Financial Services

Regulatory Violations Intelligence Index March 2025

Wolters Kluwer

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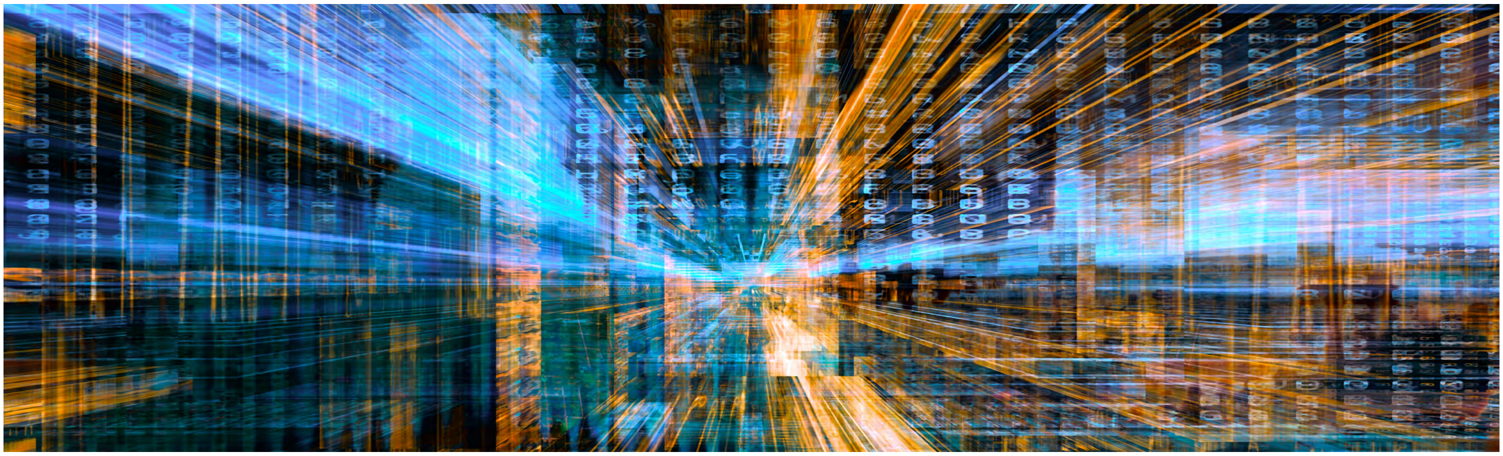


Index objectives

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 third index release focuses on regulatory enforcement activity in the second 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.

The Index and its values require additional context in today's unprecedented regulatory climate. The Trump administration is quickly moving to deregulate the financial services sector. Since January 20, 2024, the administration has limited oversight of financial institutions, focusing on rolling back provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act. Key actions include easing restrictions on smaller banks by raising asset thresholds for enhanced regulatory scrutiny and reducing compliance requirements for community and regional banks.

Additionally, the administration has pursued reforms to streamline enforcement by federal agencies such as the Securities and Exchange Commission (SEC) and the Consumer Financial Protection Bureau (CFPB). For example, enforcement priorities have shifted to focus on high-profile fraud cases rather than broad regulatory oversight. The CFPB's rulemaking activities have been curtailed, with an emphasis on fostering industry self-regulation. The directional trends limit the use of historical data as guideposts to future supervisory priorities, but it remains worthwhile to see the first half of 2025 within the longer arc of time.

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 (FDIC), 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

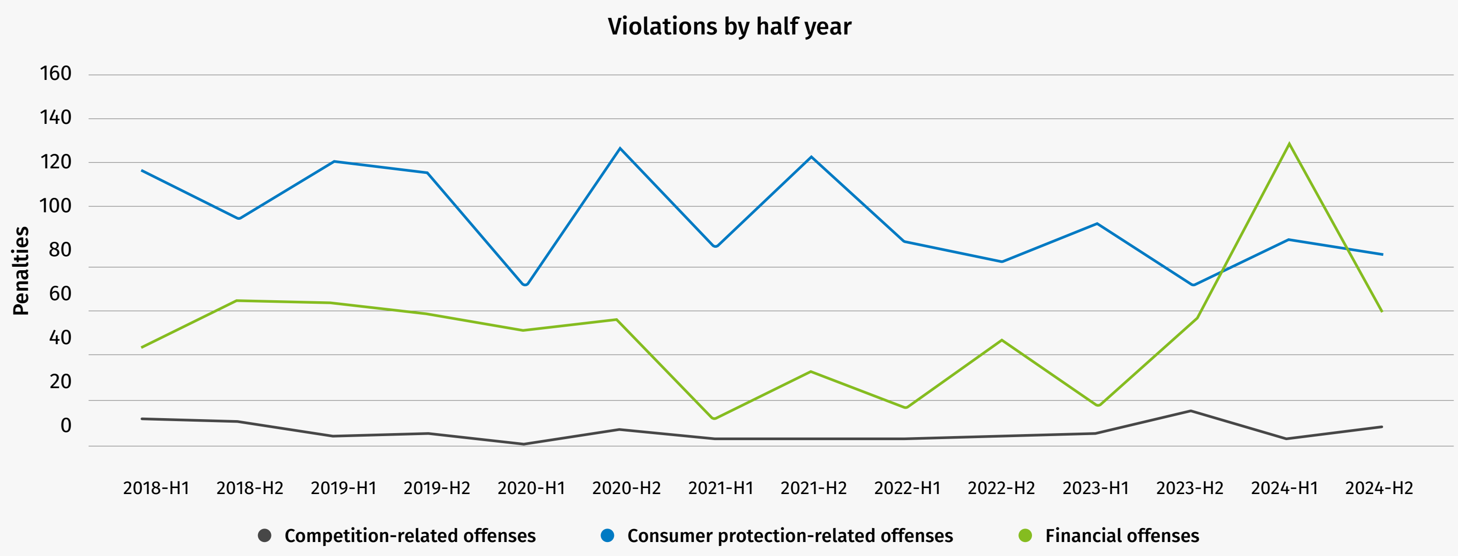
The Regulatory Violations Intelligence Index probes infringements and penalties across three categories of rules and guidance of interest to financial institutions: competition-related regulations, consumer protection-related regulations, and financial regulations.

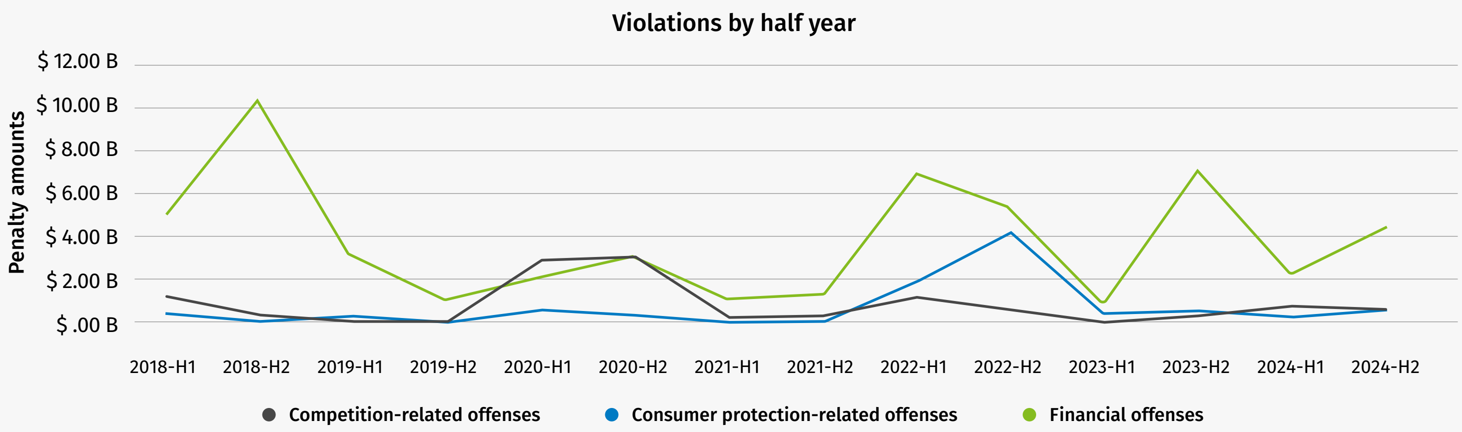
The majority of enforcement actions included in the data were taken by US federal regulatory bodies such as the SEC, CFTC, OCC, and OFAC. But state governments are increasingly interested in regulatory oversight, and a small but growing number of enforcement actions are taken by states such as California and Texas.

Second half of 2024 violations landscape analysis

In the second six months of 2024, total violations decreased in two of the three tracked categories — consumer protection and financial offenses — while more than doubling in competition-related offenses category, albeit from a low base.

Penalty totals showed an inverse shape to total violation issuance. Penalty amount increased in two of the three tracked categories, consumer protection and financial offenses, the categories in which total violations increased. The category where the total number of violations grew — competition-related offenses — saw a modest 20 percent decline in total enforcement penalty value.



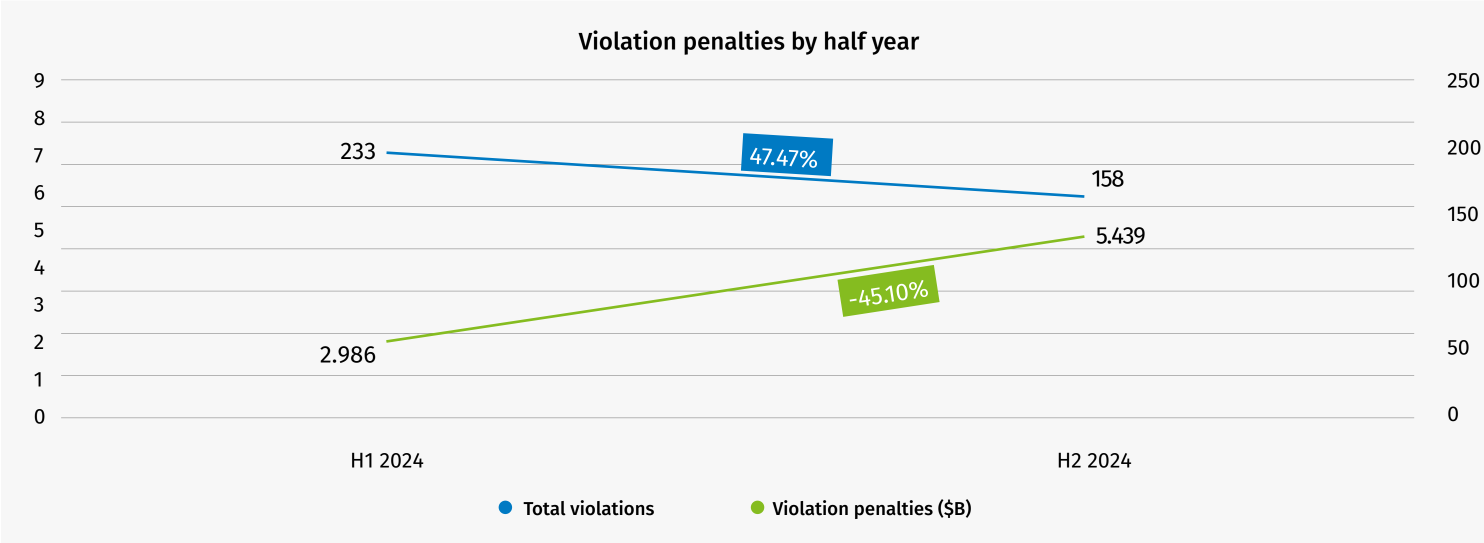


While data benchmarks are useful risk management inputs in stable political and regulatory paradigms, the incoming Trump administration has signaled a drastic departure from its predecessor and has explicitly prioritized financial services deregulation, including the potential repeal of Section 1071 of the Dodd-Frank Act and the defunding of the CFPB, among other early actions.

In a context where deregulation and reduced supervisory scrutiny are expected to dominate, financial services institutions should pair landscape data analytics with real-time monitoring of political and regulatory signals to adapt effectively to this evolving environment.

It is also 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, 145 violations were issued in the second half of 2024, compared to 223 in the previous six-month period, representing a 35 percent decrease in volume overall. In terms of penalty amounts, a total of $5.44 billion in penalties were issued in the second six months of 2024, an 83 percent increase from the $2.94 billion issued in preceding six months of 2024.



Competition-related violations experienced a jump in violation volume between H1 2024 and the second half of 2024, increasing from three actions to eight with penalty issuance decreasing from approximately $791 million to $632 million, a 20 percent decline. The H2 value continues a trend toward mean reversion from H2 2023, where 14 actions observed were outlier to the 6-year trendline for competition-related enforcement actions. The largest category violation in the analysis period was a Department of Justice (DOJ) action where four major banks agreed to pay approximately $500 million to settle litigation alleging they colluded to block modernization of the stock loan market.

Consumer protection-related violations demonstrated a relatively stable volume of enforcement actions, 77 in H2 2024 versus 83 in H2 2023, coupled with a substantial 93 percent increase in total penalty value over the previous period. The largest category violation in the analysis period was a CFPB action against a fintech provider for $175 million for weak security protocols that place users and user data at risk.

Financial violations declined to 60 actions in H2 2024, a 56 percent decrease from 137 category violations issued in H1 2024. However, the total penalty value increased approximately 125 percent over the preceding period. The violation volume in H2 2024 also appeared to represent a mean revision with period totals similar to H2 2022 and H2 2023. The largest category violation in H2 2024 was a DOJ action against a top 10 US bank for approximately $3.1 billion for violations of the Bank Secrecy Act (BSA) and money laundering.

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

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