

By ANDY ZAVOINA, CRCM

Research and Resources

MANY YEARS AGO, I was a lender who paid attention to detail. I liked being a nitpicker and knowing the difference between “you will” and “you may.” I knew I could do compliance, and the position was vacant in my bank. Because there were not a lot of applicants for the position, and never had been, I also thought the position would deliver job security. Many banks fill compliance positions internally, but very few enter this field with any formal compliance training—at least not when they first start. The bank wants to see some demonstrations before it commits to a weeklong training session. And some compliance officers may never have a “formal” compliance education outside daylong seminars here and there.



While many banking positions lend themselves to on-the-job training, many parts of compliance do not. And certain aspects of this job can be difficult to learn without a mentor. Even when you develop a networking group, there are still things you may not ask because they seem too basic.

An episode of The Andy Griffith Show comes to mind:

One day, in the Mayberry Sheriff's Office, Barney commented to Andy that Andy had good judgment, and he asked where this came from. Andy told him good judgment came from experience. Barney naturally asked how you get experience. Andy told him that came from bad judgment. Getting experience in compliance shouldn't require bad judgment or mistakes, but that is often how it happens. You only hope these learning opportunities

are not damaging or costly.

In this article, we will look at some fundamentals of compliance research and resources—basics that are rarely taught outside a formal compliance

school. Understanding some of the basics between, for example, USC and CFR, develops increased levels of confidence when researching compliance issues, writing comment letters, or talking about compliance with peers.

Let's start with a real example played out what seems like every year in banks from coast to coast. The president heard a report that banks can now pay interest on commercial demand deposit accounts. He wants to know whether you are preparing information for the bank so it can develop a product. You, in turn, need to visit Thomas,¹ where you can conduct a keyword search for new bills and laws on the subject. You doubt the existence of such new legislation because you haven't heard about it in the industry but know you probably would have if there were a new law.

Thomas, from the Library of Congress, is a searchable database where

you may check on the status of past and pending legislation and new laws. You can search by keyword or by bill number. Figuring out what keywords to use is often the hardest part. You may start with many words and eliminate some to increase your results, and then add keywords to refine the search. The beauty of it is that you can always try again. There is an excellent FAQ section on the site that will teach you how to best use it. Familiarize yourself with the FAQ, as it can save you a lot of time and help you get the most accurate search results. If you were looking at the 108th Congress, 2003-2004, a search on “commercial, interest, deposit” would yield 50 bills containing these words. One is HR 1375, the Financial Services Regulatory Relief Act of 2004. Looking at this bill, you will see four versions. It was introduced into the House and then reported on. It was passed by the House and then referred to a Senate committee. There it died; there was no Senate version to be passed. There was no conference between the Senate and the House to pass similar bills, which would then have been presented to the president for signature and made law.

ALL BILLS introduced in the House will begin with HR; those in the Senate will begin with S. A bill listed as “engrossed” includes amendments. For each bill, there will typically be a House version (HR) and a Senate version (S), each of which is then reviewed by a committee comprised of representatives of each. They compromise and end up with a version both sides will pass. When passed, bills will become public law (PL) when the president signs them

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or they are approved by inaction. They may otherwise be vetoed.

Public laws are codified into the United States Code (USC). "USCA" is the United States Code Annotated, which includes court cases—and this makes it an excellent resource. The USC is broken into titles. Title 12 is Banks and Banking. This doesn't mean other titles don't affect banking, but that most of what interests us is under Title 12.

Titles are broken into sections, often denoted by the section symbol, §. As an example, PL 102-242 is from the 102nd Congress in 1991-1992. It was the 242nd law. It became 12 USC 4301 and is now known as 12 CFR §230, Truth in Savings. In your research, you may find reference to the public law, the United States Code, or the regulatory version.

LAWS TEND TO BE very broad and require regulations to refine them and make them more specific and usable by the industry. For this process there are an advance notice, public hearings, and comments. From the information gained through that process, regulations are produced. The Federal Reserve Board (FRB) writes most of the banking regulations and therefore has the ownership rights to interpret them. These are codified in the Code of Federal Regulations (CFR). Title 12 is, again, banking. The FRB uses the 200 series, so 12 CFR §202, as an example, is Reg. B. Note that B is the second letter of the alphabet. 12 CFR §203, is Reg. C, the third letter of the alphabet and so on up to 12 CFR §226, the 26th letter, which is Reg. Z.

Regulations are divided up by agency, although the FRB's is the common reference because of its ownership. The OCC has regulations 1-99, the FRB 200-299, the FDIC 300-399, and the OTS 500-599. If a peer discussed a violation of 12 CFR §21.11, this would refer to an OCC citation that relates to a suspicious activity report.

When researching a regulatory requirement, look beyond the regulation itself. The Official Staff Commentary (OSC) expands and explains the requirement, and has the full force and effect of the regulation itself. The OSC generally follows the regulation and is broken into similar sections.

Comment requests for proposed regulations and changes are sent from the regulatory agencies but are officially published in the *Federal Register*. You can have the table of contents of the *Federal Register* sent to you via listserv each business day.² It's a good idea to do a keyword search of the e-mail as it arrives. Search for words important to you and for your regulatory agency—"deposit" for the FDIC, "reserve" for the FRB, "comptroller" for the OCC, and "thrift" for the OTS—to help limit search results to the agency you are seeking. "Federal" as a search word would yield many, many hits in the *Federal Register* and thus wouldn't be a good keyword. "Treasury" is a nice catchall for many agencies, including the OCC, the IRS, and FinCEN, as they are under the Treasury. Good search words will key you in to topics in the register that day. If your search retrieves no hits, it's possible your search results didn't include the entire document. You can get a feel for this by scanning the contents and seeing what else is of interest. The contents are also on the Web,³ updated early each morning, and they may be scanned and searched by keyword there as well. The *Federal Register* is a crystal ball, telling you what will be happening in the future. It is worth knowing what lies ahead so you can be proactive instead of reactive.

YOU CAN ALSO SIGN UP for a daily e-mail from your regulatory agency. In fact, you can subscribe to any agency, whether or not it is your primary regulator.⁴ When an agency publishes items of interest, it notifies subscribers via e-mail.

There are more sources as well. The ABA has 22 listservs⁵ to which members can subscribe free of charge. Additional resources are available from BankersOnline,⁶ the GAO,⁷ and from some vendors and consultants. Google, one of the largest and most efficient search engines on the Web, also has a free delivery service.⁸ By registering and providing a list of keywords—perhaps your bank's name, peer banks' names, "Bank Secrecy Act," "bank compliance," "suspicious activity report," and "electronic signature," among others—you'll put Google to work searching each day's Web stories for your keywords. Google will send you a daily list of these stories, or send them as it

finds them (your choice).

The FDIC sends its members slip sheets that go into a brown multivolume set listing the regulatory requirements and the alphabet soup regulations so familiar to compliance professionals. If you see this book on someone's shelf with two years' worth of slip sheets piled next to it, ask whether you may have it as a reference. They'll likely be happy to give it up. The FRB also publishes the Federal Reserve Regulatory Service (FRRS), which is updated monthly at a cost of \$200 annually. The FRRS is also available on CD-ROM for \$300 annually, and in the CCH Banking Services Library (on CD).

THERE ARE MANY SOURCES for compliance research on the Web. ABA members can look to the Center for Regulatory Compliance⁹ and some articles from this magazine,¹⁰ as well as a past-articles index¹¹ to help in locating past articles by regulation, statute, or subject. To find a compliance portal, a major source for related topics, visit the BankersOnline Launch Pad¹² for the consumer regulations and more.

To retrieve more hits from electronic resources, including Web pages, PDFs, and Microsoft Word documents, search for "root" words such as "overdraft" instead of "overdrafts" or "exempt" instead of "exemption." In Word documents, use comments (from the Insert menu, scroll down to Comment) and highlights to note things you want to find easily—just like sticky notes and a highlighter on paper-based regulations. An often-overlooked navigation tool lets you scroll through these quickly: At the lower right of a Word document window, you will see a double arrow pointing up, a dot, and a double arrow pointing down. Click on the circle to choose whether to browse by page, footnote, comment, or several other options. Use the arrows to skip to the next and previous occurrences of your browse item. In a Word version of the FACT Act, for example, you might highlight several sections of interest. You can jump directly from one to the next using this navigation bar. If Word finds none of these items in your document, the arrows will take you up or down a page as a default.

TO RESEARCH A LAW ONLINE, try using the Legal Information Institute¹³ from Cornell University Law School. (Cornell also offers a listserv that will notify you by e-mail of new cases of interest, often before you hear it elsewhere.) By mousing over the left-side navigation bar “Constitutions & codes,” you can select from nine items, of which the US Code, Code of Federal Regulations, and the Uniform Commercial Code are likely to be popular choices. There you will be able to search by citation or table of contents via a search engine on the site. The Cornell site is limited to federal laws and will not include state-specific laws or your state’s version of the UCC. Develop a list of these as you network with peers and come across them in various searches.

You can save an online document two ways: by saving the web address, and by saving the document to your computer. I often do both. To save the address, make it a bookmark or favorite in your Web browser. To save an online document in Internet Explorer, select File and scroll down to Save As. Web sites change and come and go. The next time you need a document, it might not be there, or you might not have an Internet connection available. Save the content, as long as doing so does not violate copyright laws. Consider changing the title to something more recog-

nizable based on the subject matter.

I hope these tips will assist you in researching compliance topics and in recognizing where to look for information. In many cases, it will simplify to help keep up with the daily news in the world of compliance—and many of the free (of free-to-members) resources described make that easier by automatically notifying you of changes, so you don’t have to spend your limited and valuable time each day looking for these changes. This is what working smarter, not harder, is all about. **BC**

ABOUT THE AUTHOR

Andy Zavoina, CRCM, is an executive vice president with the *Gila Group*, best known for its involvement with *BankersOnline.com*, where he is also a *BankersOnline Guru*. He joined *Gila* in 2003.

Mr. Zavoina, who has been in finance and banking for 23 years, was the 2003 recipient of the American Bankers Association’s Distinguished Service Award for his involvement and accomplishments in the field of regulatory compliance management. He is a past chairman of the ABA Compliance Executive Committee and currently serves on the ABA Bank Compliance Editorial Advisory Board, Compliance Action magazine, and is a

member of the ABA Compliance School Board. He also served on the Texas Bankers Association’s Compliance Committee.

He is a graduate of the ABA National Commercial Lending School, National Compliance and National Graduate Compliance Schools, and is a Certified Regulatory Compliance Manager with the Institute of Certified Bankers. You can reach Andy on the Internet by using his e-mail address, andyz@bankersonline.com, or visiting his personal Web site at <http://home.hot.rr.com/zavoina/home.html>.

Endnotes

¹<http://thomas.loc.gov/>

²<http://listserv.access.gpo.gov>

³www.access.gpo.gov/su_docs/aces/fr-cont.html

⁴www.federalreserve.gov/boarddocs/press/subscribe/subscribe-lsoft.htm www.occ.treas.gov/listserv.htm www.fdic.gov/about/subscriptions/index.htm www.ots.treas.gov/subscription/default.cfm?catNumber=116

⁵www.aba.com/members+only/comm+tools/abalistservs.htm

⁶www.bankersonline.com/bankbriefs/bankbriefs.html

⁷www.gao.gov/subtest/subscribe.html

⁸www.google.com/alerts

⁹www.aba.com/Compliance/SubResources.htm

¹⁰www.aba.com/bankcompliance/default.htm

¹¹www.aba.com/bankcompliance/bc_article_index.htm

¹²www.bankersonline.com/launch/launch.html

¹³www.law.cornell.edu/

Compliance Navigation When and Where You Need It.

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