

In Focus: More Banks Tapping Agencies to Fill Compliance Positions

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WASHINGTON - Banks, faced with an increasingly daunting mix of legal burdens, appear to be returning to a tried-and-true source of assistance in dealing with their responsibilities - recruiting from the regulatory agencies charged with supervising them.

Bank Secrecy Act and anti-money-laundering requirements probably top the list of regulatory hot spots, but there's no shortage of difficult compliance regimes. Bankers continue to eye the internal-control requirements of the Sarbanes-Oxley Act; new data requirements under the Home Mortgage Disclosure Act; looming Basel II capital requirements; data security and privacy concerns; and minimum-payment guidance for credit cards. And complaints about the Community Reinvestment Act, long an industry punching bag, aren't going away.

"There is great attention being paid to the compliance function" of banks, and "there is a need for compliance officers and their expertise," said Tim McTaggart, a lawyer with Willkie Farr & Gallagher LLP. "It's in great demand and short supply, and compensation levels are being bid up."

The path from public to private sector is well worn. Statistics are scarce, but observers report anecdotal evidence that the trend - if it hasn't already accelerated - may be poised to do so.

"We constantly get calls from organizations that are looking for support, and the tendency is to go where the experts might be located - and that certainly would be within the federal banking agencies," said John Byrne, the director of the American Bankers Association's Center for Regulatory Compliance. "There is not a great wealth of people out there who are experts in these areas."

On Monday, ABN Amro NV said it had hired Herbert Biern as its head of U.S. regulatory affairs. Mr. Biern was a top official at the Federal Reserve, where he headed anti-laundering policy.

Last year ABN Amro's LaSalle Bank of Chicago hired Leonard Wiatr, who had been the bank's examiner-in-chief at the Office of the Comptroller of the Currency, as chief compliance officer.

Other recent OCC officials on the move include Mike Brosnan, the former examiner-in-chief for Bank of America Corp., who took a risk management job at MBNA Corp. last August; and David Gibbons, a former deputy comptroller who became the first chief risk officer at HSBC North America Holdings Inc. about a year ago.

"It is beneficial for organizations to have our perspective as former regulators," Mr. Gibbons said in an interview Tuesday. "Whether it's a piece of guidance on minimum payments in the card industry, or subprime lending, what I can offer is the regulators' perspectives" and their objectives.

Rod Taylor, a senior partner at Taylor & Co., an executive recruiting firm in Atlanta, said his clients are clamoring for compliance experts.

"There has been a creeping demand for more sophistication in the compliance function for several years now," he said. The key is "finding a compliance executive that negotiates proactively with the regulators instead of being in a constant mode of reacting to the regulators in a somewhat adversarial way."

That's what makes putting a former regulator in key compliance spots such a popular strategy. Former Fed officials hold top anti-money-laundering positions at Bank of America and Citigroup Inc. Andrew Crockett, the longtime general manager of the Bank for International Settlements, joined JPMorgan Chase & Co. in October 2003 as head of international operations and as a member of the company's risk management committee.

The rewards can be substantial.

Banks are placing a premium on "risk and compliance, and there is no hotter area," said Alan Johnson, the managing director of Johnson & Associates, a consulting company focused on compensation in the financial services industry. "You're looking for experienced people who know the ins and the outs of the rules, and how to comply. What better place than to get guys that have done it in the government?"

He estimated Mr. Biern's new salary at a minimum of \$500,000 - and likely much more than that. That's roughly double his \$219,800 Fed salary and pocket change to a big bank weighing the monetary impact of reputational damage. Given the regulatory environment, the conditions may never be as favorable as they are now.

"If he had come out five years ago, it's a big yawn: Who cares?" Mr. Johnson said. "The timing couldn't be better."

But the challenge of finding qualified compliance personnel isn't restricted solely to the executive suite.

Robert Epstein, the president and chief executive of Careerbank.com, said posted positions on his company's site, which serves financial and accounting firms, have approximately doubled in the past year.

"Anything in the compliance arena, we've seen an increase in," he said. "The more regulation that comes into play, the more the need for companies to deal with the regulation."

Though most recruiters agree that a regulatory background is particularly marketable right now, they aren't yet convinced that regulatory agencies need to brace for a brain drain. Regardless of the demand, it's not clear the supply is available. Regulators for a variety of reasons frequently show little inclination to move to the private sector.

Mr. Taylor said regulatory compliance experts tend to be "a very conservative bunch" who choose security and public service over dollars.

Mr. Gibbons said risk managers and auditors "oftentimes can be risk-averse in their own personal lives. They prefer stability, and the federal government job does bring some of that to the table."

Though regulators moving to regulated entities occasionally pose at least the perception of a conflict of interest, Mr. Gibbons said, private-sector experience can make for better regulators, just as public-sector experience can make for better bankers.

"If I ever get the opportunity to go back into public service, I'll be a better policy person or bank regulator, if that's the case, than I would have been if not for this experience," he said.