



Financial Services

Regulatory Violations Intelligence Index September 2024

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 gives insight into total violations volume and aggregate penalty dollar values across banking, securities, and insurance firms. Issued semi-annually, this second index release focuses on regulatory enforcement activity in the first six months of 2024.

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 input data for the index is ingested from third-party sources including GoodJobsFirst.org. Third-party data is augmented by proprietary semantic data analysis that captures enforcement action data from key supervisory bodies including the 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.

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

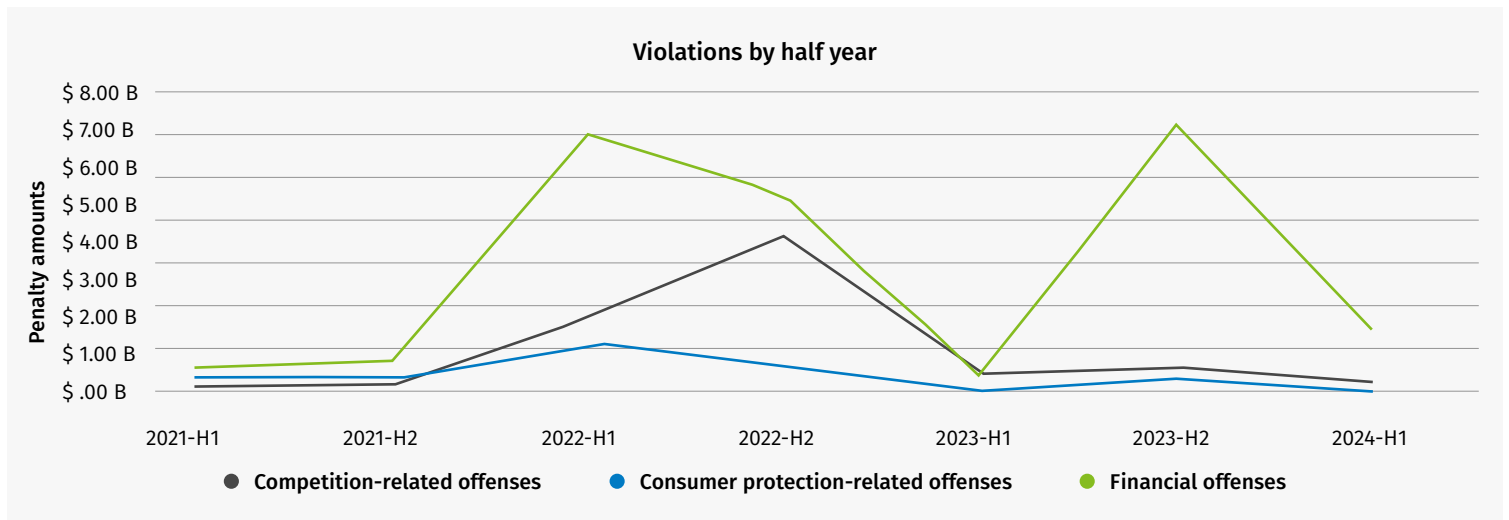
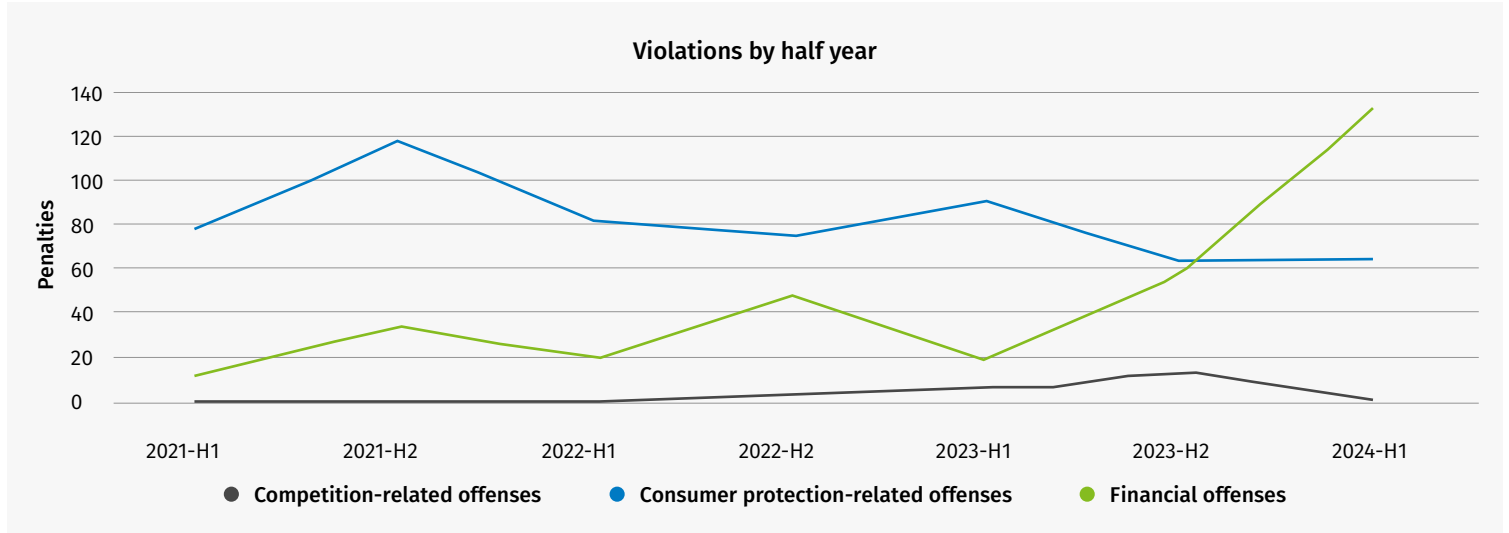
Financial offenses involve a broad set of violations that pertain to illegal financial practices. Subcategories of financial offenses include:

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

First half of 2024 violations landscape analysis

In the first six months of 2024, total violations increased in two of three tracked categories — consumer protection and financial offenses, while dramatically falling off in the competition-related offenses category. Across all three categories, penalty totals declined.

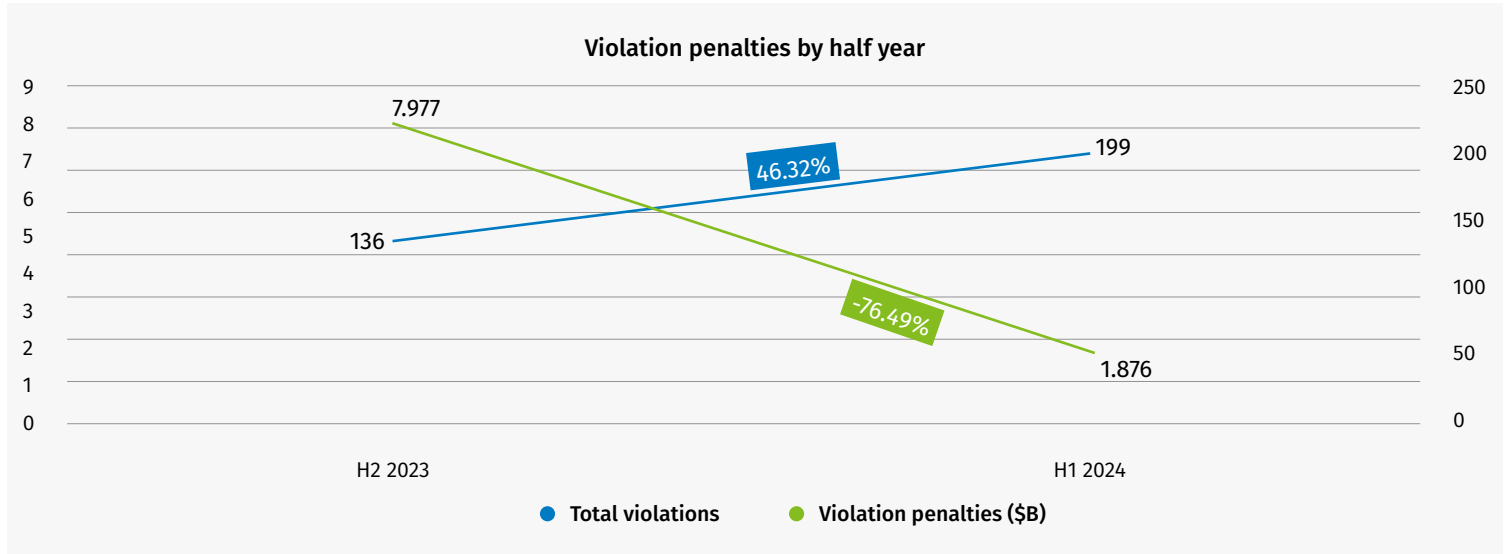
Figure 1



It is important to note that the drivers behind enforcement order timing and penalty values vary widely. Enforcement action intelligence is a lagging indicator of regulatory supervision activities and strategic priorities. Timing drivers can range from an institution’s investigation duration to examination cadences while penalty values can be linked to external factors like whistleblower complaints or unexpected enterprise failures.

Across the three index categories, 199 violations were issued in the first half of 2024, compared to 136 in the previous six-month period. In terms of penalty amounts, a total of \$1.876 billion in penalties were issued in the first six months of 2024, a 76 percent decline from the \$7.977 billion issued in the second half of 2023.

Figure 2



Competition-related violations experienced a dramatic fall-off between H2 2023 and H1 2024, declining from 41 actions to one with penalty issuance dropping from approximately \$324M to \$2M. However, the H1 value may represent a mean reversion as the 41 actions observed in H2 2023 are an outlier to the longer term trendline for competition-related enforcement actions.

Consumer protection-related violations demonstrated a stable volume of enforcement actions, 66 in H1 2024 versus 64 in H2 2023, coupled with a substantial 63 percent drop in total penalty value. Notably, two of the largest agency actions in the period related to redlining practices and racially discriminatory mortgage lending practices.

Financial violations reached a total of 132 in H1 2024, a 128 percent increase on the 58 category violations issued in H2 2023 while the total penalty value dropped by approximately 70 percent. Similar to the competition-related violations category, blockbuster penalties in H2 2023 issued to alternative asset and digital currency providers make the period appear to be an outlier to the overall trend in terms of average violation amount.

Outlook

The financial services industry remains in flux as drivers such as shifting interest rates, new market entrants, and changing customer demands alter the competitive landscape. For chartered 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 strategic 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.

To view the inaugural release of the Regulatory Violations Intelligence Index, which provides an overview and analysis of violation volume and penalty amounts between 2018 and 2023, please visit [this page](#).

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



[Schedule an appointment](#) with our governance, risk, and compliance experts.