EXHIBIT 111

Comptroller's Handbook CC-CMS

Consumer Compliance (CC)

Compliance Management Systems

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Office of the Comptroller of the Currency

CMS Components

CMS is the method by which a bank manages consumer compliance risk, supports compliance with consumer protection-related laws and regulations, and prevents consumer harm. The complexity of the compliance risk environment presents challenges for banks. The volume and complexity of consumer protection-related laws and regulations coupled with changing technologies and earnings pressures increase the importance of a bank's CMS. Each bank should develop and maintain an effective CMS that is appropriate for the size, complexity, and risk profile of its operations. The CMS should consist of board and management oversight and a compliance program that includes all applicable consumer compliance-related laws and regulations.

The consumer compliance rating takes into account the effectiveness of the bank's CMS and factors relating to violations of law and consumer harm. Refer to the "Violations of Law and Consumer Harm" section and appendix A of this booklet for additional information.

Board and Management Oversight

Board and management oversight should be commensurate with the bank's size, complexity, and risk profile. Oversight should factor in all applicable consumer protection-related laws and regulations and include consumer compliance expectations for third-party relationships. It is important for the board and management to understand the potential consequences of violations of laws and regulations that may result in customer reimbursements, financial losses, reputation risks, and legal risks, including enforcement actions (including CMPs). In relation to their respective roles, board and management oversight should include the following:

- Oversight of and a commitment to the bank's CMS, including oversight of third parties.
- Effective change management processes, which include responding in a timely and satisfactory manner to any change, internal or external, to the bank.
- Comprehension, identification, and management of risks arising from the bank's products, services, or activities.
- Self-identification of consumer compliance issues and timely correction of such issues.

Oversight and Commitment

The board and management should demonstrate a commitment to and oversight of the bank's CMS.[12] The board should oversee, and management should implement, a consumer compliance program with effective resources, including

[12] Refer to the "Corporate and Risk Governance" booklet of the *Comptroller's Handbook* for additional information regarding the roles of the board and management in establishing an appropriate compliance culture that incorporates all applicable laws and regulations, including consumer protection-related laws and regulations.

- systems, capital, and human resources commensurate with the bank's size, complexity, and risk profile.
- knowledgeable staff who are appropriately trained, empowered, and held accountable for compliance with consumer protection-related laws and regulations.

Board of Directors

The board should create a culture that places a priority on compliance and holds management accountable. The board plays a pivotal role in the effective governance of the bank, including oversight of the bank's CMS. The board should oversee management, provide organizational leadership, and establish core corporate values. The board should oversee management's implementation of the bank's CMS and hold management accountable for implementing a CMS that is consistent with the bank's strategic direction, risk culture, and risk appetite.

The board should receive sufficient consumer compliance-related information including management information systems (MIS) reports, risk assessments, and monitoring and independent audit reports to assess the effectiveness of the bank's CMS and, when appropriate, provide credible challenge to management. Applicable board or board committee minutes should reflect the board's or committee's receipt and deliberation of information related to the bank's consumer compliance risk management practices and the effectiveness of those practices to manage consumer compliance risk, support compliance with consumer protection-related laws and regulations, and prevent consumer harm. The board should understand its roles and responsibilities related to consumer compliance, and periodically assess directors' consumer compliance skills and competencies relative to the bank's size, complexity, and risk profile. Management can support the board by instituting an ongoing education and training program that includes consumer compliance to keep the board informed and current on general industry trends and regulatory developments, particularly regarding issues that pertain to the bank.

Bank Management

The board generally delegates authority to management for directing and overseeing day-to-day operations of the bank, including developing and implementing the bank's CMS consistent with the board's strategic objectives and risk appetite. Management should monitor the performance of the compliance program, including

- third-party risk management processes that include due diligence and ongoing monitoring of third parties (i.e., third-party risk management processes).
- change management.
- comprehension, identification, and management of risk.
- self-identification of compliance risk management deficiencies and corrective action.

Management may use committees to facilitate oversight of day-to-day banking activities, including consumer compliance-related activities. Management should determine which committees are appropriate for the bank and how formal each committee's structure should be. Examples of consumer compliance-related committees may include compliance risk management and fair banking.

Management also should establish and clearly communicate compliance-related roles and responsibilities. Regardless of the form of the compliance function, management should provide it with appropriate resources, including systems, capital, and human resources. Many banks establish a separate compliance function headed by a compliance officer. In such banks, the compliance officer should have the authority and independence to facilitate compliance throughout the bank and sufficient time and resources, including staff, to execute assigned duties. The compliance officer should have the appropriate skills and knowledge of the consumer protection-related laws and regulations applicable to the bank. Compliance officers should oversee the compliance training for all bank employees. For banks with limited staff or overlapping compliance and other responsibilities, training and development is particularly important to conduct continuous and consistent operations. Additionally, the compliance officer should be afforded opportunities for external training to maintain or refresh his or her subject matter expertise pertinent to overseeing the bank's compliance program.

Third-Party Risk Management

There can be certain benefits to banks engaging in relationships with third parties, including gaining operational efficiencies or an ability to deliver additional products and services. Third-party relationships may expose the bank to risks, if not managed effectively. While management may make the business decision to outsource some or all of the operational aspects of a product or service, the bank cannot outsource the responsibility for complying with consumer protection-related laws and regulations or managing the consumer compliance risks associated with products or services offered by the third party. Management should implement third-party risk management processes commensurate with the level of risk and complexity presented by the third-party relationships. The bank's third-party risk management process should include the following specific to consumer compliance:

- Due diligence and ongoing monitoring of third parties to assess compliance with consumer protection-related laws and regulations.
- Oversight of third parties' consumer compliance-related policies, procedures, internal controls, and training.

Refer to OCC Bulletin 2013-29, "Third-Party Relationships: Risk Management Guidance," OCC Bulletin 2017-21, "Third-Party Relationships: Frequently Asked Questions to Supplement OCC Bulletin 2013-29," and OCC Bulletin 2017-7, "Third-Party Relationships: Supplemental Examination Procedures," for additional information regarding third-party risk management.

Change Management

Specific to consumer compliance, management should anticipate and respond in a timely manner to changes in applicable consumer protection-related laws and regulations, market conditions, and products and services offered by evaluating the change and implementing responses across affected lines of business. Management should have a process to identify laws and regulations applicable to the bank's activities and stay abreast of evolving regulatory requirements. The formality of the change management process should be commensurate with the bank's size, complexity, and risk profile.

Management should conduct due diligence in advance of engaging in new, modified, or expanded products or services, consider the entire lifecycle of a product or service in implementing change, and review the change after implementation to determine that actions taken have achieved planned results. The compliance function should be involved in the due diligence and monitoring of new, modified, or expanded products or services. Refer to OCC Bulletin 2017-43, "New, Modified, or Expanded Bank Products and Services: Risk Management Principles," for additional information.

Comprehension, Identification, and Management of Risk

Management should comprehend, identify, and manage consumer compliance risks, including existing and emerging risks to the bank's products, services, and other activities.

The sophistication of risk management should be proportionate to the risks present and the bank's size and complexity. Regardless of the bank's size and complexity, sound management of consumer compliance risk should do the following:

Identify risk: The board and management should identify existing risks and risks that may arise from new business initiatives, including risks that originate in nonbank subsidiaries, affiliates, and third-party relationships and those that arise from external market forces or regulatory or statutory changes. Risk identification should be a continual process and should occur at the transaction, portfolio, and enterprise levels. For larger, more complex banks, the board and management also should identify interdependencies and correlations across portfolios and lines of business that may amplify risk exposures. Proper risk identification is important for banks to determine that risks are addressed appropriately.

Measure risk: Accurate and timely measurement of risks is important to effective risk management systems. A bank that does not have a risk measurement system has limited ability to control or monitor risk levels. Further, the bank should have more sophisticated measurement tools as the complexity of the risk increases. Management should periodically conduct tests to verify that the bank's measurement tools are accurate. Sound risk measurement systems assess the risks at the individual transaction, portfolio, and enterprise levels. Larger, more complex companies should pay particular attention to assessing the effect of increased transaction volumes across all risk categories.

Monitor risk: Management should monitor risk levels to confirm timely review of risk positions and exceptions, including throughout business combination and reorganization activities. Management-developed and -implemented monitoring reports should be timely and accurate and should be distributed to appropriate individuals, including the board, to initiate action, when appropriate. For larger, more complex banks, monitoring is important to confirm that management's decisions are implemented for all geographies, products and services, and legal entities. Well-designed monitoring systems allow the board to hold management accountable for operating within established risk appetites.

Control risk: The board should determine that risk limits are communicated through policies, standards, and procedures that define responsibility and authority. These limits should serve as a means to control exposures to the various risks associated with the bank's activities. The limits should be tools that, based on board approval, can be adjusted when conditions or risk appetites change. Management should have a process to document adherence to established limits, and to authorize, document, and report to the board exceptions to risk limits. Large, diversified banks should have strong risk controls covering all geographies, products and services, and legal entities to prevent undue exposure from concentrations of risk.

Risk Assessment

The bank's CMS should include a consumer compliance risk assessment process commensurate with the size, complexity, and risk profile of the bank. Completing risk assessments helps management identify current and emerging consumer compliance risks in order to prevent, self-identify, and address potential consumer compliance issues. A well-designed risk assessment process should be supported by appropriate methodology that includes quantitative and qualitative data and evaluates risk across all products, services, and lines of business. An effective risk assessment process helps the board and management address emerging risks at an early stage and allows them to proactively develop and implement appropriate strategies to mitigate the risks before the risks have an adverse effect on the bank's condition or risk profile.

Management should perform or update the bank's consumer compliance risk assessment periodically, based on the bank's size, complexity, and risk profile. The sophistication of the risk assessment process should be commensurate with the bank's size, complexity, and risk profile. In less complex banks, it may be appropriate to have a single compliance risk assessment evaluating all products, services, and business lines. In more complex banks, the risk assessment process may involve completing multiple compliance risk assessments, with results of individual risk assessments aggregated into an overall compliance risk assessment that considers and evaluates consumer compliance risk at the enterprise level. While an effective risk assessment process may look different across banks, each risk assessment should evaluate and make determinations regarding the following:[13]

- Inherent risk, which is the risk that an activity would pose if no controls or mitigating factors were in place.
- Residual risk, which is the level of risk after controls are taken into account.

[13] Refer to the "Corporate and Risk Governance" booklet of the *Comptroller's Handbook* for more information regarding risk assessments.

Self-Identification and Corrective Action

Management should identify, respond to, and remediate violations of laws or regulations and deficient practices in a timely manner. Moreover, self-identification and prompt correction of violations and deficient practices may reflect strengths in the bank's CMS and could indicate management's and the board's commitment to address responsibly underlying consumer compliance risk. Appropriate corrective action should remedy harmed parties, correct programmatic weaknesses related to the violation, and prevent violations from occurring in the future.

Issues Management

Issues management refers to processes for tracking, escalating, and resolving issues (e.g., deficient practices, violations, or other weaknesses) identified across the bank. Traditionally, internal audit has been responsible for maintaining formal processes to track and follow up on issues identified through audits and regulatory examinations. Issues can also surface from other sources, however, including quality control and quality assurance processes, monitoring and testing by the compliance function, control gaps identified through the risk assessment process, management's self-identification of issues, and adverse trends identified from monitoring of consumer complaints. Management should design and implement an issues management process that incorporates all sources of risk and issue identification. The issues management process should include identification of root causes of issues and determining whether issues are related to a specific product, service, or business line or if issues are systemic. The board should be apprised of material issues and resolution strategies, and hold management accountable for correcting issues and validating corrective actions.

Consumer Compliance Program

An effective consumer compliance program should include the following:

- Policies and procedures that are appropriate to the complexity and risk in the bank's products, services, and activities, including an appropriate third-party risk management process.
- Consumer compliance training that is current and tailored to risk and staff responsibilities.
- Monitoring and, if applicable, audit that encompass consumer compliance risks throughout the bank.
- A responsive and effective consumer complaint resolution process.

Policies and Procedures

Consumer compliance policies and procedures, including those for the bank's third-party risk management process, should provide standards for managing consumer compliance risk in the bank's products, services, and activities.

Policies are statements of actions that the bank adopts to pursue certain objectives. Policies guide decisions and often set standards (on risk limits, for example) and should be consistent with the bank's underlying mission, strategy, risk appetite, and core values.

The scope and detail of those policies should vary depending on the bank's size, complexity, and risk profile. A smaller, noncomplex bank with management that is heavily involved in the bank's day-to-day operations should have basic policies addressing the significant areas of consumer compliance risk. Larger, more complex banks, where senior management relies on a widely dispersed staff to manage consumer compliance risks associated with complex or varied products, services, and activities, should have more detailed policies. Appropriate policies should be in place and approved by the board before the bank engages in any new or significantly changed consumer compliance-related activities.

Procedures define how the bank is to carry out its policies. Management should consider the complexity and risk associated with products, services, and activities when determining the level of formality needed for consumer compliance-related procedures. Procedures should be consistent with related bank policies.

Consumer Compliance Training

Consumer compliance training should be timely, and specifically tailored to employees' job functions and the bank's products, services, and level of risks. Training should span the entire organization, including staff responsible for product development, marketing, and customer service. Banks should train business line employees on consumer compliance requirements and bank procedures. The compliance and audit functions should have access to more advanced or specialized training, including emerging risks, trends, and industry developments, and training on compliance-related policies and procedures. Training for the board and management is generally focused on the their individual responsibilities to oversee and govern the bank's CMS.

Standards for the frequency, method (e.g., formal, on-the-job, external), and documentation of training should be addressed in policies and procedures. For example, some laws impose mandatory training requirements. Periodic training increases the likelihood of adherence to the bank's policies and procedures and to changing legal requirements. Records, including training content, attendees, and completion dates, should be maintained to demonstrate the effectiveness of the bank's training program. The method and documentation of training may vary depending on the size of the bank or department, established time frames for training, and the significance and complexity of the subject matter.

The consumer compliance training program should be updated in advance of the introduction of new products, services, activities, or the effective date of new consumer protection-related laws and regulations to ensure that all staff are aware of compliance requirements before such changes occur.

Monitoring and Audit

Monitoring of consumer compliance risk is a key aspect of an effective CMS that involves both the evaluation and reporting of risks. Consumer compliance risk identification and assessment activities, such as risk control self-assessments, quality assurance, and quality controls, are integral to monitoring by providing ongoing or periodic evaluation of the bank's consumer compliance risk environment. To facilitate monitoring of consumer compliance risk, the bank's CMS should include bank-wide monitoring inclusive of the bank's products, services, and activities.

Management's assessment of consumer compliance risk associated with the bank's products, services, activities, and processes may assist the bank in determining the extent, depth, frequency, and focal points of independent consumer compliance audits. For instance, monitoring may be appropriate for products, services, activities, or processes that are less complex or demonstrate less risk. The board may require an independent consumer compliance audit to determine the bank's compliance with consumer protection-related laws and regulations, particularly for more complex, higher-risk products, services, activities, or processes. Additionally, a periodic and independent audit of the bank's CMS should provide the board with information to determine the effectiveness of the bank's CMS.

Monitoring and audit activities should be timely and should identify and measure material consumer compliance risk throughout the bank. Monitoring and audit of the bank's compliance program should be proactive in identifying procedural or training weaknesses to preclude consumer protection-related violations. Compliance program modifications made to address identified weaknesses should be implemented expeditiously to minimize consumer compliance risk.

Monitoring

Effective monitoring and testing include quality control and quality assurance[14] and identify violations of consumer protection-related laws or regulations or non-compliance with bank policies and procedures. Effective monitoring also provides timely identification of CMS deficiencies or weaknesses and can limit the size and scope of consumer harm by providing for timely corrective action.

Monitoring is generally more frequent and less formal than the independent review performed by the audit function. The plan and schedule for monitoring activities, however, should be risk-based, documented, and updated at least annually. Management, in consultation with the board, should determine the frequency, scope, and formality of monitoring and testing. Depending on the size, complexity, and risk of the bank, staff responsible for monitoring and testing may have less independence than the audit function's staff. Management should clearly outline roles and responsibilities so that monitoring by the various groups is complementary and not duplicative.

[14] Refer to the "Corporate and Risk Governance" booklet of the *Comptroller's Handbook* for additional information regarding quality control and quality assurance.

Transaction testing is an important component of monitoring. A bank's sampling methodology should incorporate appropriate sampling techniques. Transaction testing may be conducted by compliance staff or within business lines. Other forms of monitoring may include employee interviews, policy and procedure review, assessing training effectiveness, and comparison of actual practices with disclosures provided in connection with transactions.

The bank should complete root cause analyses to determine whether identified violations of law or regulation or failures to follow established policies and procedures are isolated events or systemic. Identified issues should be escalated and tracked in accordance with the bank's issues management policies and procedures. Additionally, the root cause determination should identify whether existing controls should be enhanced or if new controls should be implemented.

Audit

The bank's internal audit system[15] should include risk-based independent reviews of the bank's CMS to provide the board and management reasonable assurance of the bank's consumer compliance-related risk management. Inclusion of CMS in the audit program substantially lessens the risk of a bank failing to detect potentially serious problems, such as non-compliance with consumer protection-related laws or regulations. The bank's risk-based internal audit coverage over CMS should include the following:

- Independent and qualified auditors who are knowledgeable of consumer protection-related laws and regulations and can assess the appropriateness of the bank's CMS.
- Testing of internal controls to identify
  - inaccurate, incomplete, or unauthorized transactions.
  - violations of consumer protection-related laws or regulations.
  - deviations from the bank's consumer compliance-related policies and procedures.
  - thematic consumer compliance control issues, including the root cause, across business activities or auditable entities.
- Evaluating the adequacy of established consumer compliance-related policies and procedures and identifying non-compliance with the bank's consumer compliance risk management processes.
- Reviewing and validating management actions to address material consumer compliance-related weaknesses.

The bank's audit risk assessment process should include identification of consumer compliance-related auditable entities, including third parties. The bank may perform a separate audit to evaluate the overall effectiveness of the bank's CMS, while audit coverage for consumer protection-related laws and regulations may encompass several individual audits or continuous auditing activities.

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[15] Refer to 12 CFR 30, appendix A, II.A, "Operational and Managerial Standards," and the "Internal and External Audits" booklet of the *Comptroller's Handbook* for information regarding internal audit systems, including compliance audit systems.

The bank's process to track, monitor, report, and follow up on audit issues should include consumer compliance-related audit issues.

Consumer Complaint Resolution Process

Consumer complaints can be an indicator of potential risk management weaknesses or other deficiencies, such as violations of laws or regulations. Complaints can reveal a weakness in a particular bank product, service, function, or department, or can identify opportunities to enhance customers' experience and understanding of bank products or services. Complaints can help banks assess services performed by third parties. While the absence of complaints is not conclusive of a strong CMS, the presence of complaints, especially multiple complaints regarding the same or similar issue, may indicate a weakness in the bank's CMS.

Banks should have a process for identifying, managing, and analyzing complaints. The formality of the process should be commensurate with the bank's size, complexity, and risk profile. An effective complaint resolution process should generally include the following:

- How the bank defines a complaint and requirements for documentation of complaints. With changing technology, complaints can come in many forms or through various channels: letters, phone calls, in person, other regulators, third-party service providers, emails, and even social media. Bank policies and procedures should address how these various types of complaints are documented and tracked.
- Responsibility and accountability for identifying, addressing, and escalating complaints.
- Tracking of complaints and bank responses or actions. A centralized tracking process can improve the identification of trends or patterns.
- Analysis of complaints to determine if a trend or pattern exists, and identifying the root cause of significant trends.
- Reporting complaint data and trends to the board and management.

Procedures should identify who is responsible for addressing complaints and detail the escalation process, including an alternative process for complaints involving the employee(s) tasked in the standard escalation process. Analysis of complaint data should be reported to the board and management to

- identify areas of concern relating to compliance management and consumer protection; and
- enable the bank to take proactive steps to mitigate risk of violations, consumer harm, regulatory actions, and legal action.

Violations of Law and Consumer Harm

A violation of law or regulation is an act (or failure to act) that deviates from, or fails to comply with, a statutory or regulatory requirement. Violations (or lack of violations) alone are not conclusive to determine the effectiveness of a bank's CMS. Examiners should consider the nature, extent, severity, and root cause of violations when assessing the bank's CMS. Also, a bank's CMS can be weak when no violations are identified, if one or more components are absent or ineffective.

Violations often result from deficient practices. The existence of violations can be indicative of weaknesses in the bank's CMS. Violations that result from deficiencies in component(s) of the bank's CMS may be indicative of weak or lax board oversight or lack of management involvement in day-to-day operations of the CMS.

The bank's CMS should include processes for timely self-identification and appropriate resolution of violations. Timely self-identification and correction may support a conclusion that monitoring and compliance audit activities are being carried out effectively.

Refer to the "Bank Supervision Process" booklet of the *Comptroller's Handbook* for additional information regarding the OCC's policies and procedures regarding violations of laws and regulations.

Examination Procedures

This booklet contains objectives and expanded procedures for assessing the effectiveness of a bank's CMS in relation to consumer compliance risk management. Examiners decide which of these objectives and procedures are relevant to the scope of the examination during examination planning or after drawing conclusions during the compliance core assessment as outlined in the "Community Bank Supervision," "Federal Branches and Agencies Supervision," and "Large Bank Supervision" booklets of the *Comptroller's Handbook*.

Scope

These procedures are designed to help examiners tailor the examination to each bank and determine the scope of the CMS examination. This determination should consider work performed by internal and external auditors and other independent risk control functions and by other examiners on related areas. Examiners need to perform only those objectives and examination procedures that are relevant to the scope of the examination as determined by the following objective.

Objective: To determine the scope of the CMS examination and identify examination objectives and activities necessary to meet the needs of the supervisory strategy for the bank.

1. Review, as applicable, the following sources of information and reports, and note any previously identified consumer compliance deficiencies related to CMS that require follow-up:

   - Supervisory strategy.
   - Examination scope memorandum.
   - The OCC's supervisory information system.
   - Previous reports of examination, supervisory letters, and work papers.
   - Consumer compliance-related supervisory information obtained from other regulatory agencies.
   - Internal and external audit reports and work papers.
   - Bank management's responses to previous reports of examinations, supervisory letters, and audit reports.
   - Customer complaint and litigation data, including data from the OCC CAG, the BCFP, and the bank. Coordinate with the examiner responsible for completing the compliance RAS and core assessment to avoid duplicating complaint data review.
   - Whistleblower referrals received by the OCC or internally within the bank. Coordinate with the examiner-in-charge (EIC), as the EIC may already possess this information.

2. Obtain and review consumer compliance-related policies, procedures, and reports the board and bank management use to evaluate the effectiveness of the bank's CMS. Examiners should consider