

FINANCIAL INSTITUTION GOVERNANCE AND REGULATION

Financial Institution Governance Services

Representative Engagements

In response to concerns raised by its primary regulator relating to interest calculation errors for certain accounts, FTI Consulting was retained to independently review and evaluate a bank's corporate governance and risk management functions. We analyzed the root cause of control failures and recommended changes to enhance the bank's three lines of defense and risk management practices to prevent future occurrences.

In preparation for an upcoming exam, a large mortgage originator/servicer retained FTI Consulting to independently evaluate internal controls in key operational areas and help build a more formal enterprise risk management system. We designed a risk assessment methodology, reviewed controls, and tested compliance and reporting to help upgrade risk management practices.

FTI Consulting was engaged to assist a large international bank prepare elements of its resolution plan (living will). Our multi-disciplined team focused on governance controls, including the process and procedures for the ongoing oversight of the plan.

A large, regional bank retained FTI Consulting to independently review the bank's incentive compensation plans for non-executive staff. We analyzed policies, reviewed individual plans, audited payments and reviewed simulation analyses to evaluate compliance with regulatory guidance.

FTI Consulting, a leading independent consulting firm, is a preferred provider of critical services to financial institutions globally. We have a proven track record of helping clients meet their governance requirements. FTI Consulting assists clients by helping to ensure that their governance practices comply with industry standards and are appropriately documented and consistently executed. We also help clients improve their understanding and oversight of risk management activities and identify necessary actions to minimize the risk of negative regulatory exams, enforcement actions, or other adverse events.

Recently issued international directives and domestic laws and regulations have significantly increased the scrutiny on governance practices within the financial services industry. For example, the Basel Committee on Banking Supervision's Corporate Governance Principles for Banks encourages banks to strengthen governance practices. In the U.S., the Federal Reserve's Enhanced Prudential Standards and the Office of the Comptroller of the Currency's (OCC) Heightened Expectations for Large Banks are examples of the governance standards that increase board and director responsibility for overseeing the management of risk, as well as the corresponding liability for failing to have adequate governance controls in place.

Who We Are

The Financial Institution Governance and Regulation practice consists of experienced professionals, including former senior managers at bank regulatory agencies and financial institutions, who have the expertise and experience to help clients resolve the issues they are facing and provide value-added service in the process. Our professionals include experienced bankers, CPAs, attorneys, economists, financial analysts, forensic specialists and other individuals with expertise in compliance, enterprise risk management, market, operational and credit risk, internal controls, incentive compensation, information technology and strategic communications. Our team includes former staff members of the Federal Reserve, Office of the Comptroller of the Currency, Federal Deposit Insurance Corporation, Securities and Exchange Commission, Department of Justice, and States Attorney Generals.

Meeting the Challenges

Regulatory authorities emphasize that implementing effective governance begins with the board of directors. The board is responsible for setting performance objectives, overseeing the risks generated by the institution's activities, and setting the "tone at the top" to ensure a productive and risk compliant culture. Although boards typically establish committees to help oversee and manage key activities and rely on management to oversee performance and manage risk, the board is ultimately responsible for all outcomes.

Our Financial Institution Governance and Regulation practice helps the board and C-Suite meet their responsibilities through timely assessment and development of governance practices that promote effective oversight, risk management, and regulatory compliance. Our cross-disciplinary teams bring deep experience and expertise to each engagement and help clients build state-of-the-art governance programs that leverage and strengthen existing risk management frameworks.

Some of our specific governance services are highlighted below.

Board, Management and Organizational Assessments

Given that the ultimate responsible for governance lies with the board and C-suite, we are often engaged to provide an independent assessment of their capabilities. We consider

existing board composition, board-level committee and senior management organizational structures, and the board and C-suite's role in developing and approving key strategic and operating policies and procedures, controls, and decision-making processes.

For example, we evaluate how board members independently understand and review risk appetite and exposures, and their involvement in ensuring that the management of risk is conducted in a safe and sound manner. Further, we assess the board's role in the review and approval of policies that govern risk management, including specific risk tolerance limits, and the content and quality of reports provided to the board to monitor risk exposures.

Pre-Assessments and Advisory Services

FTI Consulting is widely regarded for its experience helping companies facing regulatory scrutiny, financial reporting concerns, or other critical issues. Our team has expertise in virtually all relevant financial and operation functions. Our pre-examination assessments help banks prepare for upcoming regulatory exams. We use our practical regulatory knowledge gained from working with the financial regulators to help clients evaluate risks in current practices relative to regulatory expectations and to identify potential weaknesses before they become examination findings. Our approach is often tailored to simulate targeted or horizontal regulatory examinations.

Incentive Based Compensation Analysis and Advisory Services

Our experienced staff helps institutions establish effective compensation programs that appropriately align incentives with risk appetite and company objectives. We help ensure incentive programs encourage actions that are consistent with safety and soundness principles and comply with regulatory guidance while meeting performance objectives. Our incentive compensation analyses consider the key principles emphasized by the federal regulatory agencies, including ensuring incentives:

- Appropriately balance risk and reward;
- Are compatible with effective controls and risk management; and
- Support strong corporate governance, including active and effective board oversight.

Our review procedures consider management's salary structure, bonus programs, peer comparisons, and other compensation metrics, relative to the client's culture, business model, control environment, key objectives and risk management framework.

Enhanced Regulatory Expectations Assessments

Since the financial crisis, regulators have "raised the bar" on governance and risk management expectations. The new standards increase the complexity and formality of risk

governance structures and the corresponding compliance procedures.

We provide financial institutions with an independent diagnostic of current practices to identify areas that might be subject to regulatory scrutiny, and help implement best practices that comply with or exceed regulatory standards.

Enterprise Risk Management (ERM) Services

FTI Consulting has extensive experience reviewing, assessing, and implementing ERM programs at financial institutions. Our approach includes a review of the current business lines and the corresponding ERM framework, including identifying the individual risks inherent within each business or activity; assessing existing risk management practices; determining steps to enhance current practices; and defining the roles and responsibilities of the board and senior management.

Regulatory Compliance Remediation and Advisory Services

The Financial Institution Regulation and Governance practice provides a wide range of advisory and consulting services to help clients effectively respond to issues raised in Reports of Examinations, enforcement actions, monitorships, settlements or other regulatory actions. Because of our continuous involvement in current matters with financial institution clients, we understand regulatory "hot buttons" and have the hands-on experience to identify practical and effective solutions to resolve weaknesses before they escalate into crisis situations.

Internal Controls Assessments

Effective internal control (internal audit, compliance, risk review, and quality assurance) and information systems should provide a financial institution's board and management with reasonable assurance that operations are efficient and effective; financial reporting is reliable; risk management systems are effective; and the institution complies with laws and regulations and internal policies and procedures. Our experienced professionals, many of whom are former internal and external auditors, provide various review and analysis services to assess operational risk and independently verify that internal control systems are functioning properly. In addition to working with clients to develop risk assessments we design samples, perform transaction testing, and independently evaluate client internal audit and risk management functions.

Living Wills

FTI Consulting assists clients with the development and refinement of recovery and resolution plans (living wills). We utilize a cross-functional team of professionals with expertise in restructuring, financial institution regulation, and risk management to help clients ensure their living wills meet regulatory expectations.



Thomas Rees
+1 601 254 4042
Thomas.Rees@fticonsulting.com

Tilcia Toledo
+1 202 589 2362
Tilcia.Toledo@fticonsulting.com

<http://www.fticonsulting.com/industries/financial-institutions/bank-governance-regulation>

About FTI Consulting

FTI Consulting, Inc. is an independent global business advisory firm dedicated to helping organizations manage change and mitigate risk: financial, legal, operational, political & regulatory, reputational and transactional. FTI Consulting professionals, located in all major business centers throughout the world, work closely with clients to anticipate, illuminate and overcome complex business challenges and opportunities. Connect with us on [Twitter \(@FTI_FLC\)](#), [Facebook](#) and [LinkedIn](#).