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## Compliance profession rises in time of industry flux

ABA award winner sees evolution in former backwater

Treliant Risk Advisors' Lyn Farrell received ABA's Distinguished Service Award in June.

By Steve Cocheo, executive editor and digital content manager

You might call Lyn Farrell "the accidental compliance officer."

At June's ABA Regulatory Compliance Conference, veteran Farrell received the association's Distinguished Service Award, presented since 1995. But for apparent serendipity, the attorney wouldn't have even worked in compliance.

Farrell, who has spent 35 years in the function one way or another, recalls how she first got into the field. She was working in a bank while attending the University of Houston Law Center, and the "opportunity" came up unexpectedly.

"I got into this by accident," says Farrell, now a noted compliance consultant, speaker, and author. "I was working at the bank just to make my way through law school, when I was tapped to do compliance. It was because I was the lowest person on the totem pole."

Back then, compliance was itself one of the lowest functions in the banking hierarchy, sometimes residing quite literally in the basement. Over many years, there it remained. But in recent years, and especially in the wake of the Dodd-Frank Act and related post-crisis legislation, the compliance star has soared.

Farrell, who has worked in and with banks since her accidental career choice, today is managing director at Treliant Risk Advisors. She's compiled an enviable range of expertise, from the hard-rock compliance tasks of lending compliance and

BSA/AML to examination liaison and enforcement action followup to newer vistas, such as the industry's latest wrinkle, UDAAP (Unfair, Deceptive, or Abusive Acts and Practices).

Traditionally, says Farrell, "we weren't the glamour people in banking. We've moved up, so that Compliance is now sometimes only two levels down from the CEO."

Will traditional compliance officers be left behind?

As the compliance challenge continues to grow, Farrell notes in an interview, the demand for good compliance officers likewise increases. "It's hard to find good people today," she says, with many finding their skills and experience going at a premium.

This evolution comes at a time when the boundary lines between various types of banking risks are blurring, so that compliance risk melds into others, such as operating risk and credit risk. Overdraft protection services represent one example, according to Farrell.

But to advance, some compliance folks will have to move beyond their roots.

As a banking career, compliance is very hands on, Farrell adds. "Compliance people don't get to sit in the stands," she explains.

But this nitty-gritty focus in the traditional side of compliance has Farrell concerned for compliance people long-term.

In many banks, Compliance and Risk Management have become intertwined. Sometimes compliance officers have seen their jobs and responsibilities grow into the risk management position. But sometimes they have seen their jobs pulled under the risk management function, placing them under higher-ranking executives who already wear the risk management helmet.

As a result, says Farrell, compliance people run the risk of being "pushed out or pushed down," in effect. She says those who want to rise must learn to grow beyond traditional subject matter expertise, and learn leadership skills.

How does she define "leadership" in this context? Being able to get people "who don't report to you to do things that they don't want to do."

Farrell moderated a "deep dive" panel during ABA's conference that stressed the need for leadership skills. By itself, the presence of a panel on how to move up in compliance was an evolution. Years ago compliance conferences regularly featured speakers--often preaching to the choir--stressing the need for CEOs to respect the compliance function. Later some top-level speakers addressed the view of compliance as a "cost-prevention" function, but now the discipline has arrived at a higher status.

UDAAP's impact on compliance fraternity

Beyond the shifts outlined above, there is a bigger trend, according to Farrell, who says that "the whole role of the

compliance function is in a state of flux.”

Through the efforts of Elizabeth Warren, the inspiration behind the founding of the Consumer Financial Protection Bureau, the visibility of consumer financial issues in the media has never been greater. Farrell says this is morphing elements of compliance into consumer advocacy, in some banking institutions. The expansion of traditional UDAP (Unfair and Deceptive Acts and Practices), itself an evolving concept over the years, into UDAAP will also influence this evolution.

The degree to which UDAAP is influencing bank behavior varies by bank size, Farrell observes. She notes that community banks, being closer to their customers and having relatively plain vanilla product lines, tend to be less susceptible to UDAAP-type risks. Mid-tier and large banks, by contrast, having more complex product assortments, run a higher risk of such issues. As it is, she says, mid-tier institutions, attempting to compete with large banks, have been spending more on compliance efforts as they up their game overall to meet the challenge.

Farrell says that some consumerists ought to consider fully what they would ban and what they would permit, in financial services. She cites discussions she's had with some concerning payday lending. Typically consumerists want this kind of credit eliminated.

But Farrell says that to condemn all payday-type credit is to say that there are some segments of society that will have no credit availability at all.

“That’s something that not a lot of people are comfortable with,” herself included, Farrell says. “I would prefer that we lived in a place where people can make a choice.”

At the same time, she says, compliance officers and other banks realize that in today’s environment some practices that were once considered acceptable no longer pass muster.

### Compliance and the internet

Back when Farrell started in compliance, everything was manual. She looks back--not fondly--on the days when special dedicated calculators were required for computing consumer lending rates. And when looking up rules and regulations not only meant a manual search, but maintaining and paying for paper-based regulatory and legal binder services that had to be purchased and then kept current with update packets, also at a cost.

Nowadays, such basics are online and free, in the case of information, and built into more powerful software, in the case of calculations. In addition, as compliance has become a bigger challenge, says Farrell, top management increasingly lets Compliance buy what it requires.

“There is quite a lot of technology out there,” says Farrell, “and many bankers are loosening the purse strings and letting people buy what they need.”

But just as technology has made some aspects of the job easier, it has also brought new challenges.

Websites and social media present issues for compliance. Farrell points to new wrinkles such as [www.ripoffreport.com](http://www.ripoffreport.com), where many types of companies providing services to consumers find themselves roasted for their policies and actions.

Regulators watch these sites, and so must banks, Farrell warns. And “banks,” in this context, usually means the compliance team.

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