised compliance requirements.

**Documentation Review**: Vet loan files, transaction logs, KYC records, and other client-related documentation.

**Reporting**: Generate compliance reports, MIS summaries, and dashboards for senior leadership.

**Regulatory Liaison**: Communicate with regulators and industry bodies during audits or inspections.

**Incident Escalation**: Report breaches or deviations from approved procedures as per the Bank's escalation matrix.

## Assistant Compliance Officer Responsibilities

**Internal Reviews:** Review of new deposit account opening documentation and reports for CIP compliance and ensuring all required documentation is collected and accurate; maintains an exception report of missing information for follow-up by branch personnel.

**Customer Base Monitoring:** Performs daily review of various reports, logs, and transaction data to identify trends and unusual activity. Assist with low and moderate-risk transaction monitoring to determine if transactions are suspicious in nature, such as kiting, significant changes in balances, cash structuring in deposits, loans payments, and certificate of deposit purchases, wire, or ACH transfers, monetary instrument sales, new account openings, etc.

**Internal Audit:** Audit of various compliance areas, such as Flood, Expedited Funds Availability, Electronic Funds Transfer Act, Truth in Savings Act, Home Mortgage Disclosure Act, Non-Originated Loans, and Open-End Credit.

**Complaint Management:** Provides clerical support for the process of documenting, tracking, and responding to complaints concerning the Bank's policies and procedures.

**Manage Daily BSA Requirements:** Works with the Bank's OFAC system and FinCEN 314(a) & (b) lists and inquiries; appropriately responds to positive hits that are detected. Assists in the investigation of issues relating to lost or stolen checks, fraud, teller overs and shorts, and other security issues to help mitigate risk and minimize loss to the Bank. Reviews Currency Transaction Reports (CTRs) completed by branch personnel for accuracy and filing; reviews daily currency reports to ensure CTR's have been completed for all reportable transactions.

**Training:** Ensures timely distribution of compliance-related materials and publications to designated personnel.

**Additional Support:** Assists in special projects and tasks for the department as directed.

## Bank Secrecy Act Officer Responsibilities

**Overseeing and Developing the BSA/AML Program:** This involves establishing and maintaining a comprehensive program designed to prevent and detect money laundering and terrorist financing, including policies, procedures, and controls.

**Risk Assessments:** Conducting regular assessments to identify and evaluate money laundering and terrorist financing risks associated with the Bank's products, services, customers, and geographic locations.

**Monitoring and Reporting Suspicious Activity:** Implementing systems and processes to monitor transactions for suspicious patterns and activity and filing Suspicious Activity Reports (SARs) with FinCEN when warranted.

**Ensuring Timely and Accurate Regulatory Reporting:** This includes filing Currency Transaction Reports (CTRs) and SARs to FinCEN, along with complying with other relevant reporting requirements like FinCEN 314(a) and 314(b) requests.

**Customer Identification Program (CIP) and Due Diligence:** Administering the CIP and ensuring proper customer due diligence (CDD) and enhanced due diligence (EDD) procedures for customer onboarding and ongoing monitoring, according to Bank policy and procedures.

**Training and Awareness:** Developing and delivering training programs to educate Bank personnel about BSA/AML compliance requirements, policies, and procedures.

**Liaison with Regulatory Bodies and Auditors:** Acting as the primary contact for BSA/AML examinations and audits, responding to inquiries, and overseeing remediation activities for identified deficiencies.

**Maintaining Current Knowledge:** Staying informed about changes in BSA, AML, OFAC, and related regulations, industry best practices, and new money laundering schemes.

**Utilizing BSA/AML Technology:** Employing and managing automated BSA/AML monitoring and transaction surveillance systems.

## Assistant Bank Secrecy Act Officer Responsibilities

**Monitoring & Investigation:** Reviewing transactions and reports, often using AML software, to identify suspicious patterns and activity. Investigating potential suspicious activity and documenting the investigative steps. Conducting enhanced due diligence on high-risk customers and accounts. Assisting the BSA Officer in determining whether to file Suspicious Activity Reports (SARs).

**Reporting:** Assisting with completing and filing required regulatory reports, such as Currency Transaction Reports (CTRs) and Suspicious Activity Reports (SARs). Supporting the BSA Officer with FinCEN 314(a) and 314(b) monitoring.

**BSA Program Support**: Staying informed about Banking laws and regulations related to BSA, AML, and OFAC. Assisting with the implementation and maintenance of the Bank's BSA/AML compliance program. Assisting with preparing for regulatory BSA examinations and internal/external audits. Assisting with the creation, maintenance, and updates of BSA-related policies and procedures.

**Training**: Assisting in the development and delivery of training programs to educate Bank personnel about BSA compliance requirements and procedures.

**Administrative Tasks:** Performing various administrative duties as directed by the BSA/Compliance Officer.

### 3. Analyze staffing patterns and changes

Understanding the regulatory environment for your Bank can help you develop a staffing plan that accounts for regulatory changes and strategic growth. Here are some other forecasted changes that might occur to include in your staffing plan:

- Expected job growth
- Upcoming retirements
- Maternity and paternity leaves
- Upcoming promotions

### 4. Project future needs

After analyzing the regulatory environment and the Board’s strategic plan, consider creating a projection for staffing your business unit’s needs. Here are some prediction techniques that you can adopt:

- **Rule of thumb:** This is the technique for predicting potential needs based on existing structures. For example, if you have a manager for every three employees, the rule-of-thumb method requires that you hire another manager for every three new roles you fill.
- **Delphi Method:** This method uses the expert opinions of a select group of high-level managers and consultants to determine staffing predictions. They base their opinions on their previous experience within the company, and have an organizer compile their opinions and suggestions anonymously, and the group votes to establish the preferred staffing plan.
- **Productivity ratio:** This ratio calculates how much work one employee produces and then determines future recruitment needs based on predicted growth in productivity. For example, if one employee produces 25 units of a product in one day, and the organization intends to increase that to 100 units per day in the next quarter, you know to hire four employees by that quarter.
- **Regression analysis:** This analysis compares previous labor and staffing to future predictions. You use this model to make predictions about your ability to increase staffing based on previous staffing levels.

## A Different Option to Consider: Outsourcing with CCI

If your Bank is feeling the pinch but isn't quite ready to hire additional full-time staff, there's another option worth considering, outsourcing specific compliance functions to a trusted consultant.

Complete Compliance Inc. (CCI) works with community banks to fill staffing gaps in a flexible and cost-effective way. Whether you need help with policy creation, audit preparation/remediation, internal audit/monitoring, or staff training, CCI can provide experienced professionals who understand the regulatory landscape and the unique challenges faced by smaller institutions.

Outsourcing can be especially helpful when:

- You are navigating a regulatory exam or remediation
- You are implementing new compliance regulations
- You are expanding into new markets or product lines
- You are experiencing turnover, leave, or temporary staffing shortages
- You hired new staff who could benefit from mentoring

Partnering with CCI allows your Bank to maintain a strong compliance posture without the long-term overhead of hiring. It's a practical solution that supports your strategic goals while ensuring regulatory expectations are met.

## Conclusion

Managing the day-to-day functions of a CMS has its challenges, especially for compliance officers at smaller Banks that lack the resources of their larger counterparts. It is essential for the Bank's Board of Directors and senior management to support compliance officers. Compliance may be viewed as a cost center at some Banks and does not always receive the full support needed. Both the Bank and its stakeholders benefit from an effective CMS, which can protect the Bank and its brand from legal and reputational risks that could result in enforcement actions and monetary penalties.

**If your Bank is exploring outsourcing options or needs temporary support, Complete Compliance Inc. (CCI) is here to help. Contact us today to learn how we can tailor our services to meet your compliance needs.**

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