

# PREPARING FOR AND MANAGING YOUR NEXT REGULATORY EXAMINATION

FIRMA NATIONAL RISK MANAGEMENT TRAINING  
CONFERENCE  
MAY 13, 2021

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# DISCLAIMER

The views expressed today are my own and do not necessarily reflect those of First International Bank & Trust.

## PRE-SESSION SAFETY ANNOUNCEMENT

If you are notified of an upcoming examination, you may experience a shortness of breath. If an oxygen mask drops from the ceiling above you, pull the mask toward you until the tube is fully extended, place the mask over your nose and mouth, slip the elastic strap over your head, and adjust the mask, if necessary. Breathe normally and note that oxygen is flowing, even if the bag doesn't inflate. Be sure to adjust your own mask, before assisting other members of your team. In all cases, remember that this is only an examination and with proper preparation, you can and will survive the experience.

## WHY SHOULD YOU LISTEN TO ME?

- Ten years experience as a bank and trust examiner
- Twenty years experience as a Chief Compliance Officer
- Owner and operator of a fiduciary consulting company
- Track record of facilitating successful examinations
- Insights gained from both sides of the regulatory table

## IMPORTANT ACTIVITIES TO PERFORM WITH EXAMINER AND AUDITOR OVERSIGHT IN MIND

- Board and committee oversight of fiduciary activities
- Strategic planning
- Policies and procedure development and maintenance
- Risk-based audit and compliance testing activities
- Administrative and investment reviews
- Legal and regulatory development tracking



## IMPORTANT ACTIVITIES TO PERFORM WITH EXAMINER AND AUDITOR OVERSIGHT IN MIND (CONT)

- Risk assessments (general and targeted)
- Associate hiring and training
- Examination, audit and compliance testing issue resolution
- Conflict of interest inventory and assessment
- Litigation and complaint monitoring and resolution
- Code of ethics compliance monitoring

## PRE-EXAMINATION REVIEW AND ANALYSIS

- Read the examination request letter completely and evaluate key provisions
- Compare the current examination request letter to the request letter received during the prior examination to identify any additions, deletions and changes that may give clues as to examination focus and priorities

## PRE-EXAMINATION LEADER NOTIFICATION

- Notify leadership that the examination request letter has been received and provide high-level information about the timing and scope of the examination
- Notify leadership that you will be reviewing the examination request letter and making assignments for responding to the request items
- Set expectations by letting leaders and associates know that meeting with and responding to questions from examiners may take priority over other activities while the exam is in progress



## PRE-EXAMINATION ASSIGNMENT OF RESPONSIBILITY

- Establish an examination liaison (often the CCO) to coordinate the company's response to the examination request and interface with examiners during their onsite visit
- Assign persons responsible for responding to each item in the examination request letter
- Consider modifying the format of the examination request letter in order to record additional information to assist the institution and examination team

## PRE-EXAMINATION INFORMATION GATHERING

- Create and send electronic copies of the examination request letter to each person responsible for providing responses to the examination request and ask that they respond to all assigned items prior to a deadline you establish.
- Create folders on the network that align with the different sections in the examination request letter so that personnel have a centralized location to save documents supporting their narrative responses

## PRE-EXAMINATION INFORMATION GATHERING (CONT)

- I. Financial Information
- II. Management Information
- III. Audit, Risk Management and Compliance Management
- IV. BSA/AML/OFAC and Privacy
- V. Account Administration, Ops and Investment Management
- VI. Information Technology

## PRE-EXAMINATION RESPONSE COMPILATION AND REVIEW

- Compile all narratives into a single consolidated response with references to supporting documentation.
- Generally, provide narrative responses and supporting documents electronically (provide PDFs to prevent editing or the ability to view metadata or other information, unless otherwise requested)
- Consider having legal and compliance review the response to the regulator's request letter to make sure it is comprehensive and accurate. Narratives should completely and accurately address each question and clearly reference all supporting documents you plan to provide.

The background of the slide is a blurred image of a library shelf filled with books. The books are arranged in rows, and the spines of some books are visible, showing titles like 'REPORTS'. The overall tone is warm and professional.

## PRE-EXAMINATION DELIVERY OF RESPONSE TO EXAMINERS

- Provide all materials to the examiners in the format requested and prior to any stated or agreed upon deadlines



## PRE-EXAMINATION FINAL PREPARATION FOR EXAMINATION

- Reserve a comfortable conference room or work area for your examiners for the duration of their visit
- Prepare leaders and associates for the examination and on their respective roles in the process
- Reach out to your examiner-in-charge and ask if there are other things you can do to facilitate their visit
- Arrange for system access for the examiners
- Arrange for security badges to be issued to examiners

## ONSITE EXAMINATION ORIENTATION

- Introduce the examiners to the examination liaison
- Escort examiners to the conference room or other workspace you have provided
- Give the examiners a tour of the building
- Introduce examiners to key leaders and associates they may be interacting with during the examination
- Advise examiners of dates for board and committee meetings occurring during the onsite examination

## ONSITE EXAMINATION EXAMINATION ADMINISTRATION

- The examination liaison should meet with the examiner in charge to establish protocol for making information requests and scheduling meetings with leaders and associates
- The examination liaison should respond to information requests within agreed upon timeframes
- The examination liaison should visit with examiners periodically to answer questions and make sure the examiners have what they need

## ONSITE EXAMINATION EXAMINATION ADMINISTRATION (CONT)

- The examination liaison should work with the examiner-in-charge to schedule periodic meetings to interview key leaders and associates, as well as discuss examination progress and findings
- It is acceptable to diplomatically query your examiner and ask them to elaborate on risk and other factors supporting their concern on a particular matter

## ONSITE EXAMINATION EXAMINATION WRAP-UP

- Work with the examiner-in-charge to schedule an exit meeting with senior leaders and/or the board of directors to discuss preliminary examination findings
- Collect any original documents provided
- Collect security badges provided to the examiners
- Arrange for system access to be revoked



## POST-EXAMINATION FOLLOW-UP

- Promptly resolve exceptions noted by the examiners in their report, particularly matters specifically requiring the attention of management and the board
- Consider hiring a consultant to help you resolve examination exceptions that are highly significant, or which are too complex or time consuming for your institution to resolve independently
- Conduct a post-mortem meeting with leaders and associates to discuss examination successes, failures and opportunities for improvement

## BETWEEN EXAMINATIONS

- Promptly respond to any requests from your regulator
- Promptly file all required reports with your regulator
- Establish periodic meetings with your regulator to discuss emerging issues and other matters of importance
- Consider joining industry groups to provide networking opportunities with peers and regulators
- Participate in industry calls and training programs to stay abreast of emerging risks and regulatory developments

## PARTING THOUGHTS

- Be honest and transparent with the examiners
- Be courteous and polite (examiners are people too)
- It is OK to say you don't know the answer to a question but get an answer to every question
- Be prepared to prove and document your answers
- Recognize the regulatory expectation for increased specialization and the need for subject matter experts to stay on top of key regulatory issues