Wallace works with regulators, as the leader of the OCC’s compliance function, to make sure it is not a place where we are at the current time.

To that end, Wallace stresses the importance of communication. Wallace recalls spending much of his time, after joining the OCC, trying to get people to understand what could compliance be and how it could make their professional lives better. He wanted to create a situation where the regulators were doing their best work were not by a new compliance head who swept in and told them that they must all start doing something new that might not be intuitive to them. You need to spend time with them to communicate that this is a hard change,” Wallace says. “That communication, especially when you are building a rapport with people within the industry … you’ve got your day job of reviewing this and approving that, and attending meetings, but the time spent with people working to that same end is crucial.”

That goes double when regulators are involved, Wallace says. When dealing with regulators, chief compliance officers can be a conduit for providing content about the business so the regulators can understand why certain decisions are made … and perhaps more importantly, so they can understand why something might not be as dramatic or as big of a problem as it appears from the outside. After all, there are always plenty of opportunities for regulators to become concerned over something that does not seem like a big issue to the business.

“Wallace”Because of its role in the market, the OCC is really important to a lot of people, and if we go down, it’s a systemic concern. So with that comes expectations in terms of a whole list of areas such as risk management and governance,” Wallace says. Case in point: The OCC is subject to a much more robust external review process, not just by the regulators and CFTC, but by the Federal Reserve, as well as being subject to Dodd-Frank self-examination, in which the company reviews those models and validates them. But we actually have rocket scientists on board,” Wallace says of the quants. “Some say ‘how can we get ahead of the regulators’ plans’ and others might do as intuitive as it seems. But once they explained it, I thought, ‘Oh, I could just get them to understand this …’”

Richard Wallace, Chief Compliance Officer, OCC

The stress testing the OCC uses for regulators are involved, Wallace says. When dealing with regulators, chief compliance officers can be a conduit for providing content about the business so the regulators can understand why certain decisions are made … and perhaps more importantly, so they can understand why something might not be as dramatic or as big of a problem as it appears from the outside. After all, there are always plenty of opportunities for regulators to become concerned over something that does not seem like a big issue to the business.

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gram was going to work.

“Luckily for us, the issue came up shortly after we explained it, and we were able to put more information around it, and got a response of ‘Oh, okay, that makes sense,’ ” Wallace says. “From our vantage point, everything looked clear, but from their vantage point, it evoked this ‘What are you thinking?’ response. That was our fault. So you need to practice good communication skills to check up after an initial explanation. If you can express things to their understanding, in their words, it will help.”

Another part of dealing with any regulator, Wallace notes, is that saying something to the policymaking end of things does not mean that the examination end of things will get the same message. “Regulators are like any other organization,” Wallace says. “so you probably need to over-communicate several times to make sure that everyone understands. It’s kind of impossible to over-communicate.”