

Utilizing Model Practices to Enhance Your Ethics Program

**Pre-Vetting Candidates at the
Consumer Financial Protection Bureau**

**OGE National Government Ethics Summit
September 19, 2014**



**Note: This Deck Intended For
Federal Government Training Purposes Only**

CFPB History

2007 – Most Severe Financial Crisis Since the Great Depression

- Decreased home values, shrunken savings, eliminated jobs, dried-up credit
- Years of irresponsible lending
- Consumers had mortgages they could not afford or understand
- Many lost their homes and life savings



CFPB History

July 2010 – President signed the Dodd-Frank Wall Street Reform and Consumer Protection Act

- Created the Consumer Financial Protection Bureau
- Consolidates most Federal consumer financial protection authority in one place
- Goal: consumer watchdog in market for consumer financial products and services



CFPB History

July 2010 – team from Treasury begins to build the new Federal consumer agency

- Eventual DAEO was one of first 6 team members
- Eventual ADAEO – hired November 2010
- Senior Ethics Counsel – 3rd lawyer hired at CFPB in December 2010 – rest of ethics team hired by March 2011
- CFPB Ethics Office began operating independently from Treasury Ethics Office in January 2012 with appointment of CFPB Director, then DAEO and ADAEO



CFPB History

CFPB had a daunting statutory mandate of required tasks – we needed to hire great people ASAP!

- Dozens of executives
- Hundreds of employees



CFPB History

We needed a workforce that understood consumer financial markets. Most potential executives were from

- Financial Sector
- Consumer Protection NGOs



CFPB History

- We soon realized that many potential executives held complex financial assets including bank stocks, hedge funds, and other unusual assets



- But....it was exceptionally important to ensure that Americans trusted this new agency to work on their behalf

Pre-Vetting SOP

- Hiring a person and then waiting 30 days to review a 278 report just was not going to be sufficient
- So we developed a new SOP to pre-vet each executive BEFORE the offer of employment –going beyond all OGE requirements. Same basic process still exists today – approximately 80 executives later



Pre-Vetting SOP

- HR requires each executive **candidate** to submit a 278 report to the ethics office

OMB Form 278 (Rev. 12/2010) Executive Branch Personnel PUBLIC FINANCIAL DISCLOSURE R
2013 E.O. 13526
U.S. Office of Government Ethics

Reporting Individual's Name	Filer	Joseph	P
Position for Which Filing	Assistant Secretary for Ethics	U.S. Office of Government Ethics	
Location of Present Office (or forwarding address)	123 A Street, NW, Washington, DC 20005	202-555-5555	
Formerly held with the Federal Government during the preceding 12 months (if not, leave as blank)	None		
Committee on Rules and Administration	Yes	No	
Signature of Reporting Individual			

- We use an online electronic filing system (FDOnline). It has a “vetting reports” category to keep these reports separate from regular reports. So candidates file using the same online system as employees

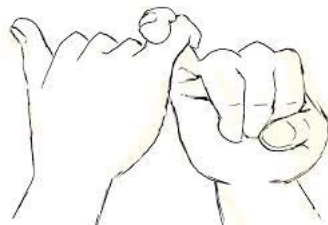
Pre-Vetting SOP



- Ethics Counsel reviews 278 report, resume, and position description
- Through thorough document review and candidate interview (we ask a lot of questions), Ethics Counsel identifies all ethics issues, such as prohibited financial interests, problematic outside positions, impartiality problems, etc
- Ethics Counsel determines whether candidate is willing to take recommended ethics-related actions (divest, resign, etc.)

Pre-Vetting SOP

- Ethics Counsel prepares detailed report for hiring official regarding all actual and potential conflicts, other ethics issues, or optics concerns
- Hiring official determines whether candidate can perform duties of position given any ethics restrictions
- If yes, Ethics Counsel secures candidate's promise to comply with ethics restrictions, and instructs HR to proceed with hiring



Pre-Vetting SOP

- Recently we decided to enhance our SOP by requiring executives to sign a PAS-style “ethics agreement” with respect to any ethics issues identified during the pre-vetting



- Previously we permitted an email from the candidate to suffice
- This sends stronger ethics culture message
- And secures highest possible level of commitment to ethics from executive

Results

REJECTED

Some candidates did not make it through the pre-vetting for various reasons like

- Unwilling or unable to divest bank stock, retirement benefit or other assets
- Unwilling to resign outside board positions
- Too much consumer debt

Results

Last year (September 2013) OGE recognized our pre-vetting process as a “Model Practice” during its Ethics Program Review of CFPB.



Darby



Questions?



Contact Information



SERVE

Serve with integrity.



LEAD

Develop passionate leaders.



INNOVATE

Adapt, improve, and create.

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