

At The Margin

Special Edition

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Tales from the Front... Dealing with Regulators

The second in a series of articles from a unique "boots on the ground" perspective.

Maybe I'm just too jaded. I have been through too many regulatory Memorandums of Understanding and Consent Orders on behalf of my clients to be seriously thrown off stride by the "trash-mouth" legalese contained in these regulatory missives.

I counsel Boards of Directors to understand that the regulatory agreements to which they will be affixing their signatures would clearly not receive any awards



from any recognized Schools of Management Science for incensing effective management response.

In fact, I counsel Directors to realize that these regulatory

directives have been designed by lawyers to scare, threaten and intimidate the Board into a sense of urgency.

That is, that **was** the advice I used to give until I was on the receiving end of one of these directives, reading such phrases as "inadequate..."; "critically deficient..."; "unacceptable..." Reading these criticisms at this stage in my career!!.... With all of my credentials!!... Why those @#%\$^&#@!



To be on the receiving end of one or more of these letters containing such phrases or to sit across from your examiner in charge when they deliver such comments is... well, put bluntly, humiliating.

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I wish that I could say something to take away the pain of such harshly worded criticism. The fact is that few of us who serve as Directors are prepared to receive such criticism at this stage of our professional lives. So, we run to find an esteemed regulatory attorney of our own to protect us from the regulatory barbarians at our gate... only to discover most of these attorneys are ex-barbarians themselves, explaining to us simpletons how it is going to feel to be drawn and quartered!



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Okay, okay. So now what? Well, take a time out... with a good single malt if you must. Then follow Dr. Tom's rules for coping with crappy Reports of Examination:



1. Stop. Think. Take the emotion out of your response.
2. Ignore the incendiary adverbs and adjectives. Focus on content, point by point, issue by issue.



3. Pick your battles carefully. If you are going to protest a finding, make sure all the facts are on your side; otherwise, just accept their perspective and fix the problem using their perspective.

4. Step back and view the risk management criticisms from a general organizational perspective. Often management has a tough time seeing the forest through the trees.

5. Avoid knee jerk reactions, scape- goating and displacement of responsibility.

6. Be prepared to endure. These regulatory letters can remain in place for several years. Until the metrics that measure your risk management and financial performance show notable improvement, don't expect regulators to take away the pressure by letting you out of an agreement.



Now take another time out... make mine a double!

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Dr. Parliament, Chairman & CEO of Parliament Consulting Services, has spent the better part of the last four decades working with financial institutions helping them develop solutions for their business challenges. He has served as a director of several financial institutions, and as a financial expert, has chaired ALCO, Audit, and Investment Committees.

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