

ANNOUNCEMENT TO **Online and Self-Processing Credit Unions****CU\*ANSWERS**  
A CREDIT UNION SERVICE ORGANIZATION  
announcementATTENTION **CEOs and Accounting Leaders**DATE **December 18, 2014**SUBJECT **Announcing the Second Cost of Compliance Contest**

*"If we are to really innovate on the cost of compliance and risk management as an industry we must move towards doing the hard work of tracking and tactically improving how we approach compliance. We must design a standard way of calculating the cost of compliance that sets our network and our vested hopes for our industry square in its sights. But how can we win this argument with our boards, examiners, members, auditors, and regulators without a way to prove this is the case?"*

- Randy Karnes, CU\*Answers CEO

### **\*\*\*What exactly will I need to do for the second contest?\*\*\***

For the second Cost of Compliance contest, you will need to submit a narrative that:

- Indicates which of the [three winning templates \(from the first contest\)](#) you used to account for your cost of compliance (name of credit union that developed the template will suffice)
  - You do not have to use one of the three winning templates, but it will save you some time. The alternative would be to create your own template. If you do this, you will need to include your entire template in your contest submission.
- Details how your credit union used the template to account for the cost of compliance for reporting, managing, and monitoring costs.
- Explains how you proved to your board, auditors, and examiners that the cost of compliance is a burden to your credit union and any recommendations to the rest of the cooperative on what it means to the network and industry as a whole
- Includes your Income and Expense Statement displaying your credit union's costs associated with compliance

### **Where did the idea for the Cost of Compliance Contest originate?**

If you remember, the Cost of Compliance Contest was a result of the 2013 CEO Strategies conference, where many CEOs stated that the cost of compliance was having a detrimental impact on the financials. However, when asked how much compliance is costing them, no one had a definitive answer. As a result, CU\*Answers embarked on an endeavor to coordinate two cooperative events that would derive actual costs associated with the increasing burden of compliance.

The [first Cost of Compliance Contest](#) began this past July and ended in October. At the CEO Strategies conference in November, winners were announced and awarded \$5,000 in total prizes. The [winners' templates](#) were chosen as a result of being the most comprehensive and offering the best tool set and methodology for others to use for the day-to-day accounting of compliance-related costs.

### **What is the timeframe for the second Cost of Compliance Contest?**

The second Cost of Compliance contest officially begins on January 1, 2015. All entries are due on June 5, 2015. Winners will be announced at the CU\*BASE Leadership Conference in June 2015.

### **How do I enter the contest?**

To enter the contest, which is open to all credit union CEOs and accounting leaders, simply [email Jim Vilker](#) so he can add your name to the list of contest participants. Only one entry per credit union please.

## What is the objective of the second contest?

Sponsored by AuditLink, the second Cost of Compliance Contest will focus on real-world application of the templates developed by your peers in the first Cost of Compliance Contest. Why? To prove to our industry that we account for compliance and have the data to win the arguments and make decisions.

## What are some ideas I can use in developing a plan of action for the contest?

Here are some questions to consider as you formulate a plan of action for following the template you select or develop:

- Will you annualize your total cost of compliance as a percentage of average assets and subtract it from your ROA to win the earnings argument?
- Will you take your total cost of compliance and divide it by total operating expenses to win the expense argument?
- Will you compare your cost of compliance with one of your peers to see if you are overspending or underspending to win the argument for more or fewer people?
- Will you trend the number out and have your compliance professionals explain to you what prompted the peaks and valleys to win the argument for what a new regulation meant to compliance costs?
- Will you include your cost of compliance as a budgeted line item and openly discuss ways to drive down the costs to the lowest denominator while still passing from the audit front?
- Will you discuss your costs of compliance with your board and include that discussion in your board minutes so that you may refer to the discussion in examination comments or exit interviews?
- Will you openly discuss with your examiners what the effects of the over-reaching regulatory environment has done to your return to members?
- Will you share what you have done with other credit unions who are accounting for costs to build a groundswell of industry commentary?

## What are the prizes for the second contest?

As with the first contest, a total of \$5,000 will be awarded to contest winners. The first place winner will receive \$2,500, the second place winner will receive \$1,500, and the third place winner will receive \$1,000. Winners will be announced at the CU\*BASE Leadership Conference in June 2015. (Note: A minimum of 10 entries must be submitted for prizes to be awarded.)

## What are the official contest rules?

To view the official contest rules, please click [here](#).