

Regulatory & risk management trends eBook

Key findings from the
Annual Wolters Kluwer
Regulatory &
Risk Management
Indicator Survey

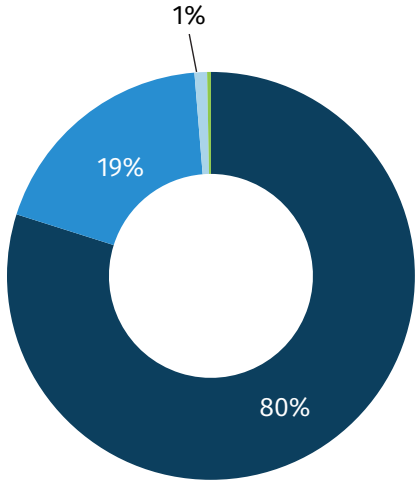


2022 Edition →

The indicator score is the pulse of the financial services industry

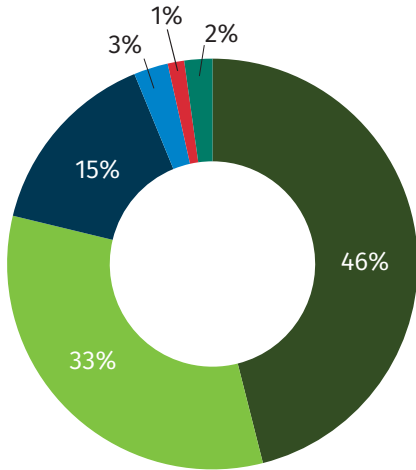
The Wolters Kluwer Regulatory & Risk Management Indicator survey provides insights into regulatory and risk trends in the U.S. banking industry. In its ninth year*, the survey gauges the depth of regulatory and risk concerns, helps determine actual and anticipated areas of impact, assesses the current state of risk management efforts, and gathers data inputs to calculate a regulatory and risk management index score.

Type of Organization



■ Banks and S&Ls ■ Mortgage Companies
■ Credit Unions ■ Other

Asset Segment



■ < \$500M ■ \$7.4B - \$50B
■ \$500M - \$999M ■ > \$50B
■ \$1B - \$7.4B ■ Not sure/NA

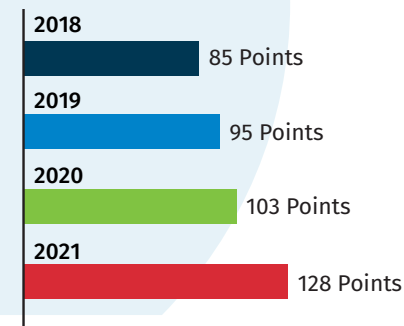
“Our Regulatory and Risk Management Indicator is a unique industry metric that combines our leading proprietary regulatory data and analysis with direct input from a cross-section of organizations within the financial services industry on their top compliance and risk management concerns. Our Indicator provides a transparent and holistic measurement of the ongoing and emerging regulatory and risk management pressures that business leaders face in today’s volatile and rapidly changing marketplace”

Steven Meirink
 Executive Vice President & General Manager,
 Wolters Kluwer Compliance Solutions

*The 2021 Regulatory and Risk Management Indicator survey was conducted between August 4 and September 6, 2021, with 391 responses received.

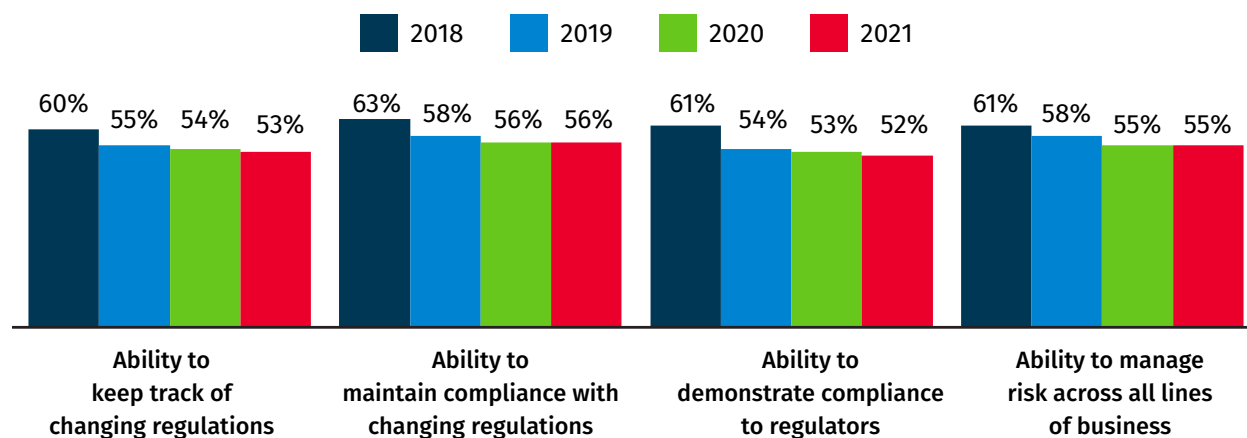
Main Indicator Score increases for fourth consecutive year

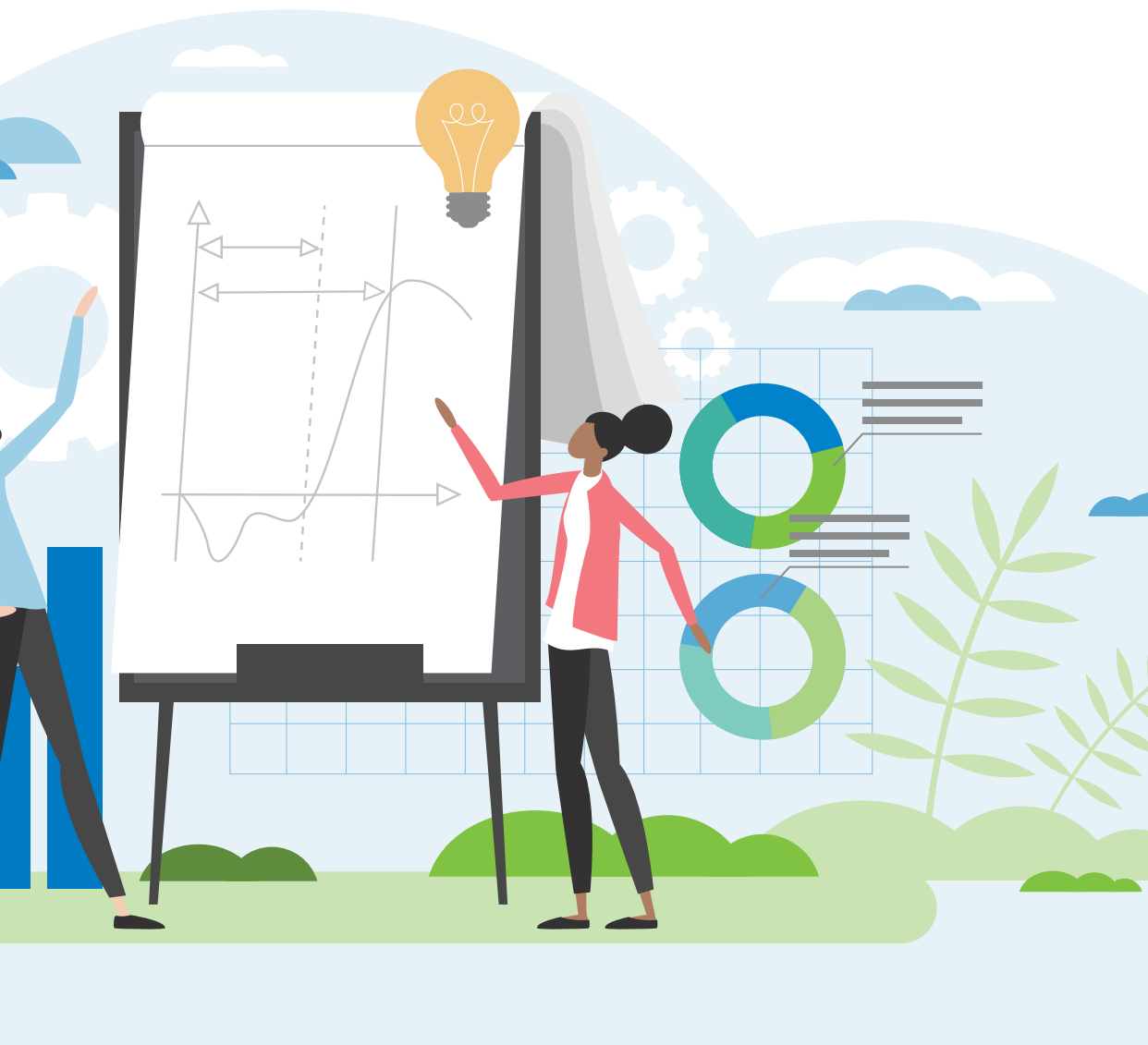
This year's survey generated a Main Indicator Score of 128, a 25-point increase over the 2020 score. These results mark the fourth consecutive year in which the Main Indicator Score has increased, up 43 points in total since 2018. Concerns about navigating regulatory change, managing risk across all lines of business, and an increase in the dollar amount of fines imposed by regulators were all cited as reasons for the significant jump.



Keeping Current with Changing Regulations Remains Key Concern

Keeping current with changing regulations consistently ranks as a top challenge, no matter the lender type or asset size. Respondents are also concerned about their ability to maintain, demonstrate, and manage compliance risk. While the numbers have remained the same or ticked down slightly over the last few years, we can't lose sight of the fact that over 50 percent of our respondents continue to rate themselves as very concerned in each of the critical compliance and risk management areas, as shown in the chart below.





Fortify Your Compliance Program to Meet Environmental Demands and Regulatory Expectations

In today's fast-paced regulatory environment, ensuring that your Compliance Management System continues to operate in a coordinated way to protect your clients and your organization is too complex for manual processing alone.

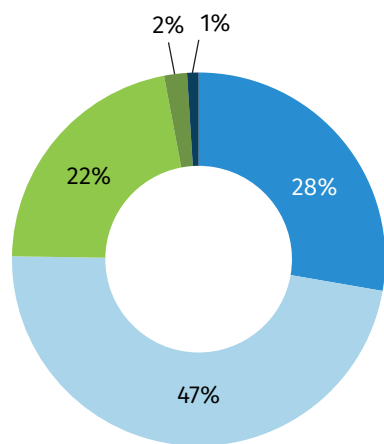
Understanding what laws, rules, and regulations apply to your organization and mapping that regulatory library to your internal policies, procedures, risks, controls, products, services, organizational units and other elements of your compliance program is critical and expected, regardless of the size of the institution.

As regulators themselves apply technology and artificial intelligence in their industry oversight, they are increasingly expecting those they supervise to do the same.

Strengthen your institution's compliance program by engaging Wolters Kluwer Advisory Services team for a [Compliance Management System \(CMS\) Review](#) and applying technology to your compliance program, such as [OneSumX for Regulatory Change Management](#).

Digital transformation: COVID-19 sped up digitization in banking

In the face of the global pandemic, many institutions demonstrated incredible resiliency as they quickly adapted to meet rapidly changing market pressures and evolving client expectations, prompting this year's survey to ask about progress toward digital transformation.



■ Not begun ■ Significant progress ■ Other
■ Some progress ■ Fully digitized

As the demand for digital experiences intensifies, 47 percent of the respondents indicate they had made some progress with digitizing their lending capabilities. In comparison, 22 percent say they have made significant progress and an enviable two percent indicated they were fully digitized. Accelerating your digital transformation through emerging technologies can be an opportunity to expand your reach and capture new revenue growth – at a lower cost.

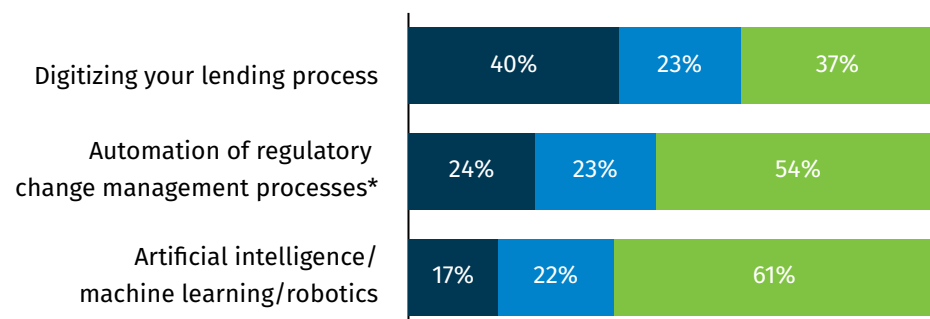
Accelerate your Digital Lending Strategy with End-to-End Secure Compliance Solutions

Accelerate your institution's digital strategy by investing in compliance solutions that deliver compliance certainty through the entire lending workflow.

Create compliant loan documents with **Expere**, our superior compliance document decision engine. This platform enables you to create a single authoritative copy of the loan documents, essential to ensuring compliance during the closing, managing, and monetizing of the loan.

Our **eNote** and **E-Sign** solutions demonstrate that the loan documents are created with the consent of both parties. **eVault** enables an auditable chain throughout the lifecycle of the loan to ensure that documents have not been altered without a record of the alteration.

Investments in Digital Transformation to Accelerate



*Note: numbers may not add up to 100% due to rounding.

Looking ahead to the next 12 months, 63 percent anticipate “significant” or “some” acceleration of their organization’s digital lending processes. Forty seven percent of respondents anticipate accelerating their investment in regulatory change management processes.

Take Your Digital Strategy to the Next Level by Introducing Automation

Investing in a complete, end-to-end compliance management platform gives financial institutions the compliance and security needed for an optimized digital strategy and an exceptional customer experience that differentiates them in the marketplace. Automate compliance with these secure solutions accessible from anywhere:

- [CRA Wiz® SaaS](#)
- [Fair Lending Wiz](#)
- [eOriginal](#)
- [Expere®](#)
- [OneSumX Regulatory Change Management Feed®](#)
- [Online Applications](#)
- [TSoftPlus™ SaaS](#)
- [Vanceo™ Mortgage](#)
- [Wolters Kluwer E-Sign](#)
- [Lien Solutions](#)

“Covid has only accelerated lenders’ move toward digitization, with growing industry demand and regulatory expectations focused on compliance parity with traditional paper-centric models. Borrower preferences, competition among lenders, and changing regulations are driving increased digitization of lending workflows, from loan approval, to document preparation and closing—requiring compliance certainty. While the race to digitization is well underway, success will be marked by methodical adherence to the rigors of compliance.”

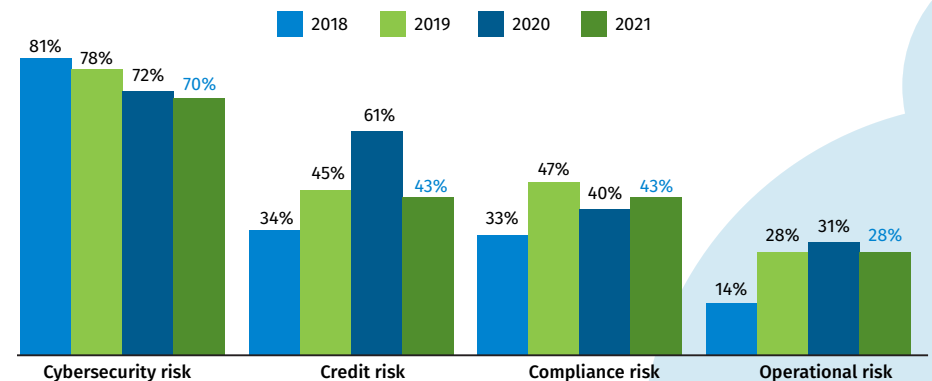
Stephen Bisbee
Senior Advisor of Applied Technologies,
Wolters Kluwer Compliance Solutions

Cybersecurity and compliance risk: Escalated priority anticipated

The top four risks receiving escalated priority are shown in the graph on the right. Although cybersecurity trended slightly downward in 2021, it remained top-of-mind for almost three-quarters of our respondents. Interestingly, third-party risk did not make the top four with only 22 percent of the vote, even though many high-profile cybersecurity incidents for financial service institutions took place through access to a third-party provider. Bad actors know that third parties are generally easier to infiltrate than larger organizations, making it important to understand the security posture of third parties before providing them access to your systems.

Credit risk decreased most significantly as a topic of escalated priority, which is surprising during a pandemic that resulted in historic unemployment. According to the Federal Reserve, financial institutions' risk-based capital buffers remain high, and the number of bank failures remains low, despite the many pandemic challenges. Government relief programs, including the CARES Act, helped stabilize balance sheets during the crisis. However, financial institutions will likely face new challenges as these programs begin to taper off and forbearance reported on balance sheets evolves.

While credit risk and operational risk decreased in priority, compliance risk rose slightly, signaling a potential return to pre-pandemic priorities.





Grow your commercial lending portfolio with confidence

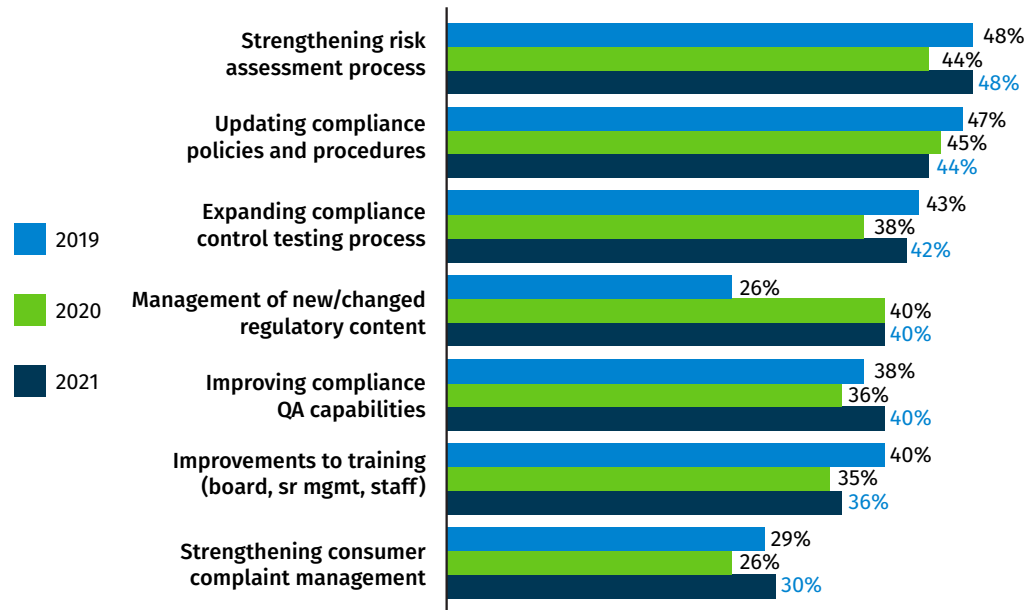
Even though the credit risk decreased significantly in priority from the prior year, lenders should remain vigilant as they navigate credit models impacted by the ongoing pandemic.

A system like **CASH Suite** can reduce commercial lending credit risk by evaluating potential borrowers with greater consistency through streamlined analysis and stress testing of financial statements and tax returns.

High investments in compliance program management anticipated

The top four components of a compliance management program where respondents anticipated making high investments are shown in the accompanying graph. The increased attention to these components may reflect the changes the pandemic forced on financial institutions. We saw a marked increase in new regulations that put pressure on compliance professionals and strained regulatory change management programs.

Respondents anticipating high investment in the components of a compliance management program



“The world and our reliance on technology have changed significantly in the past two years, and financial institutions of all sizes should recalibrate their Compliance Management System framework. Conducting a CMS review will help banks and credit unions identify compliance gaps and prepare to weather any new challenges.”

Stevie Conlon

Vice President, Tax & Regulatory Counsel:
Investment Compliance, U.S. Advisory Services,
Wolters Kluwer



Fortify your compliance program to meet today's regulatory challenges

Given survey respondents' anticipated investment in strengthening risk assessment processes and updating compliance policies and procedures, now is an excellent time to engage a consultant. Our Advisory Services team can conduct a [CMS Review](#) or a compliance risk review to get you started.

The increase in regulatory change drives the necessity for automation of incorporating new or changed regulatory content. [OneSumX for Regulatory Change Management](#) provides value-added regulatory content linked to your institution's risks, controls, policies, and procedures.

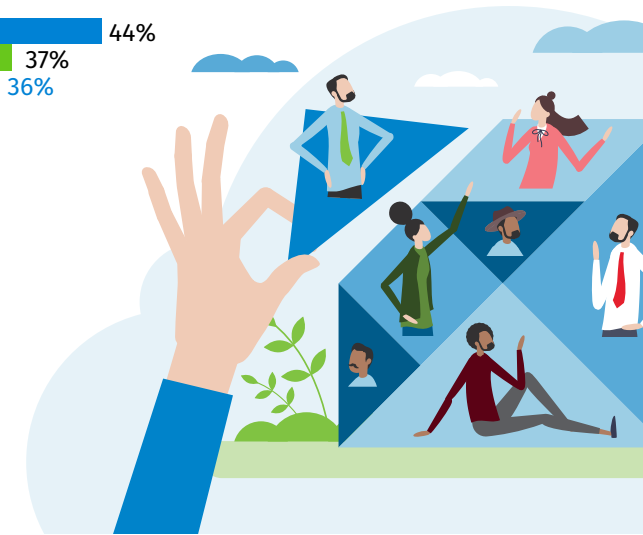
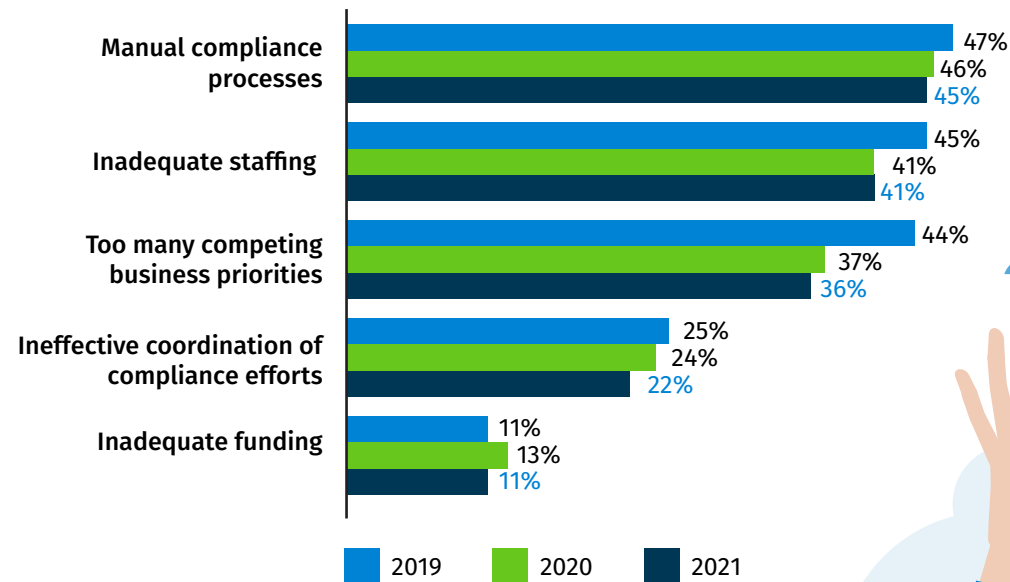
Additionally, [OneSumX ProViso](#) analyzes and clusters regulations across multiple jurisdictions to automate an otherwise costly, manual, and difficult compliance management process.

Manual processes and inadequate staffing remain top obstacles to effective compliance management

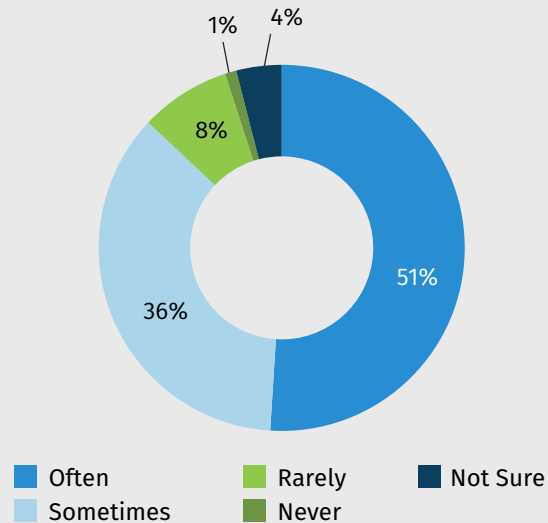
Financial institutions confirmed several challenges in implementing an effective compliance program. Our respondents cited a reliance on manual processes, inadequate staffing, and too many competing business priorities as their top roadblocks. These findings highlight the continued need to implement technology that will automate the regulatory change management process and allow compliance professionals to focus on value-added functions.

Not surprisingly, inadequate staffing remains a concern. This is likely driving the need to implement technology that will automate administrative tasks and allow compliance professionals to focus on functions that require their high level of expertise.

Top obstacles to implementing an effective compliance program



Reliance on Manual Processes Remains High in Managing Compliance Despite Creating Obstacle



Despite tremendous strides toward automation, there is still a heavy reliance on manual processes. Eighty-seven percent of respondents are still using manual processes or spreadsheets at least some of the time for their compliance management efforts, which more than likely include tracking and maintaining new and changing regulations and collecting, analyzing and reporting on regulatory required data. In a separate survey question, respondents cited manual processes as the top obstacle to implementing an effective compliance management program.

Expand your team's capabilities and fill resources gaps with our expert advisory services

Whether your team has a resource or expertise gap, our consultants can become an extension of your team. With backgrounds as regulators, bankers, and compliance professionals, we offer a variety of Advisory Services including:

[Compliance Management System \(CMS\) Review](#)

On both a standalone basis and in connection with CMS reviews, our consultants perform BSA/AML independent reviews.

[Fair Lending Risk Review or Risk Assessment](#)

In addition to fair lending risk assessments, our consultants perform risk assessments and targeted reviews on other compliance matters, including UDAAP.

[Regulatory Exam Preparation or Remediation](#)

Free up resources with move to automation

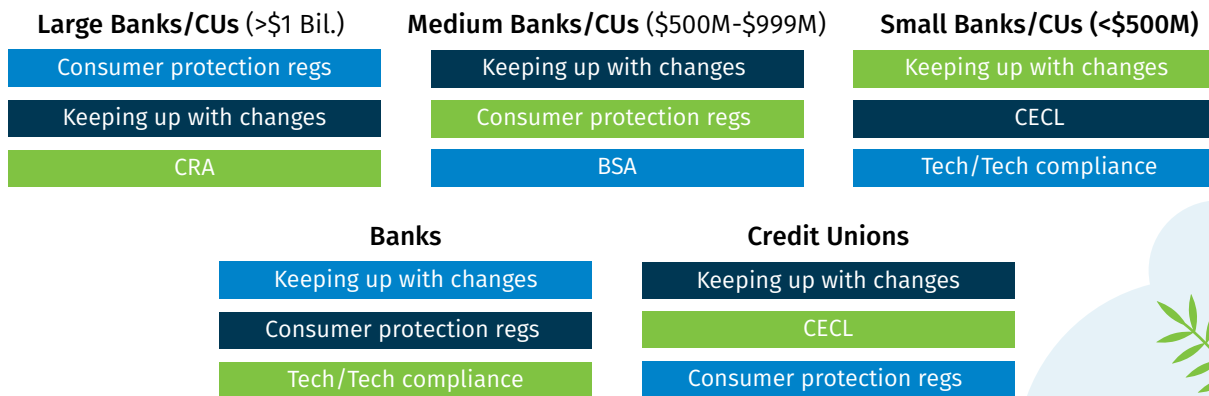
Automate compliance processes with these industry-leading solutions from Wolters Kluwer:

- [CRA Wiz® SaaS](#)
- [Fair Lending Wiz](#)
- [eOriginal](#)
- [Expere®](#)
- [OneSumX for Regulatory Change Management](#)
- [Online Applications](#)
- [TSoftPlus™ SaaS](#)
- [Vanceo™ Mortgage](#)
- [Wolters Kluwer E-Sign](#)
- [Lien Solutions](#)

Top regulatory challenges impact financial institutions of all asset sizes

In this view, the top compliance challenges for all respondents are broken down by asset size and institution type. Nearly every banking segment cited keeping up with regulatory change and consumer protection regulations as their most pressing regulatory compliance challenges. These concerns will remain with us, as the regulatory climate intensifies.

Top regulatory compliance challenges by segment



"I anticipate regulatory scrutiny to escalate further in 2022. The heightened expectations will result in more pressure for banks and credit unions to take more action and invest in compliance technologies."

Samir Agarwal
Vice President, Banking Compliance Solutions,
Wolters Kluwer



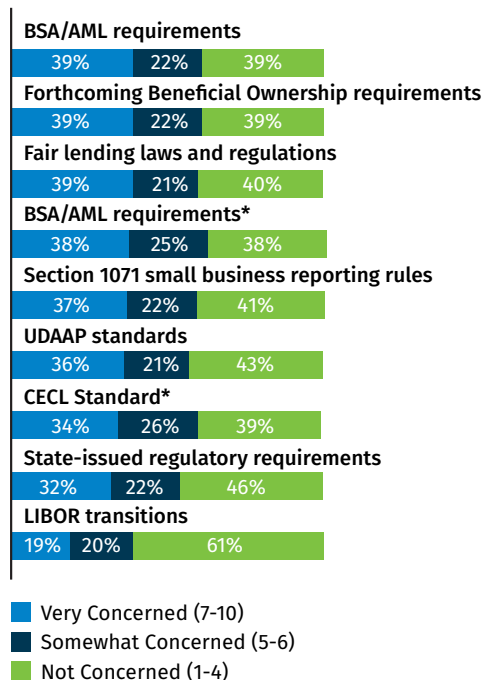
The ability to comply with regulations has some financial institutions very concerned

The ability to comply with BSA/AML requirements, forthcoming beneficial ownership requirements, and fair lending laws creates the most concern for respondents. Section 1071 small business reporting rules, UDAAP and CECL standards, and CRA rule changes have also become more worrisome.

“The next several years will continue to bring efforts to promote transformational change in the financial services industry, advance equality and racial justice, boost inclusion, and further strengthen the overall compliance ecosystem. Accordingly, the expectations for Compliance, Fair Lending, and CRA Officers to manage risk and lead regulatory change initiatives will continue to increase. Now is the time to prepare by conducting a comprehensive compliance, and fair and responsible banking program review and assessment.”

Timothy R. Burniston
Senior Advisor for Regulatory Strategy, Compliance Solutions,
Wolters Kluwer

Levels of concern about key requirements and regulatory challenges



*Note: numbers may not add up to 100% due to rounding.

Lean on Wolters Kluwer to tackle top challenges in regulatory change, compliance management, and loan servicing

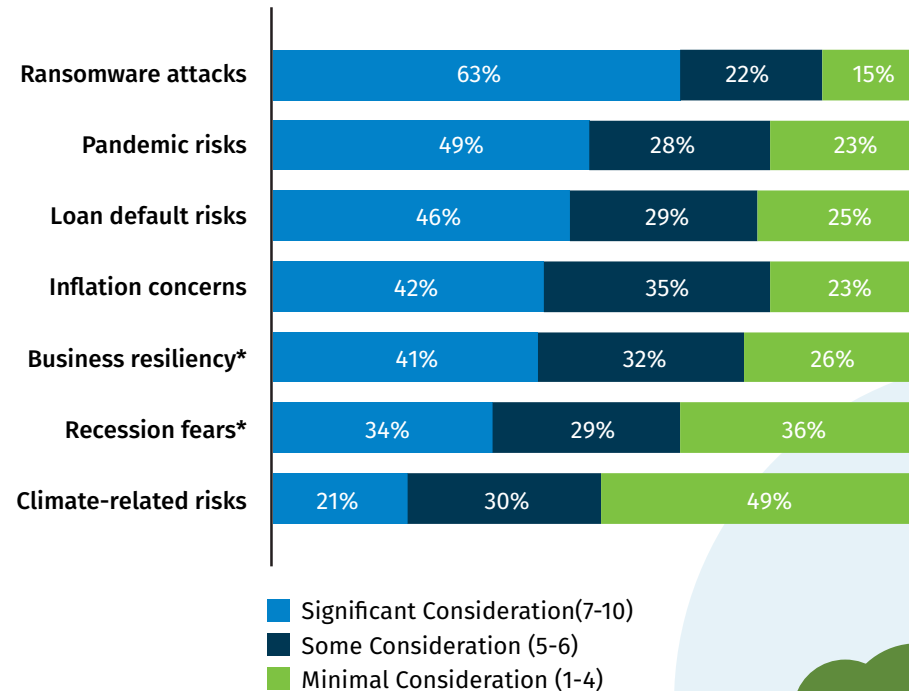
Engage compliance experts from our [Advisory Services](#) team for a CMS review or a risk assessment to evaluate your program and review lending activity for impact on the consumer. For those considering automation, [OneSumX for Regulatory Change Management](#) provides value-added regulatory content linked to an institution's risks, controls, policies, and procedures.

And [OneSumX® ProViso](#) provides a streamlined solution for financial institutions to stay on top of and demonstrate compliance with applicable state and federal regulations. It analyzes effective regulations across multiple jurisdictions and clusters similar regulations to automate an otherwise costly, manual, and difficult compliance management process.

Ransomware attacks and pandemic risks weigh heavily on the banking industry

We asked to what degree respondents were weighing these environmental factors in their enterprise risk business planning, and “ransomware attacks” rose to the top, followed by pandemic and loan default risks. Climate-related risks were rated lowest, with almost half giving it only minimal consideration. While we may not think about climate impacts in the banking industry today, state and federal regulators are gearing up to follow Europe and much of the rest of the world’s lead in addressing the many Environmental, Social, and Governance (ESG), sustainability, and climate risks.

Keeping pace with legislative developments from Congress, regulatory changes, policy releases, and enforcement actions require constant monitoring. Staying informed doesn’t have to be cumbersome if you have an automated regulatory change management solution. It can provide updates related only to new or changed laws, rules, and regulations and help frame your compliance program.



*Note: numbers may not add up to 100% due to rounding.



Meet today's environmental shifts head on with automated solutions from Wolters Kluwer

Understanding the impacts of environmental factors and how they affect your organization is a continued priority. Prepare everyone in your organization and avoid surprises by harnessing the power of **OneSumX for Regulatory Change Management** as your single source for aggregated legislative and regulatory requirements. Coming out of the pandemic, risks will include handling an increase in loss mitigation workouts as forbearance periods taper off. Wolters Kluwer offers our award-winning solution, **Expere Servicing**, which includes compliant documents needed to support investor/insurer loss mitigation programs, as well as documents required in the pre-foreclosure process.

Demands of BSA/AML compliance and CECL changes require forward-looking solutions

To address the challenge posed by BSA/AML confidently and proactively, institutions turn to **OneSumX for Anti-Money Laundering**. Our solution provides a holistic, risk-based approach to BSA/AML compliance to help meet regulator expectations. Smaller institutions rely on **OneSumX® for Customer Due Diligence** is a web-based tool that helps you ensure compliance with Beneficial Ownership, CIP, Customer Due Diligence and Identity Theft program requirements. And lastly, institutions of all sizes engage our Advisory Services team to conduct On both a standalone basis and in connection with CMS reviews, the team also performs BSA/AML independent reviews.

Preparing for and implementing CECL compels financial institutions to think about credit risk in a more comprehensive, forward-looking way. **OneSumX CECL** enables financial institutions to recalibrate existing models or develop new ones, which is especially important for institutions operating across borders.



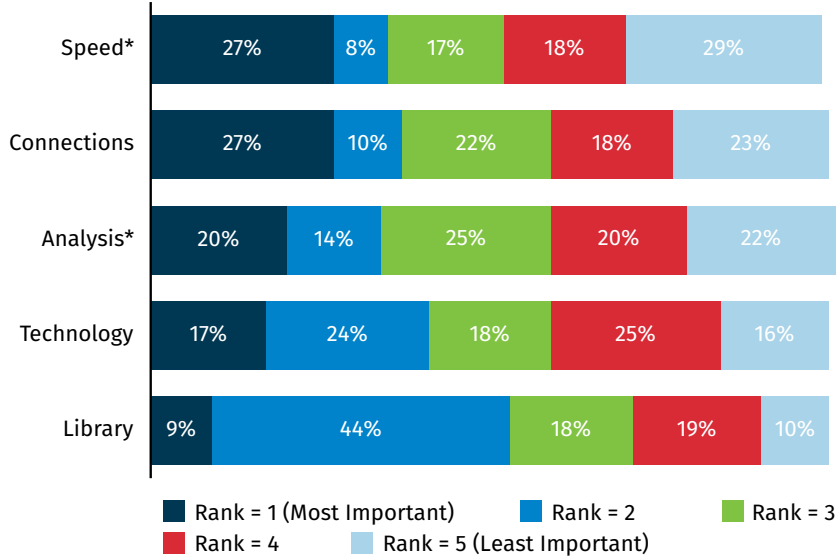


All eyes on compliance program management

OneSumX for Compliance Program Management provides a solution for managing the complete breadth of your regulatory requirements. Our industry-leading expertise and technology cover your compliance needs, including:

- Regulatory insight
- Regulatory change management
- Compliance and ethics governance
- Compliance risk and controls assessment
- Compliance testing
- Complaint management
- Regulatory exam management
- Exam and inquiry management

Library ranks very high as important feature of regulatory change management process automation



*Note: numbers may not add up to 100% due to rounding.

When asked to rank the importance of regulatory change management process automation features, respondents overwhelmingly ranked the regulatory library as the most important. The other features, speed, connections, analysis and technology were all weighted relatively evenly.

“In today’s fast-paced regulatory environment, understanding what laws, rules, and regulations apply to your organization and mapping that regulatory library to your internal policies, procedures, risks, controls, products, services, organizational units, and other elements of your compliance program is critical and expected, regardless of the size of the institution.”

Elaine Duffus
 Senior Specialized Consultant,
 Wolters Kluwer Compliance Solutions





Overall, the survey results show us that the environmental factors we face as a nation also have implications for our organizations and our clients. Compliance professionals are reaching deep into their basket of skills to adapt to the pandemic's ripple effects, the economy, and changing interest rates.

Meanwhile, concerns about risk abound. Cybersecurity and ransomware risks continue to be top-of-mind. And regulators also share the burgeoning concerns about credit and operational risks in the industry. Compliance professionals need to be vigilant about having robust regulatory change management programs and fully functioning Compliance Management Systems with current policies and procedures.

As compliance jobs become more complicated — and institutions face a more rigorous supervisory climate — compliance professionals must embrace technology that replaces manual processes and outdated reporting practices. Developing a disciplined, automated approach to your compliance efforts now will provide the consistency, transparency, and security that regulators require and your clients demand.

About Wolters Kluwer Governance, Risk & Compliance

Governance, Risk & Compliance (GRC) is a division of Wolters Kluwer, which provides legal and banking professionals with solutions to ensure compliance with ever-changing regulatory and legal obligations, manage risk, increase efficiency, and produce better business outcomes. GRC offers a portfolio of technology-enabled expert services and solutions focused on legal entity compliance, legal operations management, banking product compliance, and banking regulatory compliance.

Wolters Kluwer (AEX: WKL) is a global leader in information services and solutions for professionals in the health, tax and accounting, risk and compliance, finance and legal sectors. Wolters Kluwer reported 2020 annual revenues of €4.6 billion. The company, headquartered in Alphen aan den Rijn, the Netherlands, serves customers in over 180 countries, maintains operations in over 40 countries and employs 19,200 people worldwide.

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