



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON, D. C. 20551

ERIC S. BELSKY
DIRECTOR
DIVISION OF CONSUMER AND
COMMUNITY AFFAIRS

CA 16-8

November 22, 2016

**TO THE OFFICERS AND MANAGERS IN CHARGE OF CONSUMER AFFAIRS
SECTIONS:**

Applicability to Community Banking Organizations: This guidance applies to all institutions supervised by the Federal Reserve, including those with total consolidated assets of \$10 billion or less.

SUBJECT: Uniform Interagency Consumer Compliance Rating System

The Federal Financial Institutions Examination Council (FFIEC) recently announced the issuance of an updated Uniform Interagency Consumer Compliance Rating System (CC Rating System).¹ The CC Rating System is a supervisory policy for evaluating financial institutions' adherence to consumer compliance requirements.² Federal Reserve examiners will apply the CC Rating System to all consumer compliance examinations that begin on or after March 31, 2017.

The new CC Rating System is designed to better reflect current consumer compliance supervisory approaches and to more fully align the CC Rating System with current risk-based, tailored examination processes. The revisions to the CC Rating System were not developed to set new or higher supervisory expectations for financial institutions and their adoption will represent no additional regulatory burden.

The CC Rating System provides a general framework for evaluating compliance assessment factors in order to assign a consumer compliance rating to each federally regulated financial institution. The primary purpose of the CC Rating System is to ensure that regulated financial institutions are evaluated in a comprehensive and consistent manner and that supervisory resources are appropriately focused on areas exhibiting risk of consumer harm and on institutions that warrant elevated supervisory attention. The revised CC Rating System emphasizes the importance of institutions' compliance management systems (CMS), with emphasis on compliance risk management practices designed to manage consumer compliance risk, support compliance, and prevent consumer harm.

¹ See the press release and Federal Register Notice at <https://www.ffiec.gov/%5C/press/pr110716.htm>.

² The term financial institutions is defined in 12 U.S.C. 3302(3).

The CC Rating System is composed of guidance and definitions. The guidance provides examiners with direction on how to use the definitions when assigning a consumer compliance rating to an institution. The definitions consist of qualitative descriptions for each rating category and include CMS elements reflecting risk control processes designed to manage consumer compliance risk and considerations regarding violations of laws, consumer harm, and the size, complexity, and risk profile of an institution.

The CC Rating System is based upon a scale of 1 through 5, in increasing order of supervisory concern. Thus, 1 represents the highest rating and consequently the lowest level of supervisory concern, while 5 represents the lowest rating and consequently the most critically deficient level of performance and the highest degree of supervisory concern. The consumer compliance rating reflects the effectiveness of an institution's CMS to ensure compliance with consumer protection laws and regulations and reduce the risk of harm to consumers.

If you have any questions, please contact Lanette Meister, Senior Supervisory Consumer Financial Services Analyst, at (202) 452-2705, or Tim Robertson, Manager, at (202) 452-2565. In addition, questions may be sent via the Board's public website.³

Sincerely,
Eric S. Belsky
Director
Division of Consumer and Community Affairs

Attachment:

- Uniform Interagency Consumer Compliance Rating System

Supersedes:

- CA 80-15 "Letter Transmitting the Interagency Compliance Rating System"
(December 11, 1980)

³ See <http://www.federalreserve.gov/apps/contactus/feedback.aspx>.