SCALING COMPLIANCE

THE CUBE GUIDE FOR GROWTH ORGANIZATIONS

CUBE.GLOBAL

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ABOUT THIS GUIDE

Developing a compliance program robust enough to meet regulatory expectations as the broader business grows can be a complex and challenging endeavor.

From managing vast amounts of data to navigating cross-border regulations, compliance executives face numerous challenges in scaling their programs effectively.

This guide is designed to help compliance executives strengthen and adapt their programs to align with their organization's growth, evolving regulatory requirements, and the changing risk landscape.

By leveraging strategic insights and the right technologies, organizations can enhance their compliance functions, avoid costly penalties, build stakeholder trust, and maintain operational integrity in a dynamic environment.

TAILORING COMPLIANCE STRATEGIES FOR DIFFERENT BUSINESS SIZES

Navigating regulatory expectations can be challenging due to the significant variations in business size, growth rate, and specific compliance requirements.

While regulators provide extensive guidance, the application of these standards can differ widely depending on the scale and complexity of an organization.

Smaller organizations often struggle with compliance due to limited resources. For firms with assets ranging from $1bn to $10bn, compliance challenges often arise from ambiguous interpretations of regulatory expectations, which can vary by jurisdiction and regulator.

At this stage, management and boards may find it difficult to fully grasp and implement the necessary components of an effective compliance program.

By the time a firm reaches the $10bn mark, the foundational elements of a strong compliance program should be in place. The focus should then shift to expanding and refining the program to match the growing scale and complexity of the organization.

Large, international organizations face unique compliance challenges due to their vast operations across multiple jurisdictions. These companies often grapple with complex regulatory landscapes and inflexibility in adapting to changes. It is essential to build a dynamic and scalable compliance framework that can respond to evolving global requirements.

KNOW YOUR REGULATORS

Depending on an organization’s size and charter, a business may need to interact with at least one or more regulators daily.

The Federal Reserve Board (FRB), Federal Deposit Insurance Corporation (FDIC), and Office of the Comptroller of the Currency (OCC) are the primary regulatory bodies overseeing financial institutions in the United States.

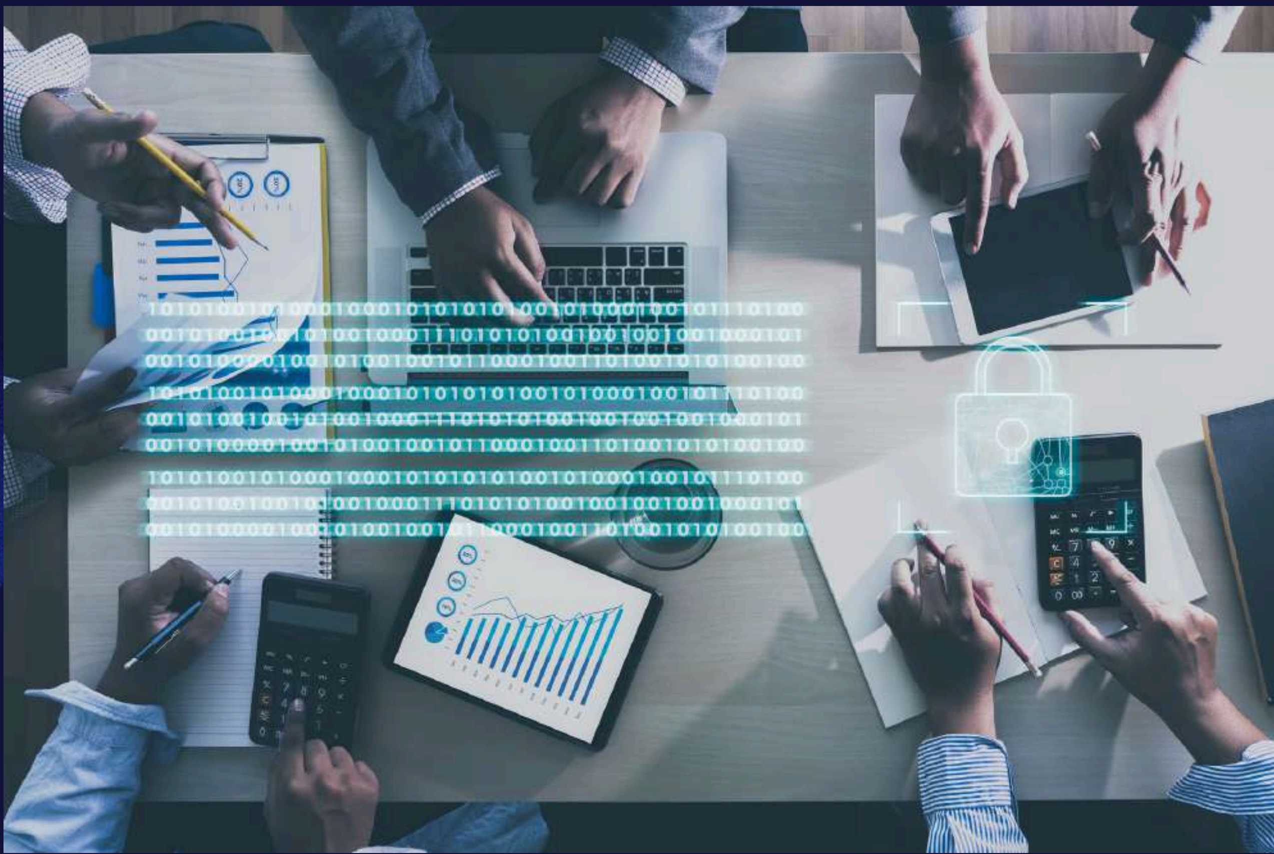
While each agency has distinct responsibilities and authority, they collaborate closely to ensure the safety and stability of the financial services industry.

In addition, the Consumer Financial Protection Bureau (CFPB) has oversight over consumer protection laws, regardless of organization size.

Many smaller organizations do not have a regulatory affairs team which updates the regulators. These firms often depend on internal or external legal partners to liaise with regulators.

If your position is Chief Compliance Officer (CCO) or similar, at some point you may have to liaise with your regulator(s).

KNOW YOUR REGULATORS



Establishing a proactive and open line of communication can help to build a professional relationship and gain a deeper understanding of the regulator's expectations, priorities, and areas of focus.

Regular interactions provide an opportunity to discuss the examination process, clarify any ambiguities regarding regulatory requirements, and address potential compliance concerns before they escalate.

Additionally, these discussions can offer valuable insights into emerging regulatory trends and areas of heightened scrutiny. By maintaining this dialogue, you can better align your compliance strategy.

UNDERSTANDING CONSUMER PROTECTION LAWS

Regardless of size, organizations must be well-versed in consumer protection laws and the expectations set by the CFPB. This is particularly important for fintech companies, payment services, and any firm providing financial services to consumers, whether directly or indirectly.

Key regulations—often referred to as the "Alphabet regs"—that organizations should be familiar with include:

Consumer Protection Laws	
Truth in Lending Act (TILA)	Equal Credit Opportunity Act (ECOA)
Fair Credit Reporting Act (FCRA)	Gramm-Leach-Bliley Act (GLBA)
Fair Debt Collection Practices Act (FDCPA)	Real Estate Settlement Procedures Act (RESPA)
Electronic Fund Transfer Act (EFTA)	Service Members Civil Relief Act (SCRA)
Truth in Savings Act (TISA)	Home Mortgage Disclosure Act (HMDA)
Credit Card Accountability Responsibility and Disclosure Act (CARD Act)	Unfair, Deceptive, or Abusive Acts or Practices (UDAAP)

DEVELOPING AND EXPANDING A COMPLIANCE PROGRAM

The scope and complexity of a compliance program can vary greatly depending on the size of a company and the pace at which it is growing.

As the business advances, implementing innovative technologies into the compliance function can insignificantly reduce risk.

Whether the program is in its infancy or already well-established, it's never too early to start building or enhancing its core components with intelligent tools to strengthen your organization's compliance capabilities.

Regulatory expectations will continue to evolve. Leveraging automated regulatory compliance technology delivers operational advantages, helping to streamline processes, reduce manual efforts, and ensure consistency across all compliance activities.

DEVELOPING AND EXPANDING A COMPLIANCE PROGRAM

Below are some ideas and focus areas a compliance team may need to spend time developing or expanding.

<table>
<tr><th colspan="5">Asset size in $ billions</th></tr>
<tr><th>Compliance program</th><th>$1B</th><th>$10B</th><th>$50B</th><th>$100B ></th></tr>
<tr><td>Formalized</td><td colspan="4">Regulators expect financial institutions to have a formalized compliance program that is documented, comprehensive, and tailored to the institution's size, complexity, and risk profile. This program should include policies and procedures covering key regulatory requirements applicable to the firm’s operations.</td></tr>
<tr><td rowspan="2">Independent compliance function</td><td rowspan="2">Compliance program elements may be a mix between business operations, a compliance team, legal, etc. Wherever responsibilities are aligning, delivery of the outcomes are still expected.</td><td colspan="3">Financial Institutions are required to have a dedicated compliance function that operates independently from business units. This function should have:</td></tr>
<tr><td>Sufficient authority, resources, and stature within the organization to effectively oversee and enforce compliance with regulatory requirements.</td><td>Adequate resources and authority to assess, monitor, and report on compliance issues.</td><td>Adequate staff, and resource to effectively monitor and enforce compliance across the organization. This includes conducting regular assessments, monitoring, and testing to evaluate the effectiveness of compliance controls.</td></tr>
<tr><td>Risk assessment</td><td colspan="2">Financial institutions should conduct regular risk assessments to identify and prioritize compliance risks. This includes assessing risks related to operations, products and services, customers, geographies, and regulatory changes.</td><td colspan="2">Regulators expect financial institutions to conduct thorough risk assessments that consider the size, complexity, and interconnectedness of the institution. This includes identifying and assessing risks related to operations, market conditions, compliance, and reputation.</td></tr>
</table>

DEVELOPING AND EXPANDING A COMPLIANCE PROGRAM

<table>
<tr><td rowspan="2">Governance and oversight</td><td colspan="4">There should be clear governance structures with oversight by the board of directors and senior management. Regulators expect:</td></tr>
<tr><td>That compliance responsibilities are clearly defined, and there is adequate oversight to ensure compliance with laws, regulations, and internal policies.</td><td>That compliance responsibilities are clearly defined, and there is strong oversight to ensure adherence to laws, regulations, and internal policies.</td><td>Clear delineation of responsibilities, particularly concerning compliance oversight and risk management.</td><td>The board of directors and senior management to have a deep understanding of the financial institution’s risk profile and compliance efforts.</td></tr>
<tr><td rowspan="2">Compliance policies and procedures</td><td colspan="2">Financial institutions should have written policies and procedures that address applicable laws and regulations including areas such as:</td><td colspan="2">Policies and procedures should be highly detailed and tailored to address the specific risks faced by the financial institution. This includes comprehensive policies covering areas such as:</td></tr>
<tr><td>Anti-money laundering (AML), consumer protection, data privacy, and fair lending practices. These policies should be regularly reviewed and updated, as necessary.</td><td colspan="3">AML, sanctions compliance, fraud prevention, consumer protection, data privacy, and market conduct.</td></tr>
<tr><td rowspan="2">Training and awareness</td><td colspan="4">Regulators emphasize the importance of ongoing training programs to ensure employees from front-line staff to senior management understand and comply with regulatory requirements, ethical standards, and the financial institution’s internal policies and procedures.</td></tr>
<tr><td></td><td></td><td colspan="2">To include specialized training for employees in high-risk areas and regular updates on regulatory developments.</td></tr>
</table>

<table>
<tr><td>Monitoring and testing</td><td>Financial institutions should implement monitoring and testing programs to assess the effectiveness of their compliance controls. This may include conducting periodic reviews, internal audits, and testing of key compliance processes.</td><td>Regulators expect financial institutions to implement robust monitoring and testing programs to assess the effectiveness of their compliance controls. This may include periodic reviews, internal audits, and testing of key controls.</td><td colspan="2">Financial institutions should have sophisticated monitoring and testing programs that utilize advanced analytics and technology. This includes real-time monitoring of transactions, automated surveillance systems, and proactive identification of potential compliance issues.</td></tr>
<tr><td>Third party risk</td><td colspan="4">Financial institutions should have processes in place to assess and manage risks associated with third-party vendors and service providers. This includes conducting due diligence, monitoring vendor performance, assessing vendor risk, and ensuring vendors comply with applicable laws and regulations. Vendor oversight needs to scale as the complexity of the organization or vendor relationships evolve.</td></tr>
<tr><td rowspan="2">Regulatory change</td><td>Financial institutions should have mechanisms in place to monitor and adapt to changes in laws, regulations, and supervisory expectations.</td><td>Financial institutions should demonstrate agility via automation in responding to changes in laws, regulations, and supervisory expectations.</td><td colspan="2">Financial institutions should have a proactive approach to regulatory change management via robust automation, including the ability to quickly adapt policies and procedures in response to new regulations or supervisory expectations.</td></tr>
<tr><td>This includes staying informed about regulatory developments and promptly updating policies and procedures as needed.</td><td>This includes promptly updating policies, procedures, and systems to ensure compliance with new requirements and expectations.</td><td>This requires staying abreast of regulatory developments and proactively adjusting policies and procedures as necessary.</td><td>This may involve establishing dedicated teams to assess and implement regulatory changes promptly.</td></tr>
</table>

Culture of compliance	Regulators expect financial institutions to foster a culture of compliance throughout the organization. This involves promoting ethical behavior, integrity, and a commitment to meeting regulatory requirements at all levels.		Regulators expect a pervasive culture of compliance throughout the organization, where ethical behavior, integrity, and adherence to regulatory requirements are ingrained in the organization's operations and corporate values.
Comprehensive risk management framework		Financial institutions are expected to have a robust and integrated risk management framework that covers all types of risks inherent in their operations, including credit risk, market risk, operational risk, and compliance risk. This framework should include sophisticated methodologies for identifying, measuring, monitoring, and mitigating these risks.	Financial institutions are expected to have a comprehensive and integrated risk management framework that covers all aspects of their operations. This includes advanced methodologies for identifying, measuring, monitoring, and mitigating various risks such as credit risk, market risk, operational risk, and compliance risk.
Reporting and record keeping	Financial institutions are expected to maintain accurate and timely reporting systems to ensure compliance with regulatory requirements. This includes maintaining appropriate records and promptly reporting any material compliance violations or deficiencies.	Financial institutions are expected to have robust reporting systems that provide accurate and timely information on compliance issues to regulators and senior management. This includes maintaining comprehensive records that demonstrate adherence to regulatory requirements and internal controls.	Reporting systems should be advanced, enabling timely and accurate reporting of compliance issues to regulators and senior management. This includes maintaining comprehensive records that demonstrate adherence to regulatory requirements and internal policies.

CRITICAL COMPONENTS

Depending on an organization's structure, compliance may or may not be responsible for other key regulatory obligations and programs.

If your firm is approaching the $1bn mark and you are not responsible for these other programs, get to know who is, and ensure you remain aware of how the programs are performing as part of a wider enterprise risk assessment.

Other regulatory programs could include the following:

Bank Secrecy Act and Anti-Money Laundering (BSA/AML)
These regulations require financial institutions to have programs in place to detect and prevent money laundering and terrorist financing activities. Compliance tasks include filing Currency Transaction Reports (CTRs) and Suspicious Activity Reports (SARs).

Community Reinvestment Act (CRA)
The CRA requires financial institutions to meet the credit needs of the communities in which they operate, particularly low and moderate-income neighborhoods.

CRITICAL COMPONENTS

Small business products and services often get lost in the shuffle. If your organization is part of a small business banking group, there are a host of regulations that apply including:

- **ECOA** - Equal Credit Opportunity Act: Prohibits discrimination in credit transactions based on race, color, religion, national origin, sex, marital status, age, or because you receive public assistance.
- **TILA** - Truth in Lending Act: Ensures consumers are provided with complete information about the cost of credit, including interest rates and fees, to promote informed use of credit.
- **FCRA** - Fair Credit Reporting Act: Promotes the accuracy, fairness, and privacy of information in the files of consumer reporting agencies.
- **EFTA** - Electronic Fund Transfer Act: Protects consumers when they transfer funds electronically, including through ATMs, debit cards, and direct deposits.
- **SCRA** - Servicemembers Civil Relief Act: Provides various protections to military personnel, such as reduced interest rates on loans and protection from foreclosure and eviction.
- **HMDA** - Home Mortgage Disclosure Act: Requires certain financial institutions to provide mortgage data to the public, helping to identify discriminatory lending practices.
- **UDAAP** - Unfair, Deceptive, or Abusive Acts or Practices: Prohibits any unfair, deceptive, or abusive acts or practices by financial institutions, to protect consumers from harm.

Depending on your organization’s lending program, Small Business Administration (SBA) lending requirements may also be relevant. Ensure your organization has these under control.

CONCLUSION

Regardless of your title—Chief Compliance Officer, Head of Compliance, or Compliance Officer—your core responsibilities are fundamentally the same: ensuring that your compliance program is robust enough to meet regulatory expectations as your organization grows.

The complexity of your program should scale in lockstep with the complexity of your organization.

Don’t wait until your firm reaches a critical asset size to begin addressing gaps or building out the key elements of your compliance framework.

Whether your organization is $50m away from reaching $1bn in assets, or $2bn from hitting the $10bn mark, it is crucial to proactively advocate for the resources, tools, and enhancements needed now.

Regulatory expectations are stringent, and there are no grace periods when it comes to compliance.

Investing early in more efficient regulatory change management software can streamline your processes, enhance your program's effectiveness, and help stay ahead of regulatory changes as the business grows.

Act now to ensure that your compliance infrastructure is not just adequate but exceptional, and prepared for growth and aligned with evolving regulations.

ABOUT THE AUTHOR

Sylvia Yarbough is a regulatory and compliance expert with over 20 years of experience in compliance and financial services.

Since December 2020, Sylvia has led SAY Consulting, providing financial and business consulting remotely from the Charlotte Metro area. Before this, she served as SVP and Head of Compliance Shared Services at Citizens Financial Group, Inc.

(2014–2020), overseeing risk and regulatory compliance efforts. Previously, she was Senior Consultant at Resources Global Professionals, Group VP of Strategic Finance Credit Risk at SunTrust Bank and VP Finance Risk and Project Management at Wells Fargo.

ABOUT CUBE

CUBE is the world's most comprehensive and robust source of classified, and meaningful AI-driven regulatory intelligence.

CUBE's purpose-built regulatory AI engine (RegAI) and tech platform (RegPlatform) tracks, analyses, and monitors laws, rules and regulations in every country and in every published language to create an always up to date regulatory footprint, mapping these according to data, transforming visibility and compliance capability.

With operations across Europe, North America, Asia, and Australia, CUBE serves a diverse and global base of customers and partners including the largest financial institutions in the world who leverage CUBE's RegPlatform to streamline their complex regulatory change management and compliance processes.

Whether you're a large, multinational bank, or a small financial organization with up to a handful of compliance officers, we've got a suite of products tailored for you.

CUBE REGPLATFORM

Manage end-to-end regulatory compliance in one place using a single, structured regulatory platform with RegPlatform.

CUBE RegPlatform is a secure, web-based, Software as a Service (SaaS) solution, hosted on a private cloud.

It is purpose-built for regulatory professionals seeking to establish a tailor-made inventory of laws, rules, regulations, and ongoing updates of relevant proposed, imminent, and effective changes.

RegPlatform serves as the single source of Automated Regulatory Intelligence (ARI) covering every single regulatory body in every country and in every language. It eliminates the need for manual effort, focusing instead on relevant key changes for proactive action and dissemination.

RegPlatform leverages AI to provide comprehensive regulatory intelligence worldwide. It revolutionizes compliance processes, setting a new standard for how organizations adapt to evolving regulations.

Contact CUBE today to find out more.

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