



Office of Thrift Supervision
Department of the Treasury

Scott M. Albinson
Managing Director

1700 G Street, N.W., Washington, DC 20552 • (202) 906-7984

December 19, 2002

MEMORANDUM FOR: CHIEF EXECUTIVE OFFICERS
FROM: Scott M. Albinson *Scott M. Albinson*
SUBJECT: Revised Compliance Self-Assessment Guide

In 1988, the Federal Home Loan Bank Board published a Compliance Self-Assessment Guide. From the beginning, the purpose of the guide has been to promote compliance with consumer protection laws and regulations by outlining a process that an institution can use to evaluate its compliance control structure and to enhance the effectiveness of its compliance program. OTS has updated and republished this reference guide on subsequent occasions since its initial launch. We recently published our latest revision on the OTS website under the "Sound and Safe" section of the "Useful Information" page.

The new edition emphasizes the importance of a compliance management strategy predicated on system controls, real-time monitoring, periodic self-assessments, organizational accountability, responsiveness to needed improvements, and effective training. This strategy is incorporated into the acronym we call "Working S-M-A-A-R-T: Systems, Monitoring, Assessment, Accountability, Response, and Training."

Sound compliance management, like the art and science of operational management, is predicated on establishing a comprehensive program of risk controls and reviews. The SMAART approach provides guidance for creating a comprehensive compliance management program. Each institution should apply the SMAART approach in a manner tailored to its business goals, operational complexity, market circumstances, product diversity and staffing resources. While the sophistication of compliance programs will vary by institution, risk management and customer service should be the guiding principles in developing and implementing your compliance management program.

This latest revision of the Guide also incorporates new regulatory sections on the Home Owner Equity Protection Act, Disclosure and Reporting of CRA-Related Agreements, Insurance Consumer Protection, and Privacy of Consumer Financial Information into the contents of Part C – Overview of Laws and Regulations.

We have additional revisions planned in the course of the next year to further amplify on how you can implement the SMAART approach at your institution. In the meanwhile, we hope that this latest version of the Guide helps you in your continuing efforts to build a compliance program that fulfills your obligation to meet regulatory requirements and your aspiration to better serve your customers.