

Corporate & Financial Weekly Digest

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Consumer Financial Protection Bureau Outlines Bank Supervision Approach

The Consumer Financial Protection Bureau (CFPB) on July 12 outlined its approach to supervising the 111 large banks with more than \$10 billion in assets that it will oversee beginning July 21. "Starting on July 21, we will be a cop on the beat—examining banks and protecting consumers," said Treasury Department special adviser Elizabeth Warren, who is overseeing the establishment of the CFPB.

Examiners will be managed out of satellite offices in Chicago, New York, San Francisco, and Washington, D.C. According to the release, "Each of these satellite offices will be the nexus for CFPB supervision in their respective areas of the country. Having examiners and field managers focused on these regions will help ensure that the CFPB understands the business practices and dynamics in different markets throughout the country." The Bureau said it will conduct periodic examinations for most of the banks it supervises. But for the largest and most complex banks, the CFPB will implement a year-round supervision program that will be customized to reflect the consumer protection and fair-lending risk profile of the organization.

In the weeks following July 21, CFPB examiners and managers will become familiar with the structures, business strategies, operations and risks of the banks they will supervise; coordinate the bureau's efforts with federal and state regulatory agencies; finalize plans to supervise and examine institutions under its jurisdiction; and begin conducting the agency's first round of on-site examinations.

"This process will begin remotely in most instances, and CFPB examiners will then begin on-site reviews at the supervised institutions to continue their work," the Bureau said. "Over the next several weeks, the CFPB will conduct further outreach to banks that fall under its jurisdiction. The CFPB will provide additional information via letter to the 111 institutions, and will conduct informational roundtables starting in early August." The CFPB stated it will post on its website the initial phase of its Examination Manual, which is the field guide for examiners supervising both banks and other consumer financial services companies. The publication of the manual will be accompanied by a general invitation for feedback and suggestions for improvements from the banking industry, nonbank financial services companies, federal and state agencies, consumer and community groups, and the general public.

Sounding a word of warning, the Bureau indicated that "[i]f a company is not fully compliant, the CFPB will seek corrective actions, including strengthening the company's programs and

processes to ensure that such violations do not recur and, where appropriate, that remedies are instituted. When necessary examiners will coordinate and work closely with CFPB's enforcement staff to implement appropriate enforcement actions to address harm to consumers."

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