
Highlights from the Wolters Kluwer 2022 Banking Regulatory & Risk Indicator Survey

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Today's Presenters



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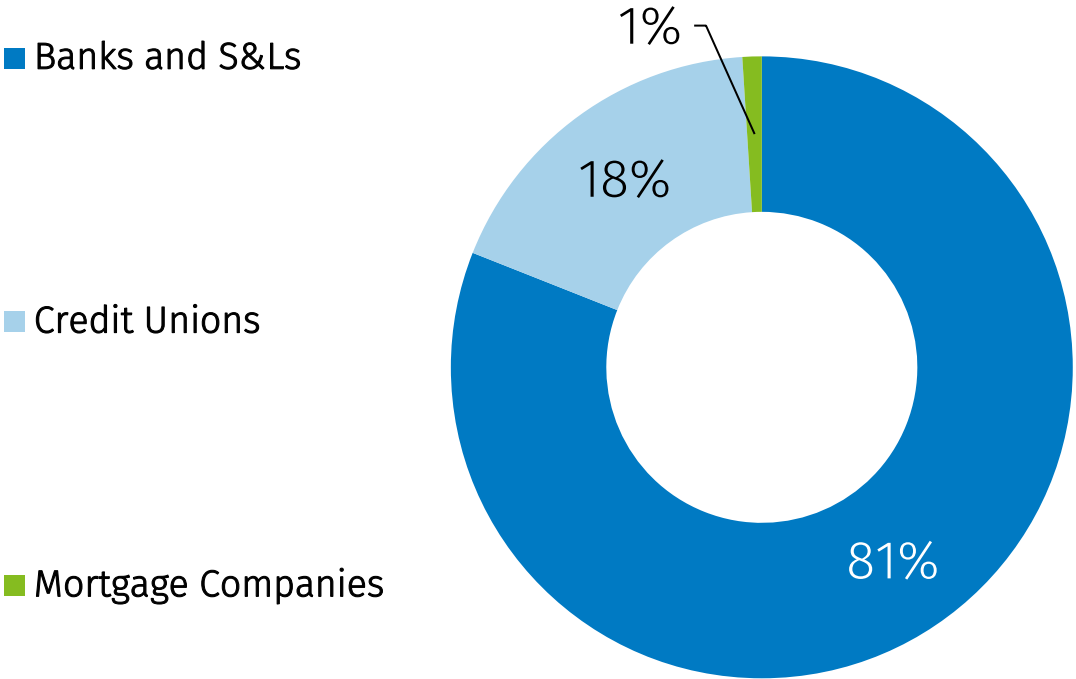
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Regulatory & Risk Management Indicator Survey: Purposes

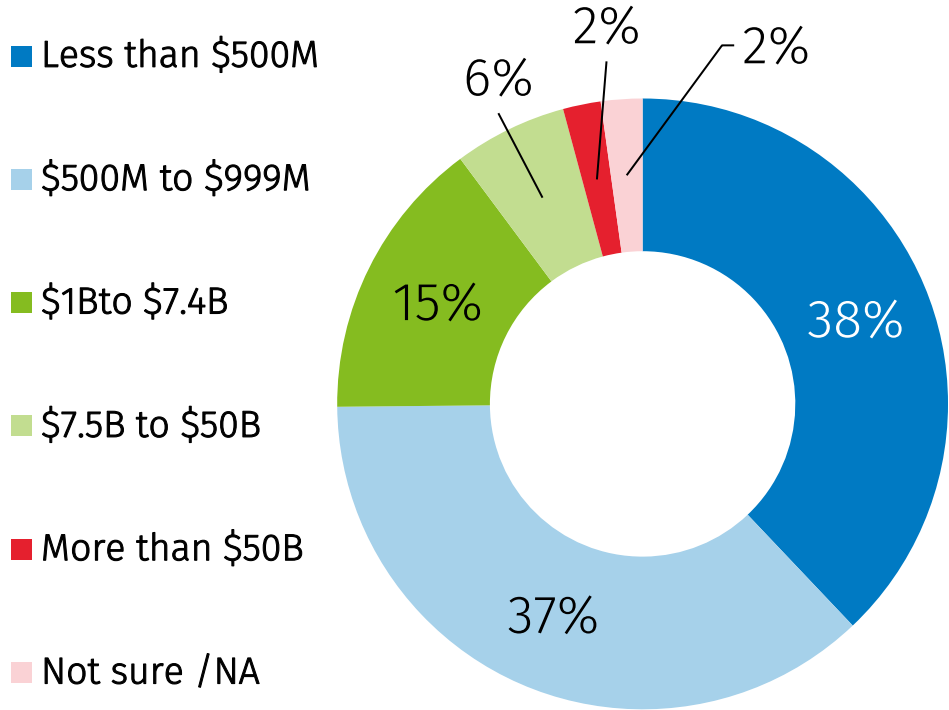
- 2022 marks the tenth year of “taking the pulse” of the U.S. banking industry
- The purposes of the survey are to:
 - Collect trend information on the breadth and depth of regulatory/risk concerns
 - Determine realized and anticipated regulatory impact on institutions
 - Assess the sophistication of banks’ current risk management efforts
 - Gather data inputs to calculate a regulatory and risk management pain index score, which is tracked and reported annually
 - Signal areas of attention for the coming year
- This year’s survey was conducted from July 27-Sept 9, 2022

Respondent Profiles: By Type and Asset Size

Type of Organization



Asset Segment



2022 Indicator Survey: Key Highlights

- The **Main Indicator Score** is 94.4, which represents a reduction compared to the 2021 score of 128, but is consistent with pre-pandemic levels.
- A decrease in the amount of fines and penalties in the 2022 survey period contributed most to the change.
- Scores in other factors that make up the **Main Indicator Score** were generally consistent with the 2021 survey results. However, tracking regulatory change, proving compliance to regulators, compliance with regulatory requirements and compliance management challenges, and the number of new major regulations all had increased scores over 2021.
- The **Main Indicator Scores** over the past 5 years are as follows:
 - 85 in 2018;
 - 95 in 2019;
 - 103 in 2020;
 - 128 in 2021; and,
 - 94 in 2022

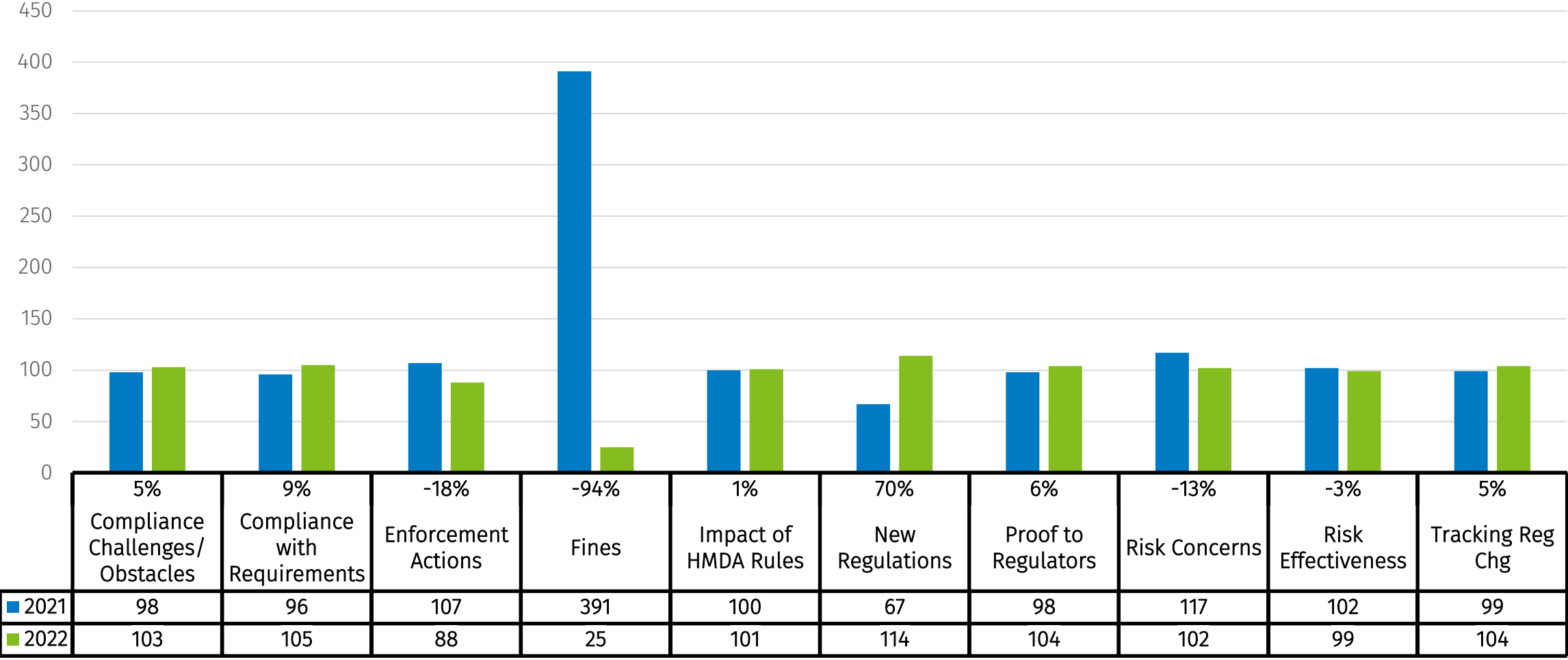
2022 Indicator Survey: Key Highlights

- **Keeping current with changing regulations** continues to rank consistently as a top challenge, no matter the lender type or size.
 - Reflects concerns about new rules on the horizon such as modernized CRA regulations and Dodd Frank Section 1071 Small Business Reporting regulations, in addition to ongoing changes to existing requirements
- **Top obstacles** to implementing an effective compliance program:
 - Manual processes (54%);
 - Inadequate staffing (44%); and
 - Too many competing business priorities (38%).
- **Environmental Factors** including interest rate increases, inflation, ransomware attacks and recession are receiving considerable attention in enterprise risk business planning.

2022 Indicator Main Score: Based on 10 underlying factors

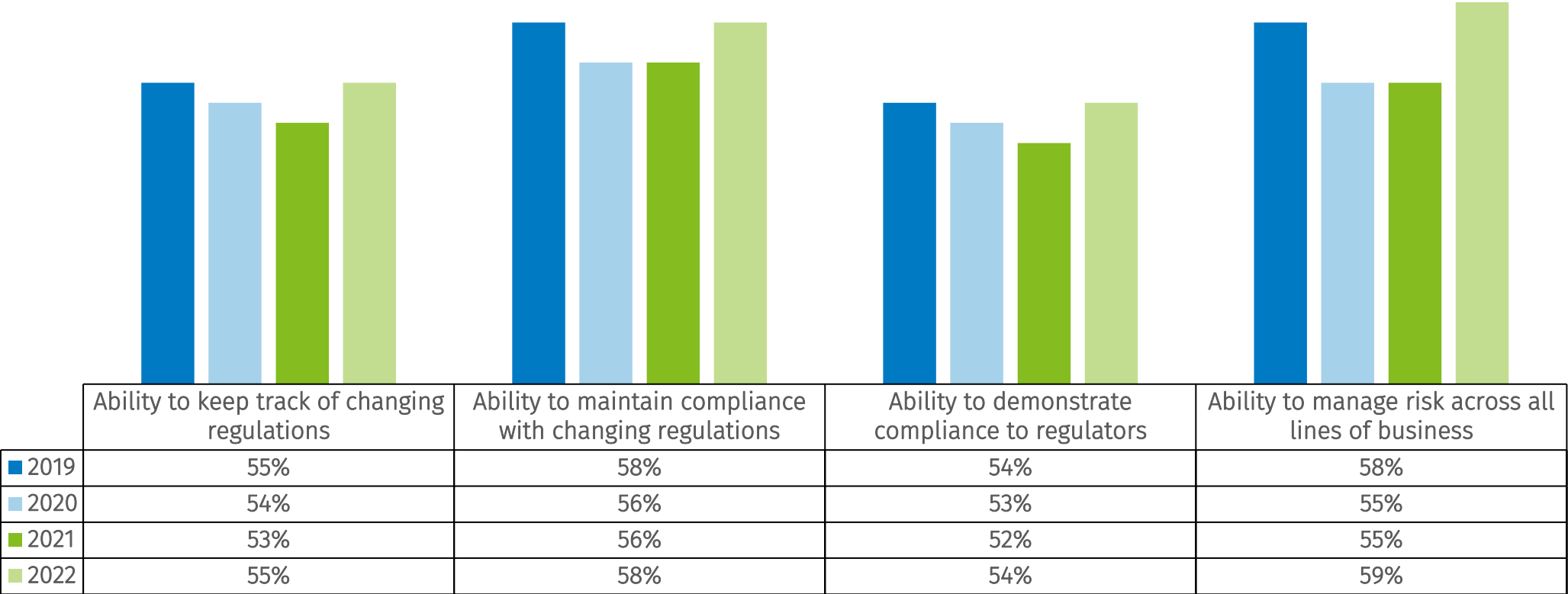


Comparison of 2021 v. 2022 Indicator Factor Scores



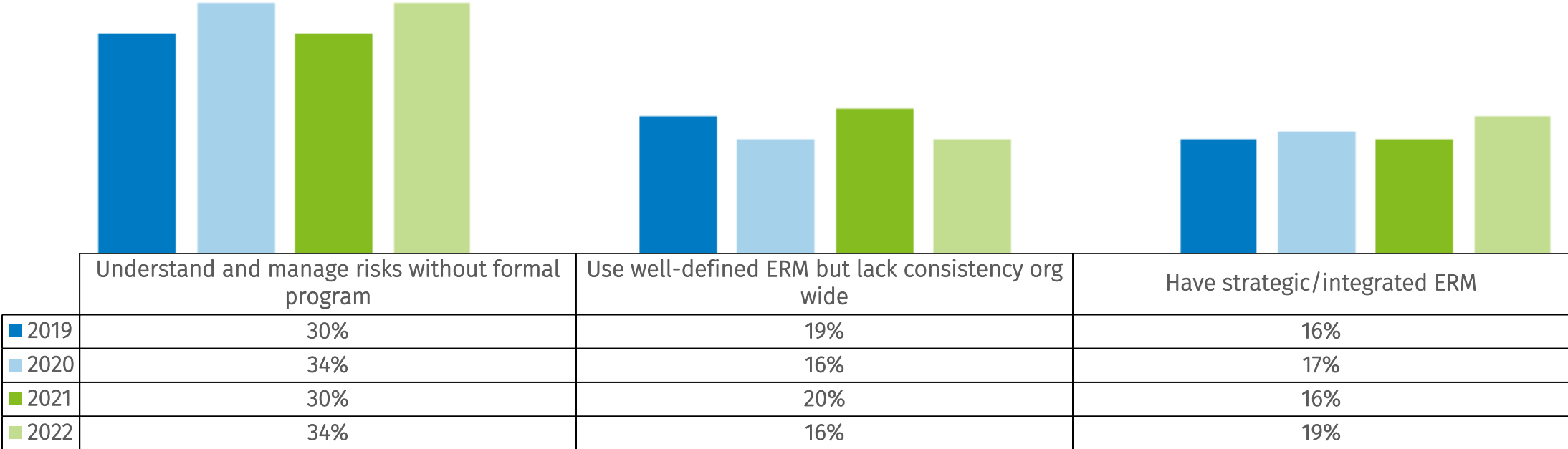
Compliance and Risk Concern—Trends

Overall Level of Compliance and Risk Concern
(Percentage Very Concerned)



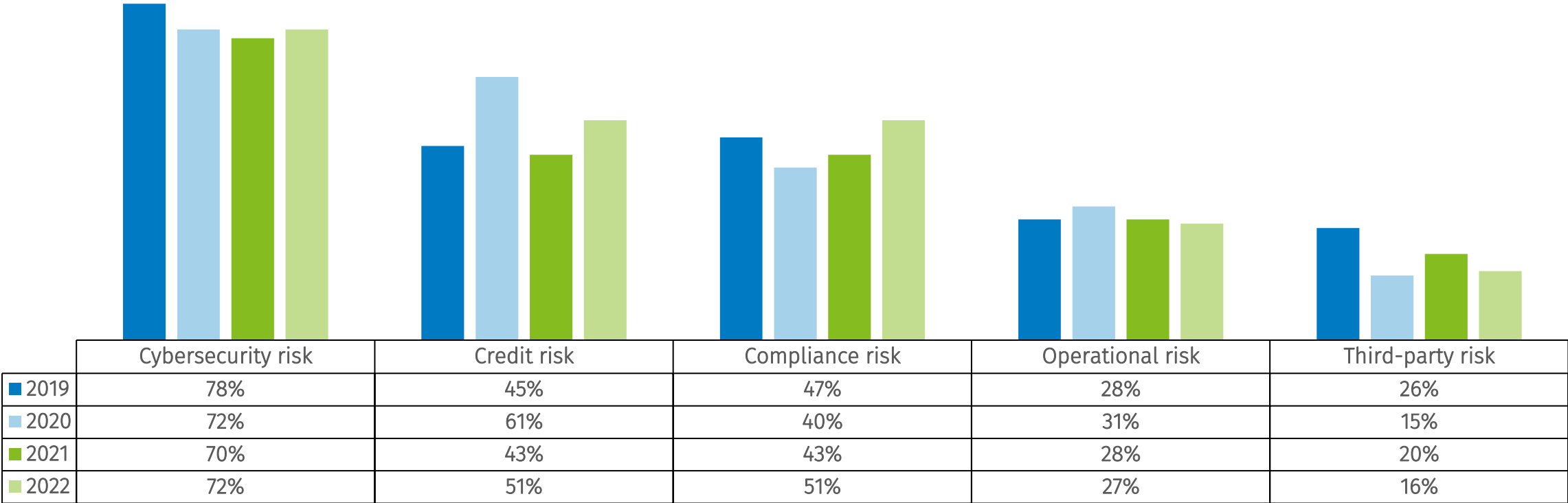
Enterprise Risk Management Efforts—Trends

Which of the following best describes your organization’s ERM program?



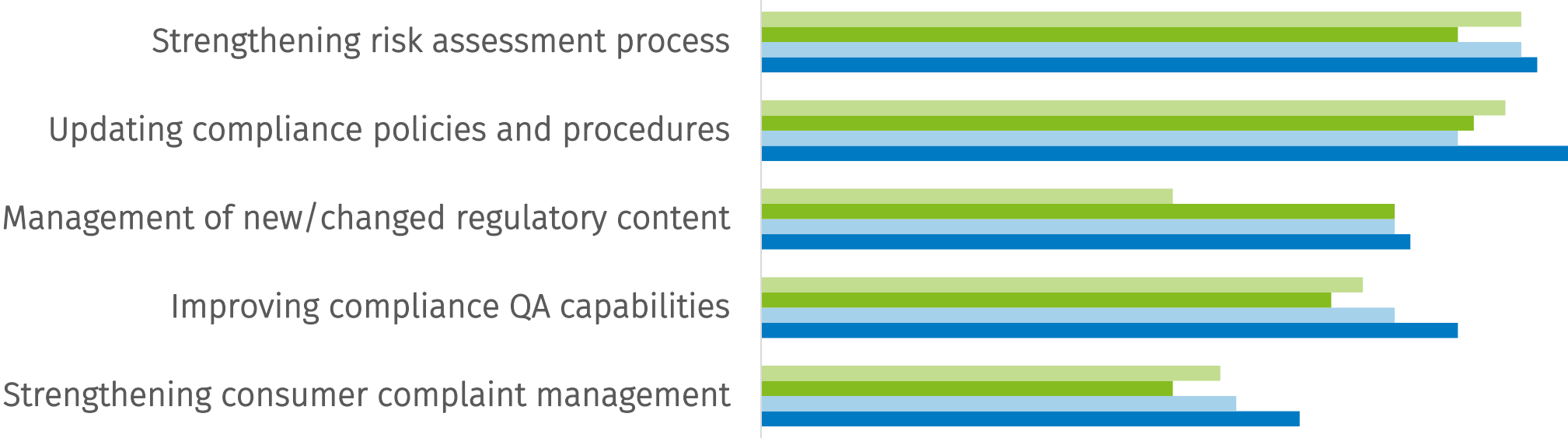
Risks Receiving Escalated Priority—Trends on Top-Priority Items

From a risk management perspective, which of the following risks do you believe will receive escalated priority over the next 12 months at your organization?



Investing in CMS Components – Trends

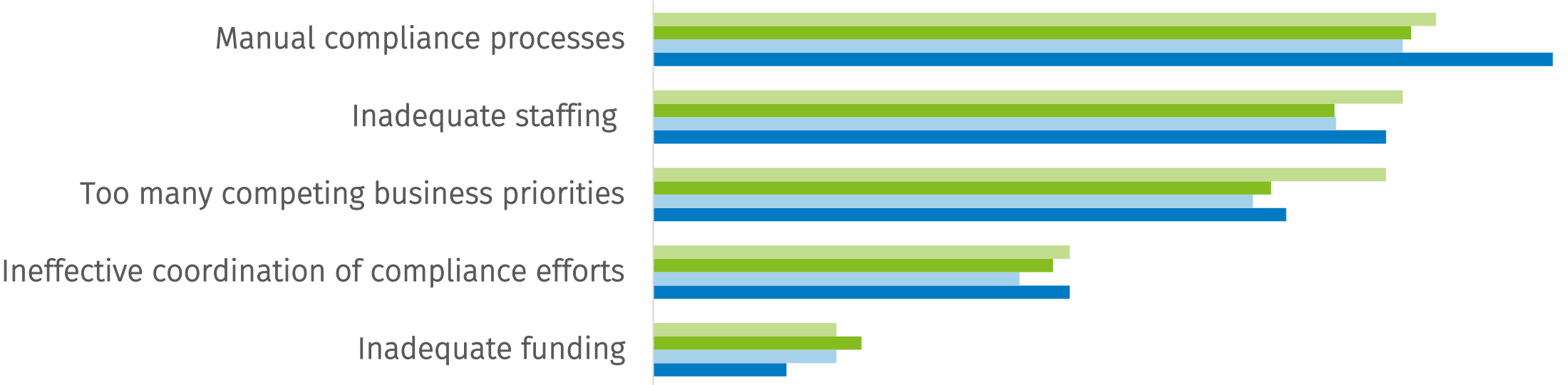
Over the next 12 months, what level of investment do you anticipate making in the following CMS components?



	Strengthening consumer complaint management	Improving compliance QA capabilities	Management of new/changed regulatory content	Updating compliance policies and procedures	Strengthening risk assessment process
2019	29%	38%	26%	47%	48%
2020	26%	36%	40%	45%	44%
2021	30%	40%	40%	44%	48%
2022	34%	44%	41%	51%	49%

Obstacles to Effective Compliance –Trends

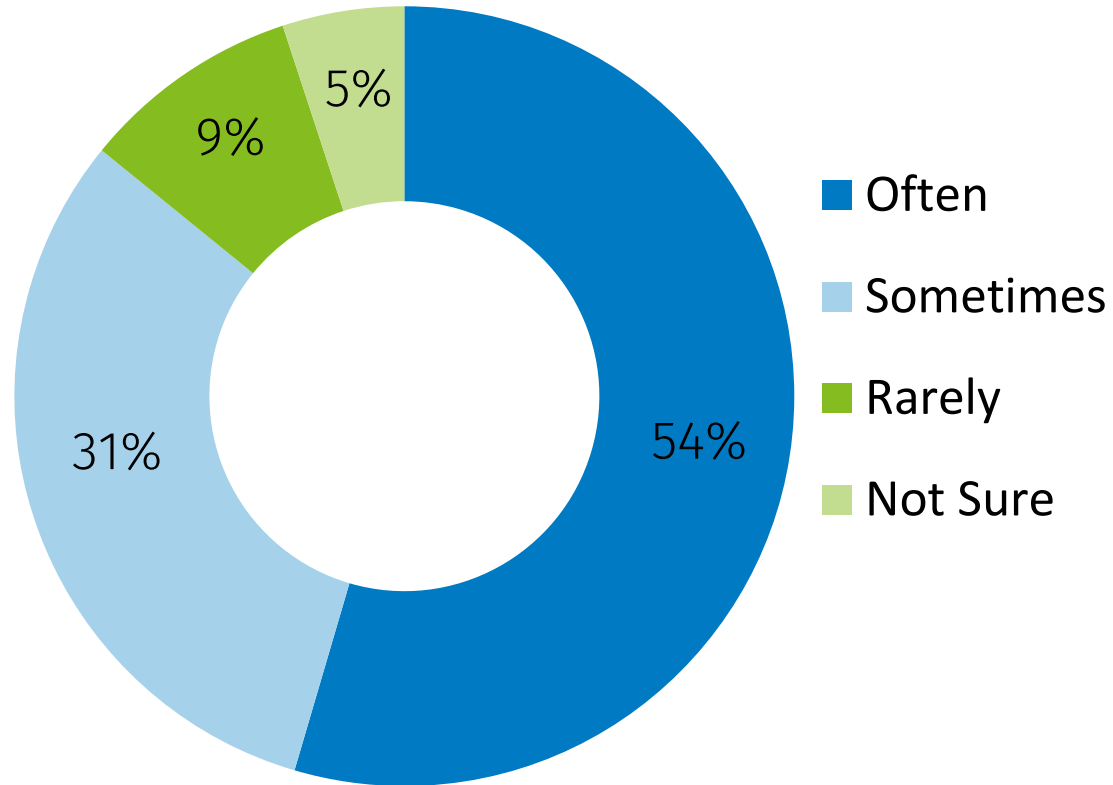
What are your biggest obstacles to maintaining an effective compliance program?



	Inadequate funding	Ineffective coordination of compliance efforts	Too many competing business priorities	Inadequate staffing	Manual compliance processes
2019	11%	25%	44%	45%	47%
2020	13%	24%	37%	41%	46%
2021	11%	22%	36%	41%	45%
2022	8%	25%	38%	44%	54%

Manual Processes Continue to Reign

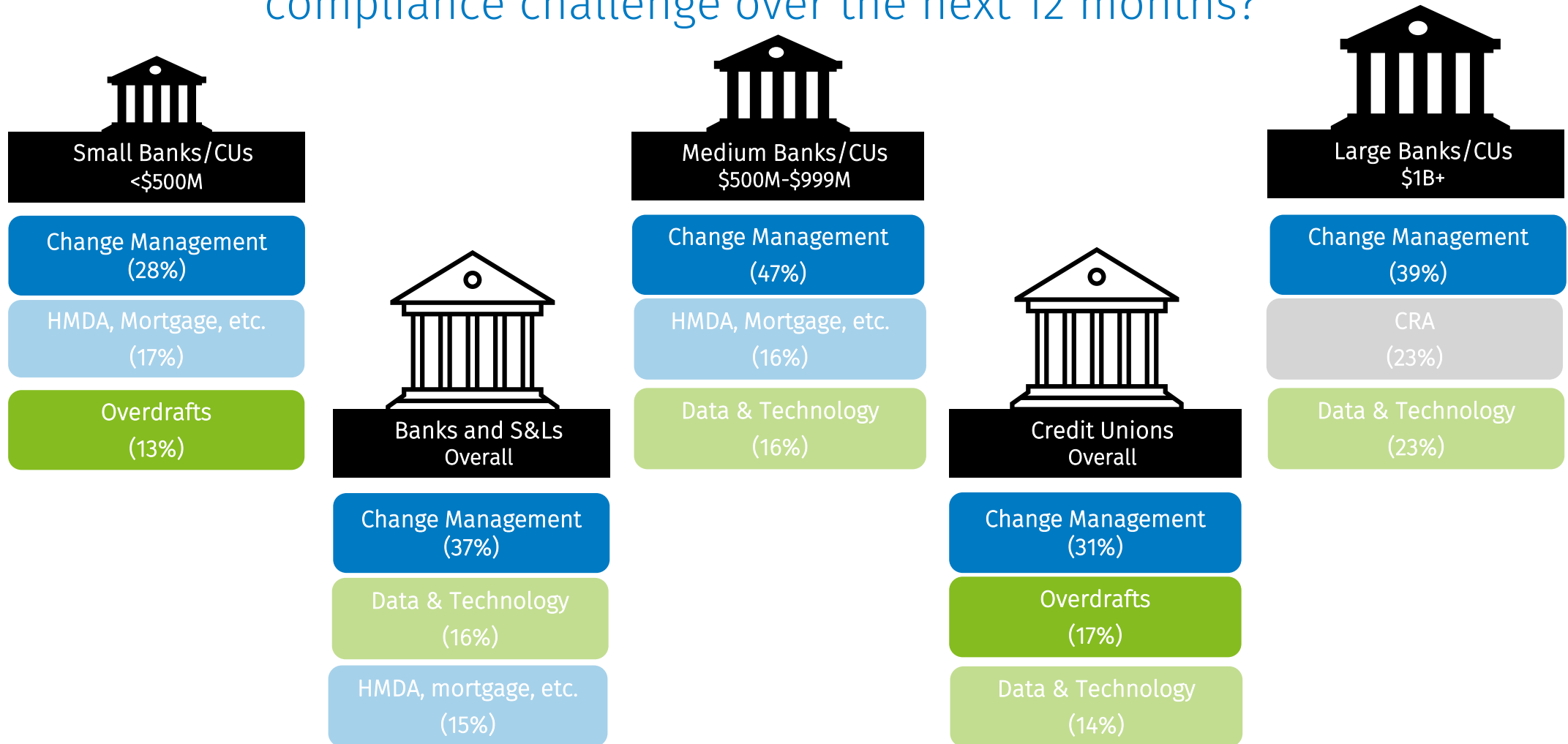
How frequently do you use manual processes and spreadsheets – as opposed to automated technology workflow systems – as the primary means for managing regulatory compliance?



85% of percent of respondents are still using manual processes or spreadsheets sometimes or often, while only 9% are using them rarely.

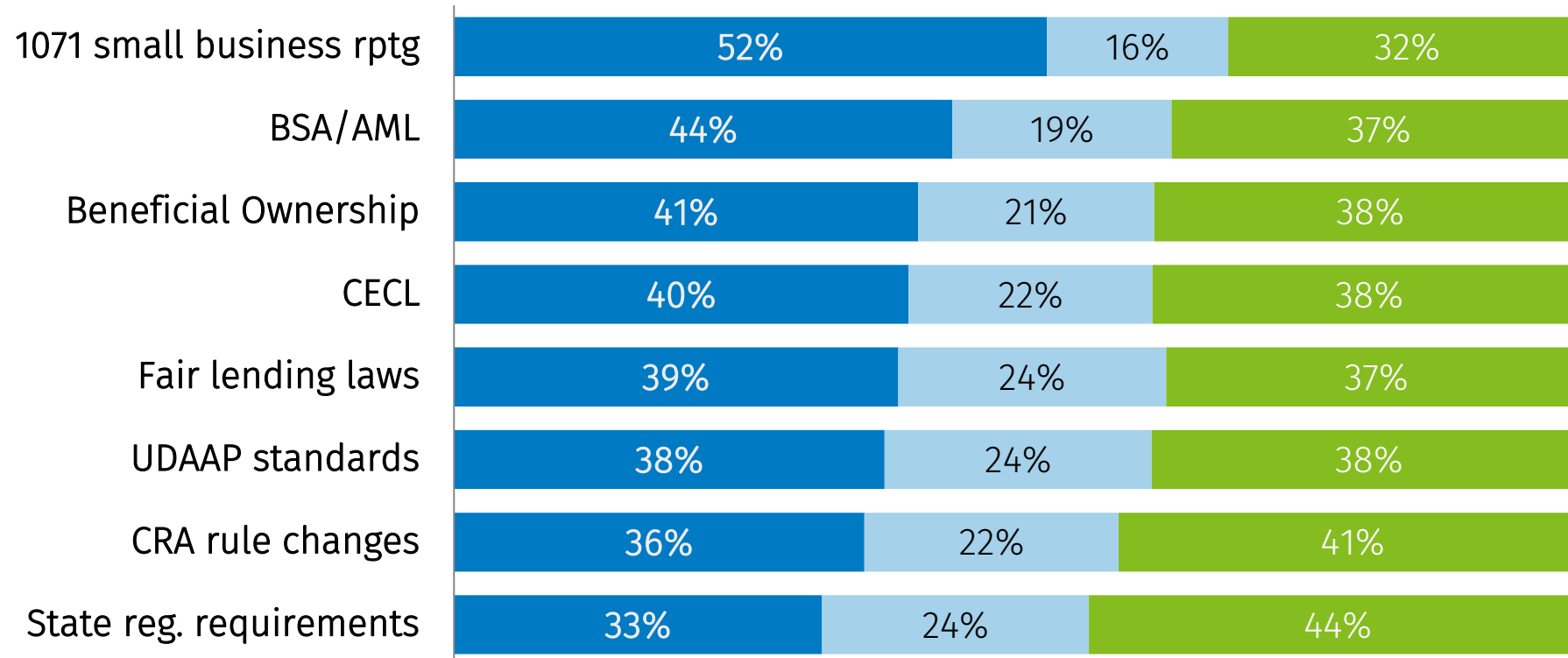
Top Regulatory Compliance Challenges—by Asset Size and Type

What do you believe will be your organization's most pressing regulatory compliance challenge over the next 12 months?



Ability to Comply

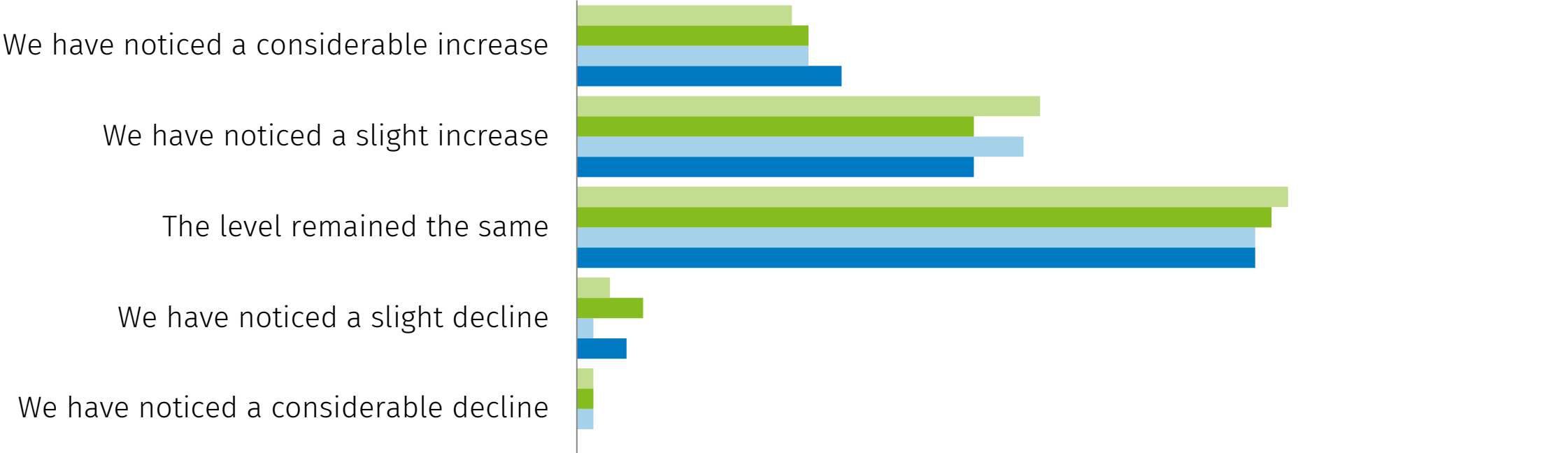
How concerned are you with your organization's ability to manage:



■ Percentage Very Concerned (7-10) ■ Percentage Somewhat Concerned (5-6) ■ Percentage Not Concerned (1-4)

Examiners' Scrutiny of Fair Lending Programs

How would you describe examiner's scrutiny of your fair lending program?



	We have noticed a considerable decline	We have noticed a slight decline	The level remained the same	We have noticed a slight increase	We have noticed a considerable increase
2019	1%	2%	43%	28%	13%
2020	1%	4%	42%	24%	14%
2021	1%	1%	41%	27%	14%
2022	0%	3%	41%	24%	16%

Polling Question

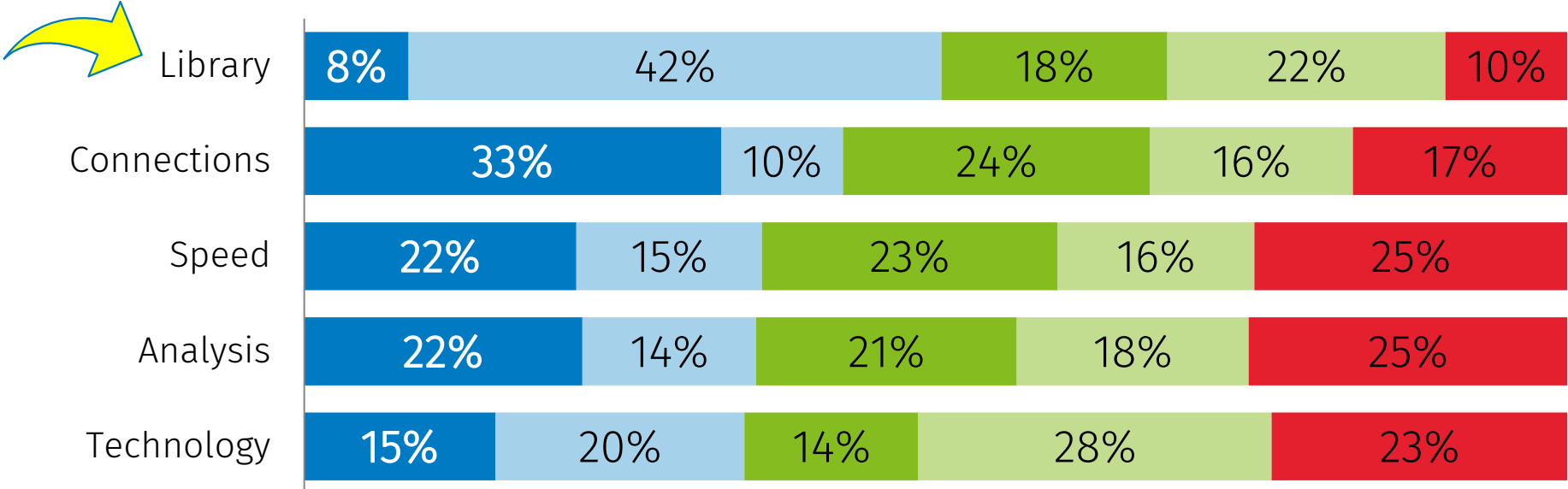
#1 of 4

In considering your institution's regulatory change management program, how important is automating the upkeep of your regulatory library?

- a) Very important
- b) Somewhat important
- c) Not important at all

Ranking Importance of Regulatory Change Management Process Automation

In considering the automation of your regulatory change management program, please rank the following features as to their importance to your institution



■ Rank = 1 (Most Important) ■ Rank = 2 ■ Rank = 3 ■ Rank = 4 ■ Rank = 5 (Least Important)

Polling Question

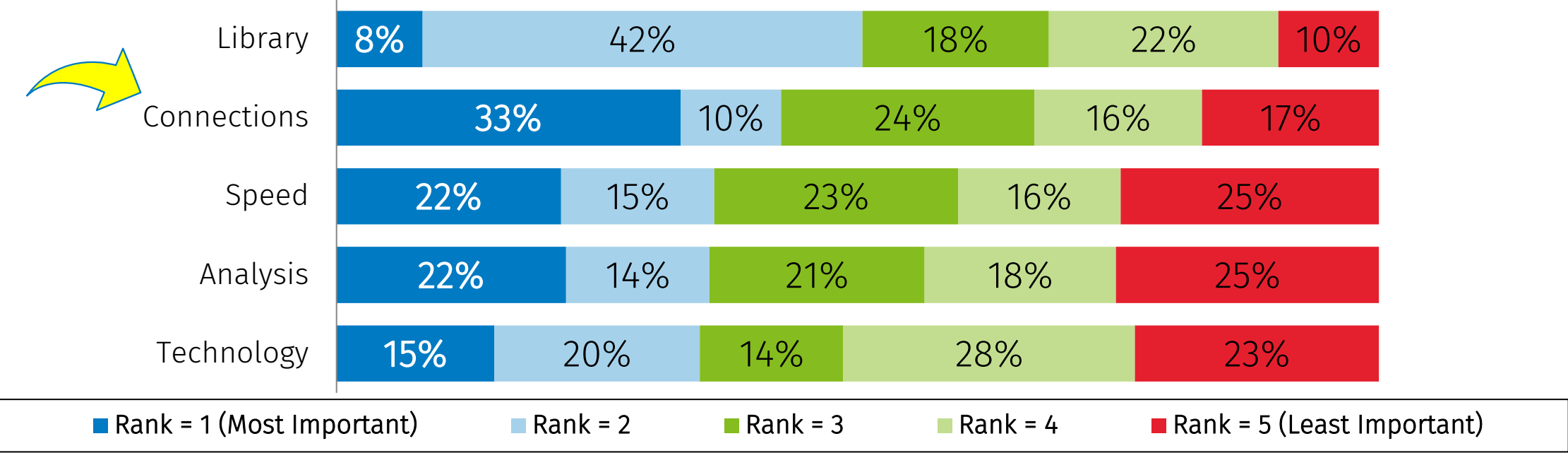
#2 of 4

In considering your institution's regulatory change management program, how important is connecting your regulatory library to other elements of your compliance program (e.g., risks, controls, policies, training, products)?

- a) Very important
- b) Somewhat important
- c) Not important at all

Ranking Importance of Regulatory Change Management Process Automation

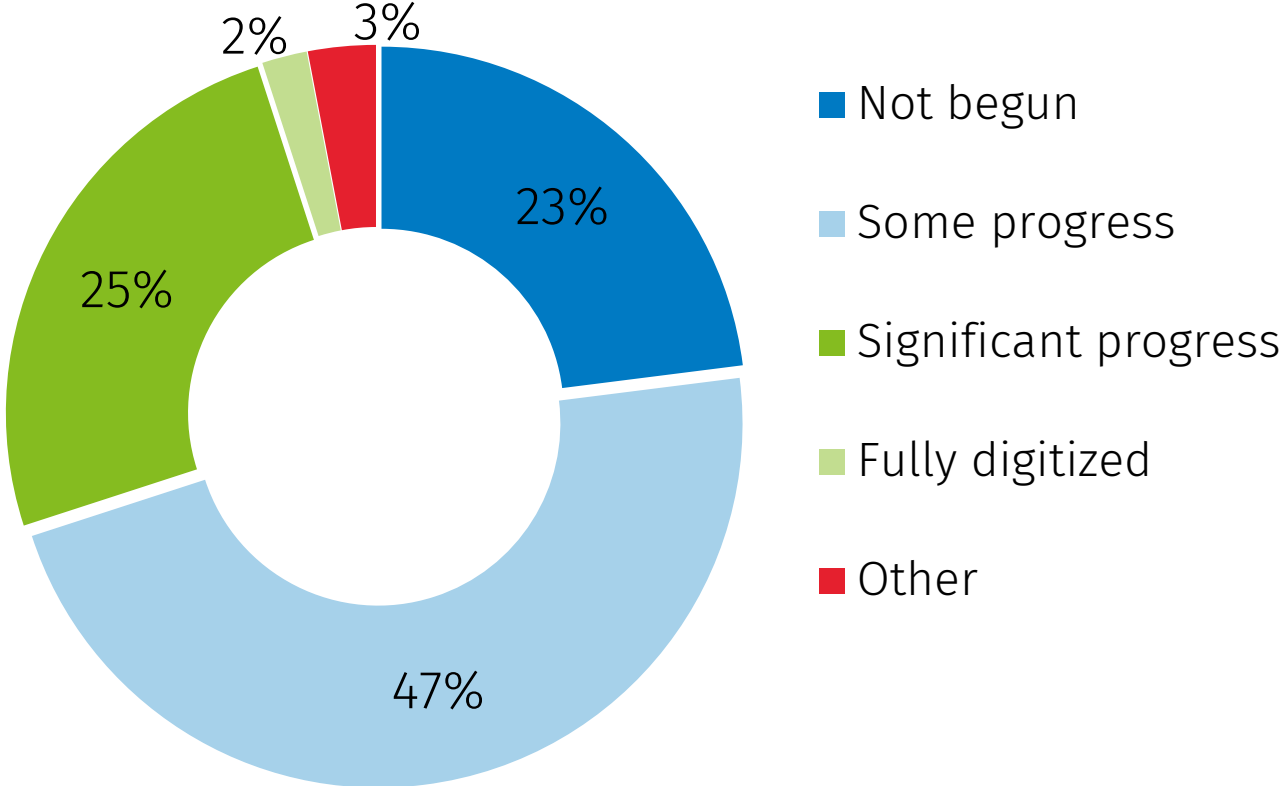
In considering the automation of your regulatory change management program, please rank the following features as to their importance to your institution



Digital Lending Capabilities -- Progress

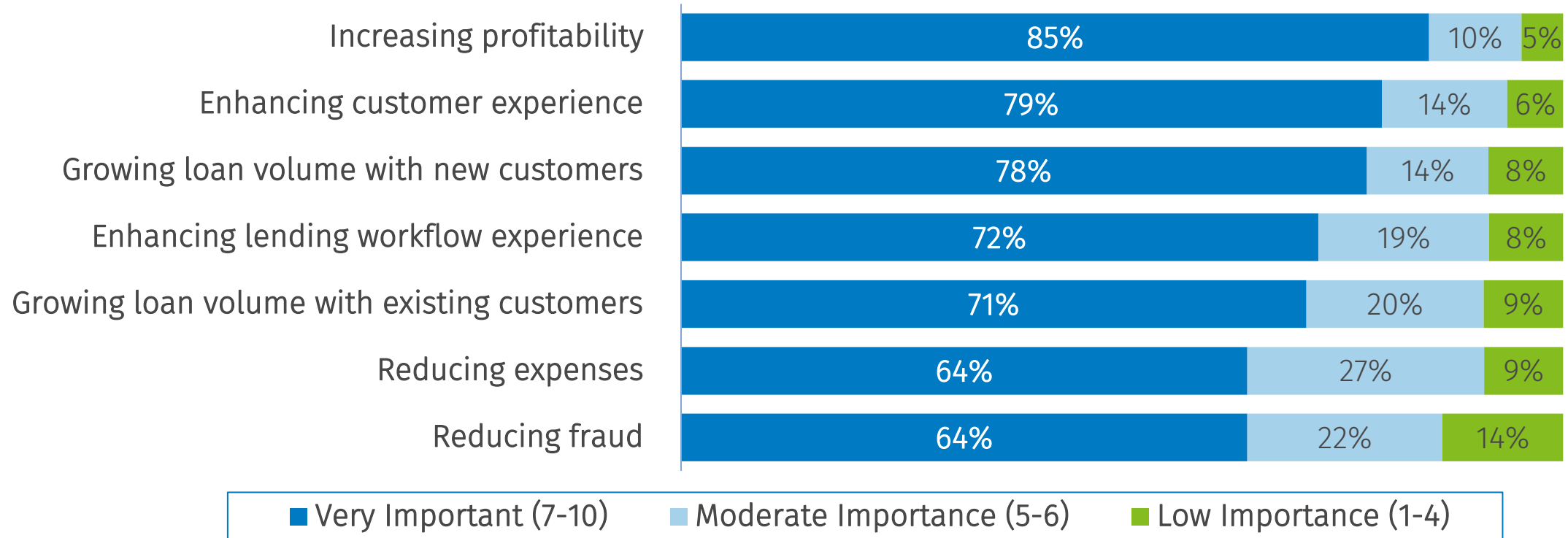
Which of the following best describes your institution's progress in building out a fully digitized lending capability?

Nearly three-quarters of respondents indicated they have made some progress with digitizing their lending capabilities, though only 28% (rounding) indicate they either have made significant progress or are fully digitized.



Importance of Business and Competitive Drivers for Digital Lending Business and Technology

Please rate the importance of the following business and competitive drivers for your digital lending business and technology strategy for 2022-23.



Polling Question

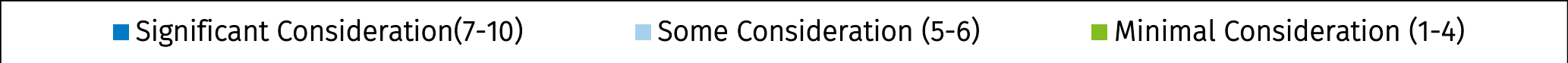
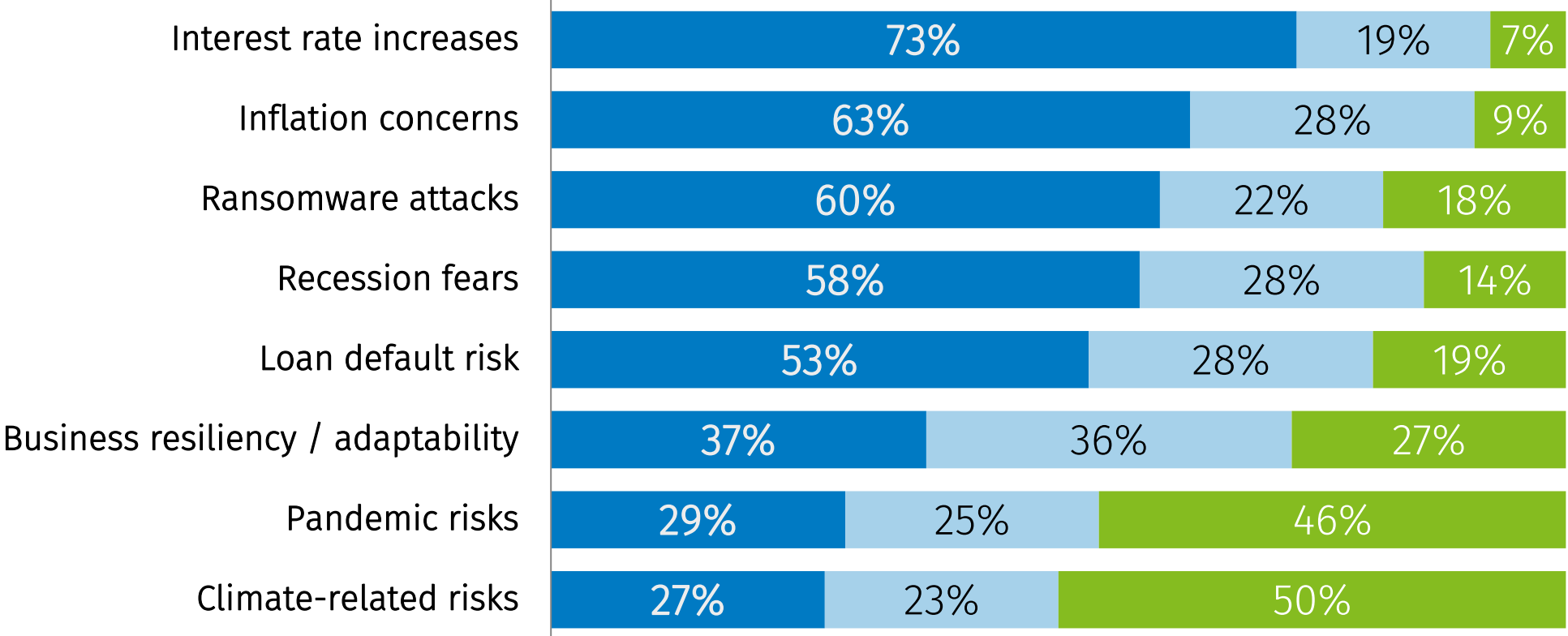
#3 of 4

To what degree is your institution considering climate-related financial risks in your enterprise risk business planning?

- a) Significant consideration
- b) Some consideration
- c) Minimal consideration

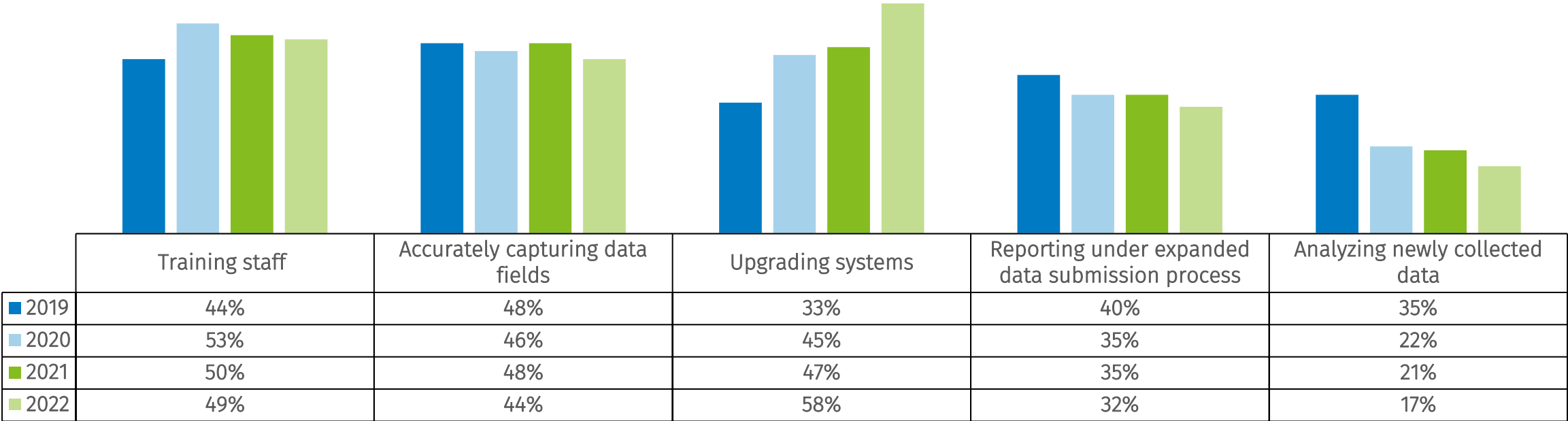
Environmental Factors: Implications for the Banking Industry

To what degree are you weighing these environmental factors in your enterprise risk business planning?



Ranking Challenges in Complying with HMDA Data Requirements

Please rank the following challenges facing your organization in complying with the HMDA data collection and reporting requirements.



Polling Question

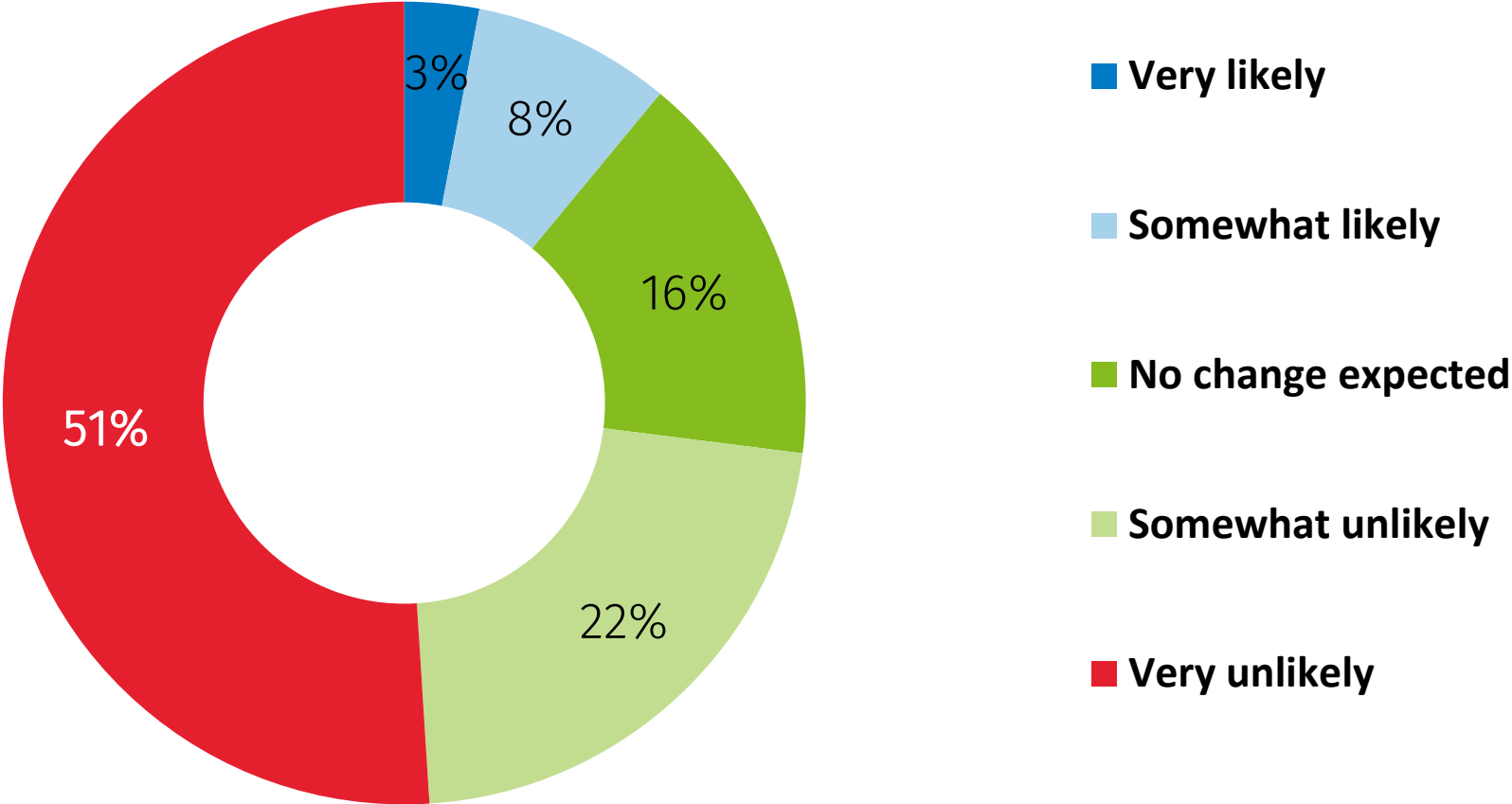
#4 of 4

What do you believe the likelihood is of a measurable reduction in overall regulatory burden for U.S. banking institutions over the next two years?

- a) Very likely
- b) Somewhat likely
- c) No change expected
- d) Somewhat unlikely
- e) Very unlikely

Regulatory Burden Reduction

What do you believe the likelihood is of a measurable reduction in overall regulatory burden for U.S. banking institutions over the next two years?



2022 Indicator Survey: Implications for 2023

Environmental factors weigh heavily:

- Interest rate increases
- Inflation and recession
- Ransomware attacks
- Low likelihood of less regulation
- Looming large scale regulatory changes
- Concerns about climate risk management

Major risk concerns include:

- Cybersecurity
- Compliance Risk
- Credit Risk
- Third Party Risk

Major compliance concerns include:

- Change management
- Evolving BSA/AML requirements
- Fair lending laws & regulations/CRA modernization/1071
- Consumer protection

All point to the need for:

- ✓ Robust regulatory change management programs – particularly an up-to-date library
- ✓ Strong Compliance and Operational Risk Management Systems
- ✓ Fully updated policies and procedures that match actual practices
- ✓ Use of technology to manage risk and compliance company-wide
- ✓ Embracing digital transformation to improve customer experience, effectively compete and promote inclusivity

Wolters Kluwer Resources

✓ Robust regulatory change management programs – including an up-to-date library

- ❑ OneSumX for Regulatory Change Management
- ❑ OneSumX for Compliance Program Management
- ❑ ProViso

✓ Strong Compliance and Operational Risk Management Systems

✓ Fully updated policies and procedures

- ❑ OneSumX Compliance and Ethics Governance
- ❑ Advisory Services and CMS Reviews

✓ Embracing digital transformation to effectively compete and embrace inclusivity

- ❑ eOriginal

✓ Use of technology to manage risk and compliance company-wide

Compliance Solutions

- ❑ CRA
- ❑ HMDA
- ❑ Fair Lending & UDAAP
- ❑ BSA/AML

OneSumX Solutions

- ❑ Reg. Change Management
- ❑ Compliance and Ethics Governance
- ❑ Compliance Testing
- ❑ Complaint Management
- ❑ Examination Management
- ❑ Compliance Risk & Controls Assessment
- ❑ Regulatory Insight
- ❑ ProViso U.S. State Obligation Management



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