Financial Services

Regulatory Violations Intelligence Index

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Wolters Kluwer

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Executive Introduction

For commercial banks, broker-dealers, and other financial services firms, the regulatory landscape is in constant flux. Rulemaking, enforcement priorities, and penalties for violations follow trendlines that can be challenging for institutions to perceive — and proactively prepare for.

With the needs of its valued financial services clients top of mind, Wolters Kluwer is proud to launch the Regulatory Violations Intelligence Index. This market-unique, insights-packed resource is designed specifically for US financial services companies — especially chartered commercial banks and broker-dealer securities firms.

This inaugural edition of the Index double-clicks on six years of data — from 2018 through 2023 — to reveal trends in violations and penalties across key regulatory categories of concern to financial services organizations. The Index will be updated and reissued on a semi-annual basis to keep clients apprised of the regulatory imperatives that affect their business and impact their future success.

Index objectives

The Regulatory Violations Intelligence Index delivers expert analysis and deep insights into regulatory enforcement actions of interest to commercial banks, broker-dealers, and other financial services firms. In particular, it lifts the opacity on trendlines for total number of violations and aggregate penalty dollar values during the six-year period from 2018 through 2023.

The Index reveals the types of behaviors by financial institutions that are most likely to result in regulatory actions and large penalties. By analyzing the total number of enforcement actions in a given time period as well as the total financial value of those actions, it uncovers thematic areas of oversight focus for regulators.

Index methodology

The data examined by the Index spans two Presidential Administrations: the Trump Administration (from January 2018 to January 2021) and the Biden Administration (beginning January 2021). The input data for the index is ingested from third-party sources including Since the GoodJobsFirst.org. Third party data is augmented by proprietary semantic data analysis that captures enforcement action data from key supervisory bodies including Commodity Futures Trading Commission (CFTC), Consumer Financial Protection Bureau (CFPB), Federal Deposit Insurance Corporation, Federal Reserve, Office of Foreign Assets Control (OFAC), Office of the Comptroller of the Currency (OCC) and the Securities and Exchange Commission (SEC). While extensive, the index does not claim comprehensive enforcement activity coverage.

As a result, it reflects changes in the leadership and priorities of regulatory bodies during the period. For instance, the Consumer Financial Protection Bureau (CFPB), formed in 2011 after it was authorized under the Dodd-Frank Act, was de-emphasized by the previous Administration but has amped up enforcement during the current Administration's tenure.

Within this six-year time window, the index analyzes data in six-month increments. These half-year time segments provide sufficient data to be directionally informative. This data is a lagging indicator of the supervisory activities and thematic priorities of Federal and state regulatory bodies at a given point in time.

Regulatory enforcement categories

The Regulatory Violations Intelligence Index probes infringements and penalties across three categories of rules and guidance of interest to financial institutions: competition-related regulations, consumer protection-related regulations, and financial regulations.

The majority of enforcement actions included in the data were taken by US federal regulatory bodies such as the Securities and Exchange Commission (SEC), Commodity Futures Trading Commission (CFTC), Office of the Comptroller of the Currency (OCC), and Office of Foreign Assets Control (OFAC). But state governments are increasingly interested in regulatory oversight, and a small but growing number of enforcement actions are taken by states such as California and Texas.

Competition-related offenses

Competition-related offenses involve activities that aim to achieve unfair business or financial advantage through market manipulation or anti-competitive practices. Such offenses can include:

- Foreign exchange market manipulation
- Interest-rate benchmark manipulation
- Violations of the Foreign Corrupt Practices Act (FCPA)
- Price fixing
- Fraud

Consumer protection-related offenses

Offenses related to consumer protection violate rules that safeguard the civil or legal rights of consumers or the protection of their identity or personal information. These offenses can span:

- Privacy violations
- Insurance violations
- Mortgage abuses
- Discriminatory practices (not related to employment)
- Consumer protection

Financial offenses

Financial offenses involve a broad set of violations that pertain to illegal financial practices. Subcategories of financial offenses include:

- Banking violations
- Anti-money laundering deficiencies
- Securities abuses
- Investor-protection violations
- Economic-sanction violations

Trend analysis

Regulatory violations analysis

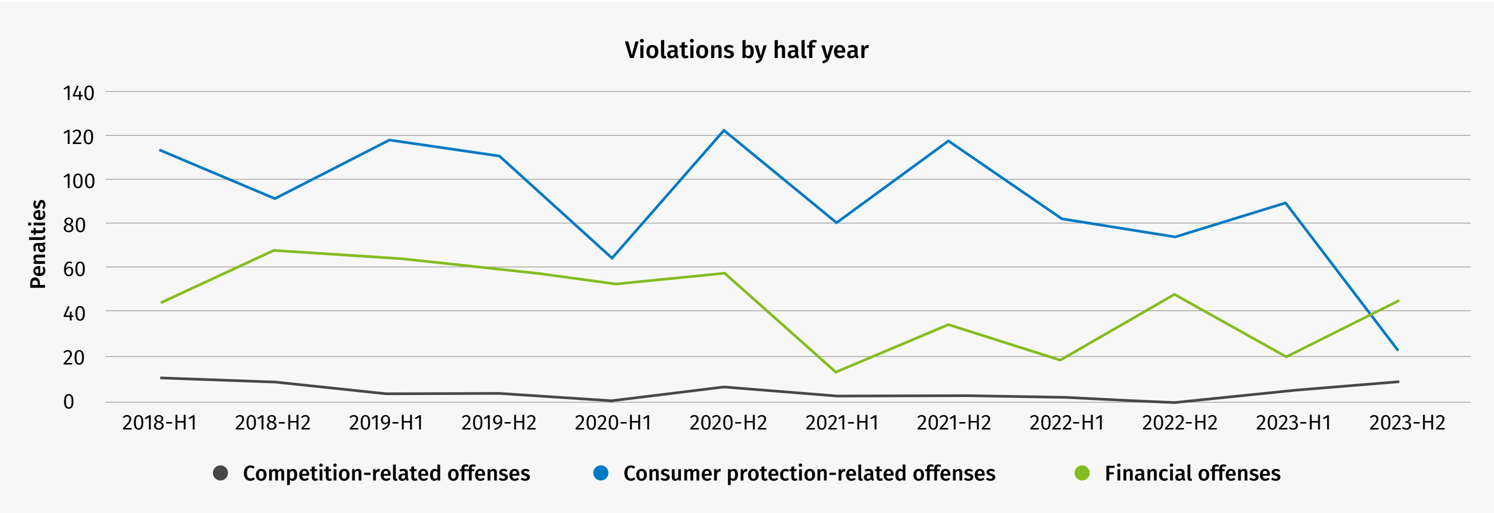
When analyzing regulatory violations by number of penalties during the six-year period from 2018 through 2023, several patterns emerge.

First, in terms of the volume of enforcement actions issued, the ranking of the three violation categories remains consistent, with consumer protection-related regulations driving the highest number of penalties and competition-related regulations the lowest (Figure 1).

While consumer protection is a major priority at many Federal agencies, including the Consumer Financial Protection Bureau (CFPB), many states have also prioritized consumer protection within their supervisory bodies, particularly relating to insurance activities. In aggregate across the analysis period, 95 percent of all consumer protection-related enforcement actions were taken by state-level bodies.

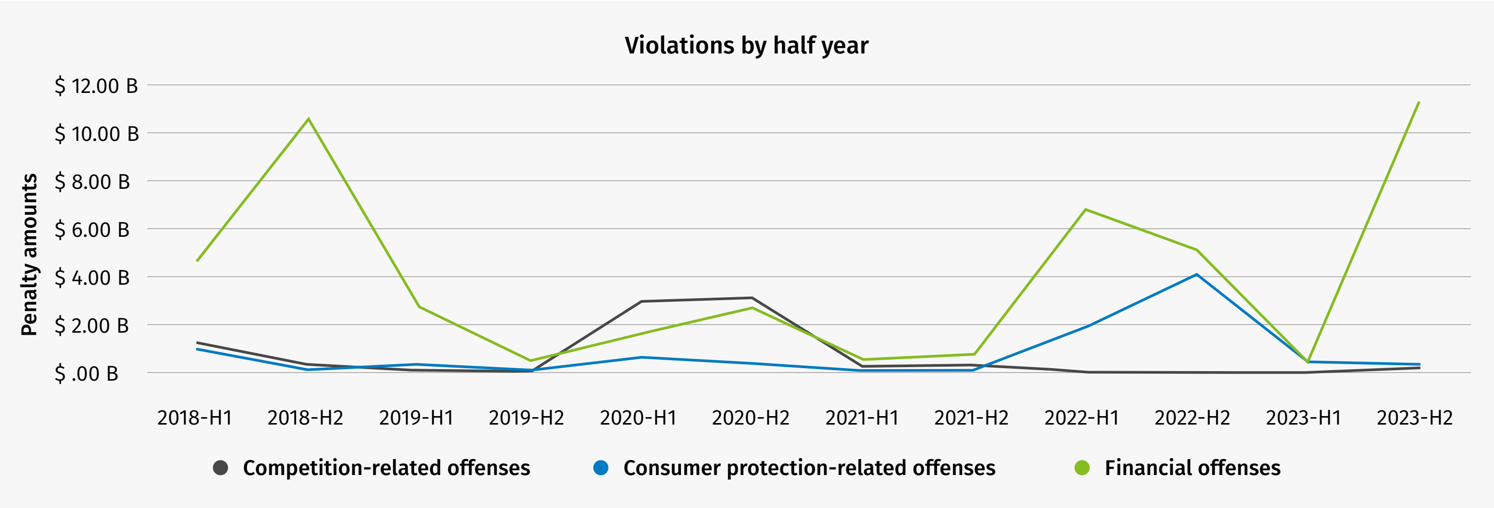
This composition stands out from the other two offense categories where Federal activity comprised the majority of enforcement action volume. For financial offenses, 74 percent of penalties were issued by Federal bodies; this value rose to 86 percent for competition-related offenses.

Figure 1: Number of penalties, 2018-2023



Second, in terms of overall value of issued penalties, with the exception of two six-month periods, financial-related offenses generated the highest penalty amounts. Other than elevated issuance in H1 and H2 of 2020, competition-related penalty amounts never exceeded $2.0B in a single six-month period between 2018 and 2023. Consumer protection-related offense penalty values also remained below $2.0B across the analysis period, except for a single outlier, H2 2022, when penalty amounts exceeded $4.0B (Figure 2).

Figure 2: Penalty amounts, 2018-2023



Consumer protection-related offenses

The period with the highest number of consumer protection-related offenses, the second half (H2) of 2020, recorded 123 penalty actions. In both periods, the vast majority of enforcement actions occurred at the state level; in H1, 98 percent of violations were issued by state entities, and in H2, states issued 90 percent of enforcement actions.

At the Federal level, the highest volume offense was a violation of the Fair Credit Reporting Act. Multiple violations were issued related to illegal mortgage lending practices by independent mortgage banks and loan servicing entities.

Among state regulatory bodies, Texas regulatory entities topped the league table with 286 enforcement actions across the analysis period, followed by California at 131 actions, and Washington State with 118 actions.

Within the consumer protection offense group, the offense subcategory with the highest incidence is ‘insurance violation’ with 937 actions, totaling $497.5M across the six-year analysis period. The second and third offense subcategories by incidence are ‘consumer protection violation’ (111) and ‘privacy violations’ (17), with penalty totals of $8.4B and $329.6M, respectively (Figure 3).

Figure 3: Penalty values and enforcement actions, consumer protection-related offenses

Consumer protection-related offense group, subcategories, 2018-2023	Total penalty value	Total enforcement actions
Americans with Disabilities Act	$ 310,000	2
Consumer protection violation	$ 8,444,173,301	111
Discriminatory practices (non-employment)	$ 88,889,728	11
Insurance violation	$ 497,504,973	937
Mortgage abuses	$ 197,100,000	15
Payday lending violation	$ 10,000	1
Privacy violation	$ 329,607,952	17

Financial offenses

Overall, financial offense penalty issuance showed broad consistency between 2018 and 2020 — remaining above 100 actions in each year. In 2021, activity dropped significantly with total action volume dropping below 50, beginning a new flat trendline with 2022 and 2023 seeing issuance of 64 and 66 enforcement actions, respectively.

Interestingly, in terms of penalty values, the periods with the highest values were near the beginning and end of the analysis window. In H2 2018, total financial violations penalty amounts reached $10.6B, while the highest recorded value was $11.3B in H2 2023.

Within the financial offense group, the offense subcategory with the highest incidence is 'investor protection violation' with 381 actions, totaling $17.4B across the year analysis period. The second and third offense subcategories by incidence are 'banking violations' (59) and 'anti-money laundering deficiencies' (34), with penalty totals of $3.7B and $16.7B, respectively (Figure 4).

Figure 4: Penalty values and enforcement actions, consumer protection-related offenses

Financial offense group, subcategories, 2018-2023	Total penalty value	Total enforcement actions
Accounting fraud or deficiencies	$ 113,500,000	3
Anti-money laundering deficiencies	$ 16,744,273,116	34
Banking violation	$ 3,713,518,651	59
Bankruptcy professional violation	$ 5,000,000	1
Economic sanction violation	$ 5,630,346,464	28
Investor protection violation	$ 17,367,623,499	381
Money laundering	$ 79,000,000	1
Securities issuance or trading violation	$ 5,990,530	1
Tax violations	$ 1,190,999,337	8
Toxic securities abuses	$ 12,007,749,999	17

Competition-related offenses

Overall, competition-related penalty issuance showed the most consistency across any violation class — remaining between zero and 11 across the analysis period. The two periods of highest enforcement action occurred in H1 2018 with 11 actions and 10 actions in H2 2018. The third-highest period was H2 2023 with nine records. The offense group recorded a two-year lull between 2021 and 2022, with no half recording over three violations in any period.

Interestingly, in terms of penalty values, the periods with the highest values were both in 2020, leading all offense groups with $3.0B and $3.1B in H1 and H2, respectively. The only other period where competition related penalties surpassed the billion-dollar threshold was in H1 2018 with $1.23B in total penalties.

Within the competition-related offense group, the offense subcategory with the highest incidence is ‘price-fixing or anti-competitive practices’ with 18 actions totaling $396.5M across the year analysis period. The second and third offense subcategories by incidence are ‘Foreign Corrupt Practices Act’ (16) and ‘fraud’ (9), with penalty totals of $5.7B and $4.5B, respectively (Figure 5).

Figure 5: Penalty values and enforcement actions, competition-related offenses

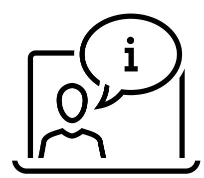
Competition-related offense group, subcategories, 2018-2023	Total penalty value	Total enforcement actions
Export control violation	$ 60,000	1
Foreign Corrupt Practices Act	$ 5,725,738,867	16
Foreign exchange market manipulation	$ 312,250,000	5
Fraud	$ 4,486,200,000	9
Interest rate benchmark manipulation	$ 948,000,000	8
Kickbacks and bribery	$ 1,750,000	1
Price-fixing or anti-competitive practices	$ 396,520,011	18

Outlook

The financial services industry remains in flux as drivers such as rising interest rates, new market entrants, and changing customer demands alter the competitive landscape. For charted commercial banks, broker-dealers, and other firms, the US regulatory outlook can present similar uncertainties and risks.

In this context, the Regulatory Violations Intelligence Index provides welcome insights into enforcement priorities by US federal and state regulatory bodies.
By understanding the past six years of enforcement and penalty actions across key regulatory categories, financial institutions can anticipate future trendlines and take steps now to reduce future potential risks. As a consequence, they can improve their business resilience and their prospects for success.

Ready to explore how your organization can reduce the risk of regulatory violations?



Schedule an appointment with our governance, risk, and compliance experts.

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Wolters Kluwer reported 2023 annual revenues of €5.6 billion. The group serves customers in over 180 countries, maintains operations in over 40 countries, and employs approximately 21,400 people worldwide. The company is headquartered in Alphen aan den Rijn, the Netherlands.

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