

FEATURES

Volume 25, No.5



**4 Compliance Risk:
 Ensuring the Risk Taken is the Risk Intended**

BY MICHAEL D. KELSEY AND MICHAEL MATOSSIAN, CRA, CMA, CRP

In developing and implementing regulatory compliance programs, financial institutions are wise to utilize a risk-based versus rule-based approach, focusing compliance resources on minimizing the greatest risks to ensure that the risk taken is the risk intended.

10 Error Resolution and Liability under Reg. E

BY JOHN S. BURNETT

Error resolution and consumer liability under Reg. E are causes célèbres among compliance professionals, regulators, auditors, and, of course, bank operations staff charged with implementing policies. As with many of the processes we must understand in the banking world, the landscape continues to change as businesses, consumers, and banks find new ways for customers to complete payments electronically.

14 ADAPt to Working “SMAART”

BY RICHARD R. RIESE

Enlisting even the best business executives and their staffs in the pursuit of good compliance practices can be like dosing a reluctant patient. By translating the Federal Sentencing Guidelines *and* your core corporate values into an accessible campaign to begin Working SMAART, you may just have found your spoonful of sugar.

**24 The State of Affiliate Transactions
 under Reg. W**

BY PATRICK S. MURPHY AND ELLIOT H. BERMAN

It has been just over one year since the Federal Reserve Board issued its final Reg. W implementing the various limitations and requirements imposed by Sections 23A and 23B of the Federal Reserve Act, and financial institutions across the country are beginning to understand the regulation’s far-reaching implications on the way transactions with “affiliates” must be structured.



**38 Study Strategies Bring CRCM
 Certification Success**

BY MEG SCZYRBA, CRCM, CRP

The challenges of taking the CRCM exam can be addressed by optimizing your learning style.

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The challenges of taking the CRCM exam can be addressed by optimizing your learning style

BY MEG SCZYRBA, CRCM, CRP



Study Strategies Bri

In spite of the multitude of benefits that come from passing the Certified Regulatory Compliance Manager (CRCM) exam, the four-hour test intimidates many who plan to sit for the certification. Candidates can gain confidence and better prepare themselves by adopting strategies that have worked for other compliance professionals.

Attaining the CRCM certification is no easy task, as the associated exam is a difficult one that requires a good deal of preparation. However, it is well worth it in the long run, because the designation demonstrates a high degree of knowledge and experience in understanding banking regulations. Having your CRCM tells your bank's management and its regulators that you can manage a compliance program, and it makes you more marketable should you ever decide to pursue other career options.

First Things First

It is important to understand how *you* learn best. Everyone studies differently, and no one method is better for everyone than any other.

Try to remember when you were in school—what worked best for you then? Was it repetitive reading, outlining the material, or perhaps talking things out with a study partner or group? Many people learn through a combination of methods, and each of those can be incorporated into the study techniques described below.

If you want a quick test of what type of learner you are, think about the following questions:

- ➡ What was your boss wearing yesterday?
- ➡ The last time you listened to the radio, what was playing?
- ➡ The last time you took a nature walk, what did you see?

Was one of these questions easier for you to answer? Where did you look when formulating your response—up, down, or side to side?

While most people tend to utilize a combination of learn-

ing methods, the answers to these questions might tell you something about your optimal learning techniques.

Resources

As you begin preparing for the CRCM exam, consider the available resources. The American Bankers Association (ABA) provides several solid tools that can help you prepare. I used the *ABA Reference Guide to Regulatory Compliance* and attended the ABA National Compliance School. I highly recommend both.

The *ABA Reference Guide to Regulatory Compliance*, which served as my primary source of information, outlines all of the regulations covered on the exam (and then some) and presents sample test questions at the end of each section.

The test questions are an important tool in helping you understand the style of the test and the philosophies you'll need to appreciate to pass the exam. In addition, you'll be able to judge your comprehension of the materials and alter your study plan if necessary. If you did not do as well as you would like on a particular section, consider delving further into the material, reading the regulation itself, or consulting with someone who has more expertise in that topic to gain a better understanding. The great thing about this book is that you can continue to use it as a reference tool after the exam.

■ **TIP:** Copy the questions from the *ABA Reference Guide to Regulatory Compliance* and cut them apart to create flash cards.

I attended the ABA National Compliance School for a solid overview of regulatory compliance. The instructors provide practical

ng CRCM Certification Success

explanations of the high-risk regulations, and you can ask as many questions as you like. As a bonus, the school counts toward the prerequisite continuing education hours needed to sit for the CRCM exam. I took the exam immediately after attending the school, while the material was still fresh in my mind.

In addition to the favored study tools, the Institute of Certified Bankers (ICB) now offers an online resource: an eight-week course based on the *ABA Reference Guide to Regulatory Compliance*. Each week, participants read one section from the manual and complete quizzes to test their knowledge. There is a discussion board for each week's assignments so a qualified mentor can answer any questions raised.

Now that you know what you will need to prepare for the exam, let's crack those books! Depending on your circumstance, you may be flying solo, know one or two others who would also like to take the CRCM exam, or be part of a whole department that's working to become certified. Study strategies can be geared toward any situation.

Flying Solo

Some people work best by themselves. Debbie Ray, CRCM, and president of AIIZ Compliance Consulting, started studying five months prior to the exam, working her way through the reference guide at a leisurely pace and then working through it again prior to the exam as a refresher.

She created note cards on challenging questions and topics on which she was less knowledgeable. "I'd use the flash cards to prompt my memory as I studied," she recalled. "I also went to the regulation if it was a particularly hard area for me and highlighted

the key points."

As do most educators, Ray recommends against cramming the night before the test. "I think I actually took a break from it so I'd be fresh for test day," she said.

■ **TIP: Give yourself plenty of time to absorb all the material.**

Studying with a Small Group of Candidates

I prepared for the CRCM exam with a co-worker. We created a timetable for our study sessions and agreed to stick to it—just like working out at the gym with a partner. This arrangement provided a strong motivator to keep on schedule and not let the other person down.

Each week, we carved out two one-hour study sessions and also reviewed the material separately. We chose regulation assignments

and alternated days for presentations.

To prepare for my presentations, I would highlight and outline the regulation and review the applicable questions, making sure the answers were incorporated in my presentation to my study buddy. If I did not understand an answer, I would research it until I did. On the appointed day, I would cover the material and quiz my partner, explaining whatever errors he might have made.

For material my partner presented, I would read and highlight the material before our session and go back and outline it after the session. We alternated this way through the regulations, keeping each other on track.

While it was helpful to study with a partner, it was equally beneficial for me to spend time working through the materials alone. Our joint study sessions ended several weeks prior to the exam to allow each of us to go back and focus

Question	Eye Movement During Recollection	Optimal Learning Type	Learning Methods	Typical Statement
What was the boss wearing?	Looks up	Visual	<ul style="list-style-type: none"> ▶ Reading ▶ Actual disclosures ▶ Charts 	Oh, I see!
What song was on the radio?	Side to side	Verbal/auditory	<ul style="list-style-type: none"> ▶ Study group ▶ Lecture ▶ Talking things out 	I hear you!
What did you see on your nature walk?	Looks down	Kinesthetic	<ul style="list-style-type: none"> ▶ Anything you can feel/touch ▶ Study cards ▶ Role playing 	I feel your pain!

Sample CRCM Study Group Calendar

on our areas of weakness.

■ **TIP: Make a schedule for covering all the material and agree to stick to it.**

Studying with a Larger Group of Candidates

Since passing the CRCM exam, I have encouraged my co-workers to also become certified by organizing larger study groups and arranging participation from additional colleagues. We keep the same basic meeting schedule of one hour, twice a week, and build on the earlier ideas. We try to alternate lending, deposit, and other subjects so everyone sees some familiar ground on a regular basis. (See attached sidebar).

Working with a larger group allows more discussion time with those who have experience in different areas of the bank. At my prior bank, each compliance officer specialized in several regulations and made group presentations on their areas of expertise.

When it was their turn to conduct the study session, the experts were expected to have reviewed the material and understand the applicable questions. In addition, they brought in copies of all applicable disclosures to help explain the regulatory requirements, making the requirements more concrete and therefore easier to grasp. When reviewing the list of required elements in each regulation, participants can see how those requirements are incorporated into the actual disclosure. Example: Reg. B could include copies of the following:

- ➡ adverse action notice
- ➡ notice of incompleteness
- ➡ loan application
- ➡ notice of right to receive copy of an appraisal

Participants in larger study groups are expected to have reviewed the material before the presentation and come with any questions they might have. "I found it particularly beneficial to discuss requirements that I found confusing with others," said Margaret Silvers, CRCM, VP and manager of compliance, Greater Bay Bank, N.A. "Conferring with others who regularly dealt with the regulation and having

them share practical examples of the regulations that I did not work with on a regular basis was very helpful."

"I think that the study group arrangement worked really well," said former colleague Jan Woolsey, CRCM, VP and manager of CRA/HMDA coordination at Union Bank of California. "We didn't all have to prepare it all ...and running through the questions with other people was very good."

Other groups have employed professional trainers to conduct intensive seminars or have held brown-bag "lunch and learn" refresher courses just prior to the exam.

■ **TIP: Procure sample disclosures for the regulations you study to make the material seem more concrete.**

Final Thoughts

Remember, there is no ideal way to study. You must decide what's best for you. For best results, though, I encourage you to take advantage of the successful methods that boosted many compliance professionals to CRCMs. The CRCM designation represents your ability to tackle today's complex compliance issues. Good luck in your studies. **BC**

ABOUT THE AUTHOR

Meg Sczyrba, CRCM, CRP, is the compliance process manager at Washington Mutual. She previously worked for Union Bank of California in various compliance positions. Ms. Sczyrba chairs the Institute of Certified Bankers' (ICB) CRCM Advisory Board and is an active member of the ABA's Compliance Executive Committee, ABA Bank Compliance magazine Editorial Advisory Board, ICB's Certification Council and the California Bankers' Regulatory Compliance Committee. She attended the University of Missouri-Columbia where she earned a bachelor's degree and a J.D. Before entering the banking arena, she was a practicing attorney. Ms. Sczyrba can be reached via e-mail at meg.sczyrba@wamu.net and welcomes any questions you may have regarding CRCM.

WEEK 1:	May 9 May 11	Tuesday Thursday	Reg B Fair Housing Act
WEEK 2:	May 16 May 18	Tuesday Thursday	Reg M Fair Credit Reporting Act
WEEK 3:	May 23 May 25	Tuesday Thursday	Reg E Reg DD
WEEK 4: (Memorial Day)	June 1	Thursday	Lending Limits / PMI
WEEK 5:	June 13 June 15	Tuesday Thursday	Reg Z Reg Z
WEEK 6:	June 20 June 22	Tuesday Thursday	Regs D & Q ARMs / Appraisals
WEEK 7:	June 27 June 29	Tuesday Thursday	23A & B Reg AA / Holder in Due Course
WEEK 8: (Fourth of July)	July 6	Thursday	Reg CC
WEEK 9:	July 11 July 13	Tuesday Thursday	Flood OFAC & Anti-Boycott
WEEK 10:	July 18 July 20	Tuesday Thursday	Municipal Securities Government Securities Act
WEEK 11:	July 25 July 27	Tuesday Thursday	BSA / USA PATRIOT Act Bank Bribery/Bank Protection Act
WEEK 12:	August 1 August 3	Tuesday Thursday	Lost & Stolen Securities Reg U
WEEK 13:	August 8 August 10	Tuesday Thursday	Fair Debt Collection / Servicemembers Civil Relief Branch Closure /Financial Disclosures /Anti-Boycott
WEEK 14:	August 15 August 17	Tuesday Thursday	Right to Financial Privacy HMDA
WEEK 15:	August 22 August 24	Tuesday Thursday	FDIC Insurance Non-Deposit Investments
WEEK 16:	August 29 August 31	Tuesday Thursday	IRS CRA
WEEK 17: (Labor Day)	September 7	Thursday	Reg O
WEEK 18:	September 12 September 14	Tuesday Thursday	ADA Reg X
WEEK 19:	September 19 September 21	Tuesday Thursday	CRA Sunshine Privacy / COPPA
WEEK 20:	September 26 October 3	Tuesday Thursday	Insurance Compliance Risk Management