Building Effective Relationships with Regulators

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Regulators can have a tremendous influence on a organization’s activities and future.

- Safety and soundness
- Avoid monopoly abuses
- Solvency
- Improve competitiveness
- Stability
- Protect consumer
Each business, no matter what the industry, must decide which strategy it is going to pursue with regulators.

The only viable choice for a business seeking an effective relationship with its regulator is **Constructive**.

Wrong strategy is to pursue **Avoidance** or **Opposition**.
The goal of compliance program should be to avoid a civil enforcement proceeding by a regulator or a criminal proceeding.

**GOAL OF COMPLIANCE PROGRAM**

- To have a perfect compliance such that an examination produces no deficiencies
- Avoid penalties proceeding by a regulator
- Avoid civil or criminal investigation.

How do you develop your relationships with regulators to help you achieve this goal?
Depending on how regulated your industry is, each organization will have more or less contact with its regulators.

1. When things are quiet
2. During a rulemaking
3. During an examination
4. During an investigation

Relationships with regulators in four moments
Know and understand your regulator can help you improve relationships

- Likes to win its cases
- is skeptical
- its technology is way behind that the one you have
- does not have the tools to use the data
The most important time to build a relationship with your regulator is when you have no current matters

- You have no current matters with your regulator.
- You have time to prepare a strategy
- You have time to know your regulator’s characteristic and approach
- You should approach your regulator and offer your assistance
Make sure you stay informed and updated about the issues that are of concern to your regulator.

- What issues are they worried about?
- What is their priority?
- What strategy are they pursuing?
- What do they know about your industry?
- How is their work team?
Approach your regulator, offer your assistance and let them know what you are seeing in your industry

- If the regulator does not know your business model, this is the moment to let them know.
- Let them know what you are seeing in your industry.
- What commercial products are you developing?
- What innovations?
- What risks do you see in the future?
Constructive, and proactive feedback and input from regulated entities is immensely valuable to your regulator.

If your regulator knows who you are and what you are trying to do with regard to compliance, you may get the benefit of the doubt when something does go wrong.

If the regulator know who you are and have seen you trying to devote resources to compliance and act in good faith, they will have more understanding if something goes wrong, absent fraud or willful misconduct.
During a rulemaking you should try to make the rule as tailored as possible to your industry

- When your regulator is developing a rulemaking that could impact your industry

  If you are already engaged with your regulator and communicating regularly

  → you will have a distinct advantage in engaging on a rulemaking.

  If you are not already engaged with your regulator at this point

  → you should get engaged.
During a rulemaking you should try to make the rule as tailored as possible to your industry.

Your input to regulators on new possible policies:

- Have the best rule possible.
- Try to make the rule as tailored as possible.
- Minimize the unintended consequence.
When regulators are considering a rule it is particularly important to help them with data.

Working with your regulator when they are considering a rule it is particularly important to help the regulator with data.

Regulator often ask for data about particular issues and they often would not get any data from the industry.

If you give them more information, you have a better chance of them coming out with a rule that will be well thought out and supported by the data.

The idea behind this argument is that sharing information and data may lead the regulator to do something it wasn’t otherwise considering.
During an examination you have an opportunity to present your firm in the best light

- You have another opportunity to build your relationship with your regulator
  - You will have a close interaction with your regulator.
  - You will have an opportunity to present your firm in the best light and to address any questions the examiners may have

- Consider
  - If a firm’s personnel were uncooperative and hostile with examiners, they would assume that the firm was concealing wrongdoing.
  - If you give the examiners a comfortable place to work, you are showing them respect and they will reciprocate.
  - If the examination show an issue or a problem, you are far better off if you have been cooperative during the examination and explained your compliance efforts.
A meeting early in the examination process helps examiners understand your business.
Define your business model in terms the regulator could understand
Compliance programs must be the right size to detect and prevent compliance violations in the business

- You have an adequate funding to provide the staff and technology resources to accomplish.

- You are testing and reevaluating your compliance program as often as necessary.

- Programs must be the right size to detect and prevent compliance violations in the business.

- Support for the compliance function from other groups within the firm. These other supports for compliance can include departments such as internal audit, risk management and the business units themselves.
During an Investigation not all is lost

- Not all investigations end with charges against the organization involved.

- Sometimes investigations could drop because the organization involved was able to adequately explain its conduct.

- Maintain a spirit of cooperation and continue to explain the facts that landed you in the investigation. If you have a good explanation for facts, regulator will listen.

- Don’t let your relationship with the regulator lapse just because you are under investigation. Keep up your effort to engage and to provide information that your regulator needs. You will have a better chance of the investigation being closed out without being charged.
A positive relationship between an organization and its regulator is a **valuable asset.**
THANK YOU !