



# Highlights from the Wolters Kluwer 2021 Banking Regulatory & Risk Indicator Survey

December 14, 2021

## Today's Presenters



**Timothy Burniston**  
*Senior Advisor,  
Regulatory Strategy*  
Wolters Kluwer

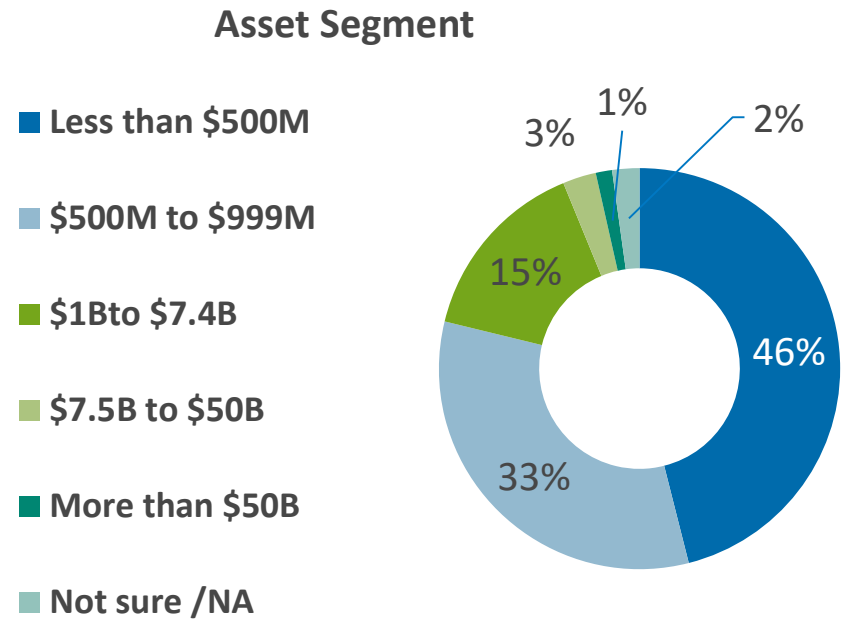
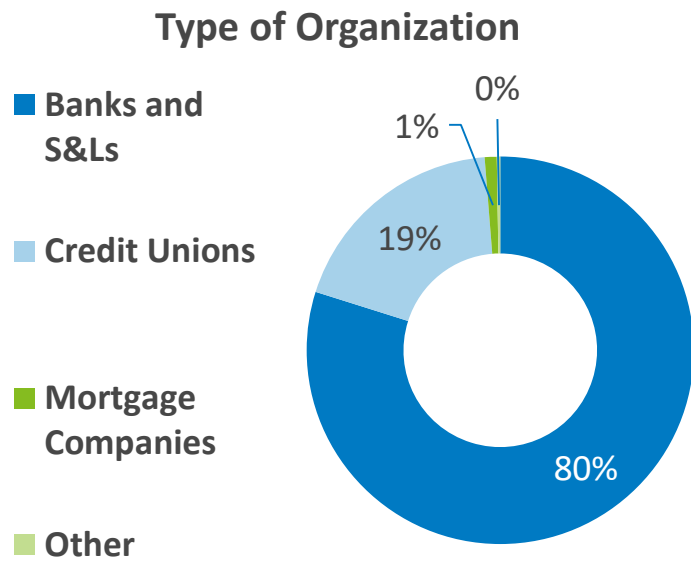


**Elaine Duffus**  
*Senior Specialized  
Consultant*  
Wolters Kluwer

## Regulatory & Risk Management Indicator Survey: Purposes

- 2021 marks the ninth 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 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
- This year’s survey was conducted between Aug. 4 and Sept. 6, 2021; 391 responses received.

# Respondent Profiles: By Type and Asset Size



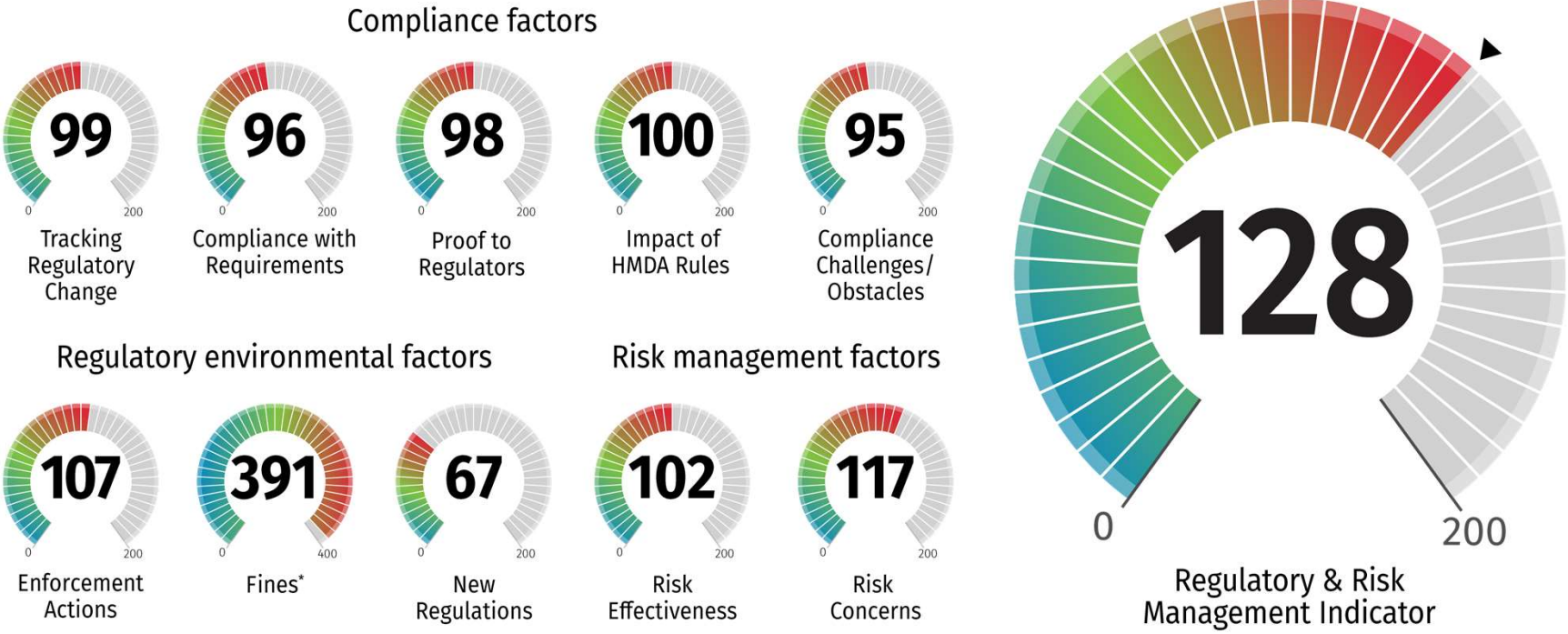
Respondents are primarily from bank management/executive and compliance roles followed by those in lending functions

## 2021 Indicator Survey: Key Highlights

- The **Main Indicator Score** rose to 128. Managing risk across all lines of business, navigating significant regulatory changes, and an increase in fines imposed by bank regulators drove the uptick.
- The **Main Indicator Score** has increased for 3 consecutive years:
  - 85 in 2018;
  - 95 in 2019;
  - 103 in 2020; to
  - 128 in 2021.
- **Keeping current with changing regulations** continues to rank consistently as a top challenge, no matter the lender type or size.
- **Top obstacles** to implementing an effective compliance program:
  - Manual processes (45%);
  - Inadequate staffing (41%); and
  - Too many competing business priorities (36%).



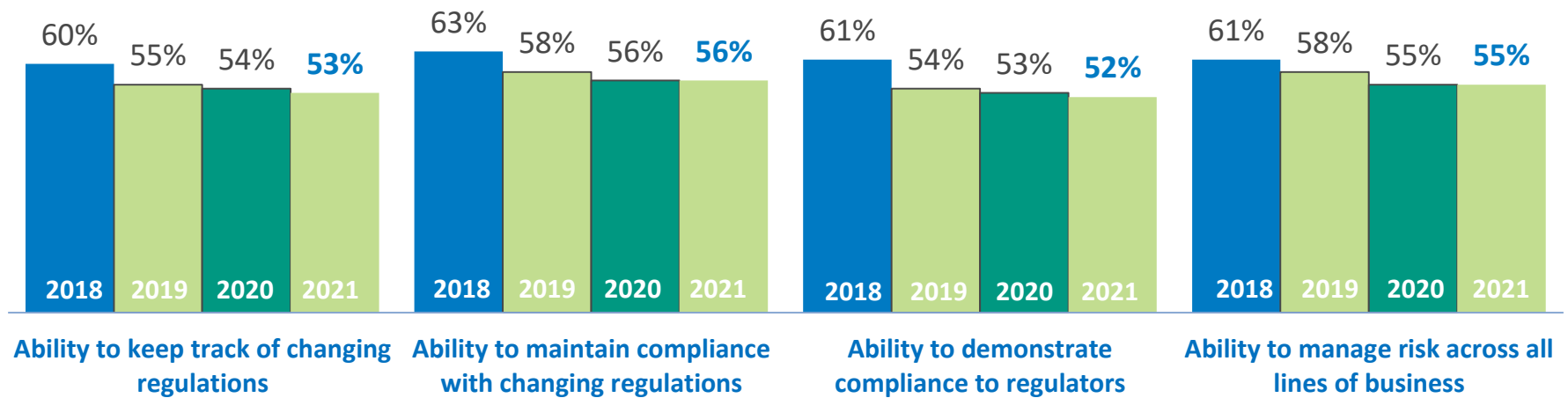
# 2021 Indicator Main Score: Based on 10 underlying factors



\*Scale for this metric has been doubled to account for the significant hike in regulatory fines imposed during the survey review period.

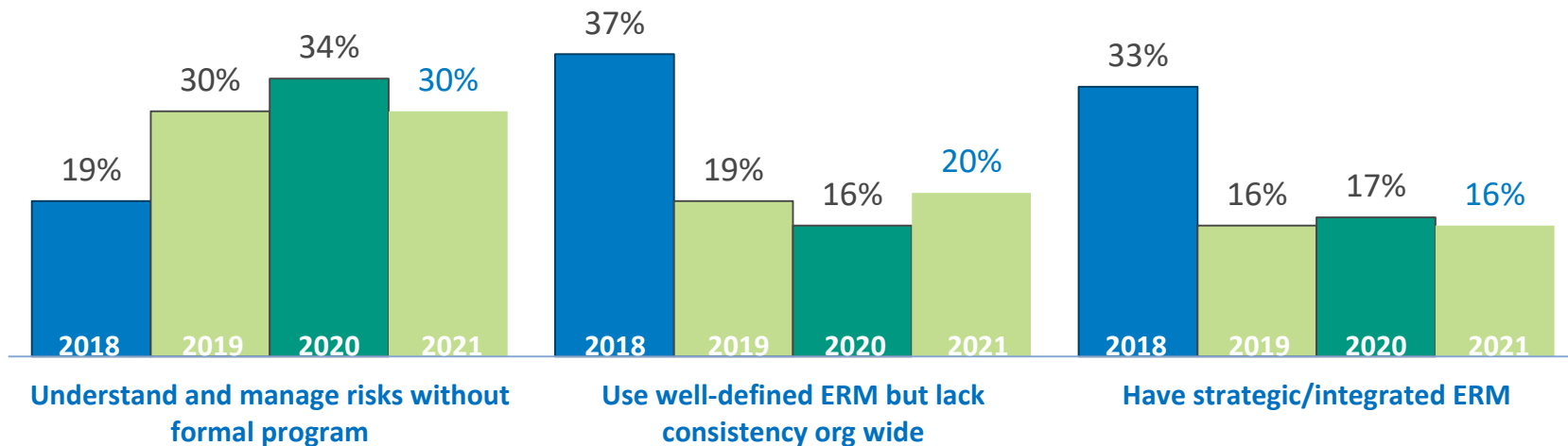
# Compliance and Risk Concern—Trends

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



# Enterprise Risk Management Efforts—Trends

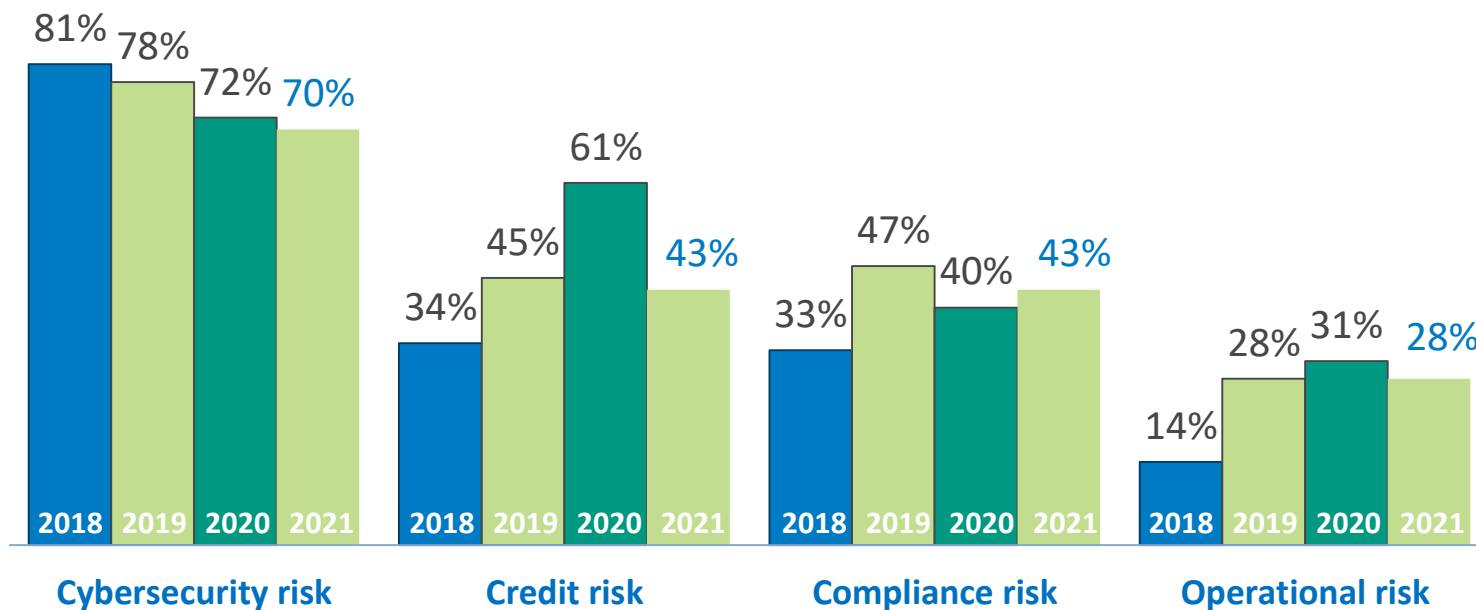
Which of the following best describes your organization's ERM program?





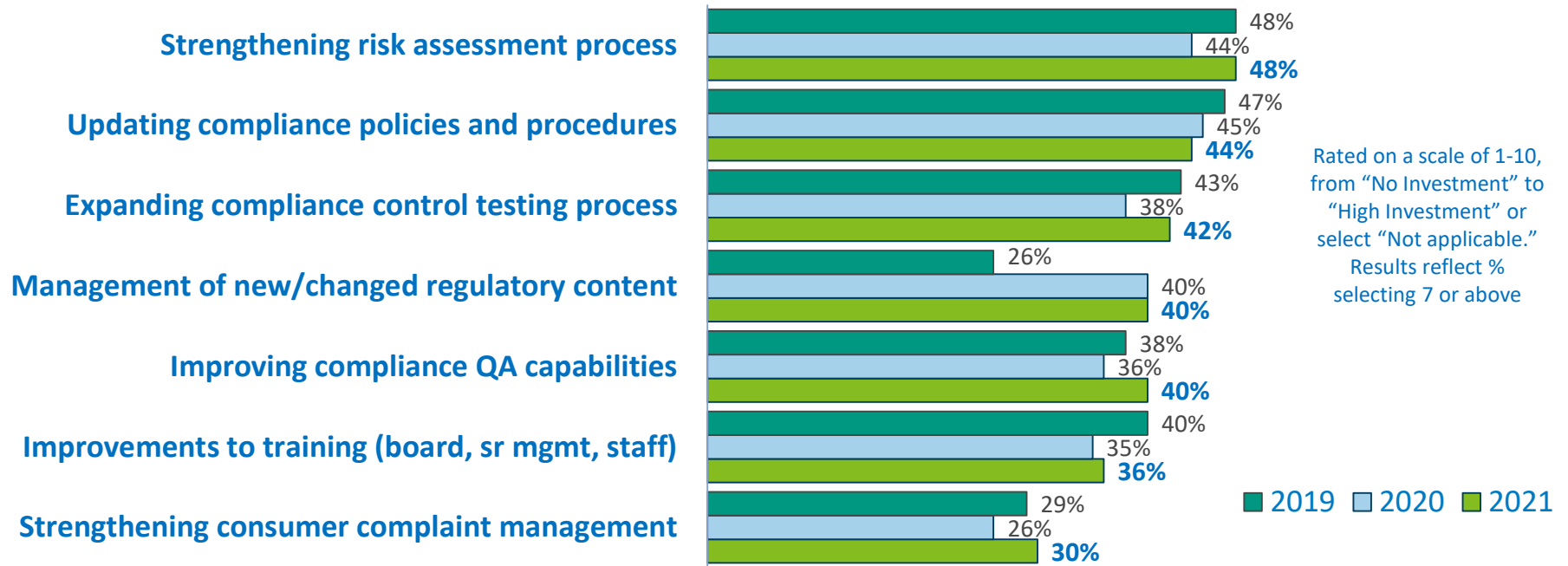
## Risks Receiving Escalated Priority—Trends on Top-Priority Items

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?



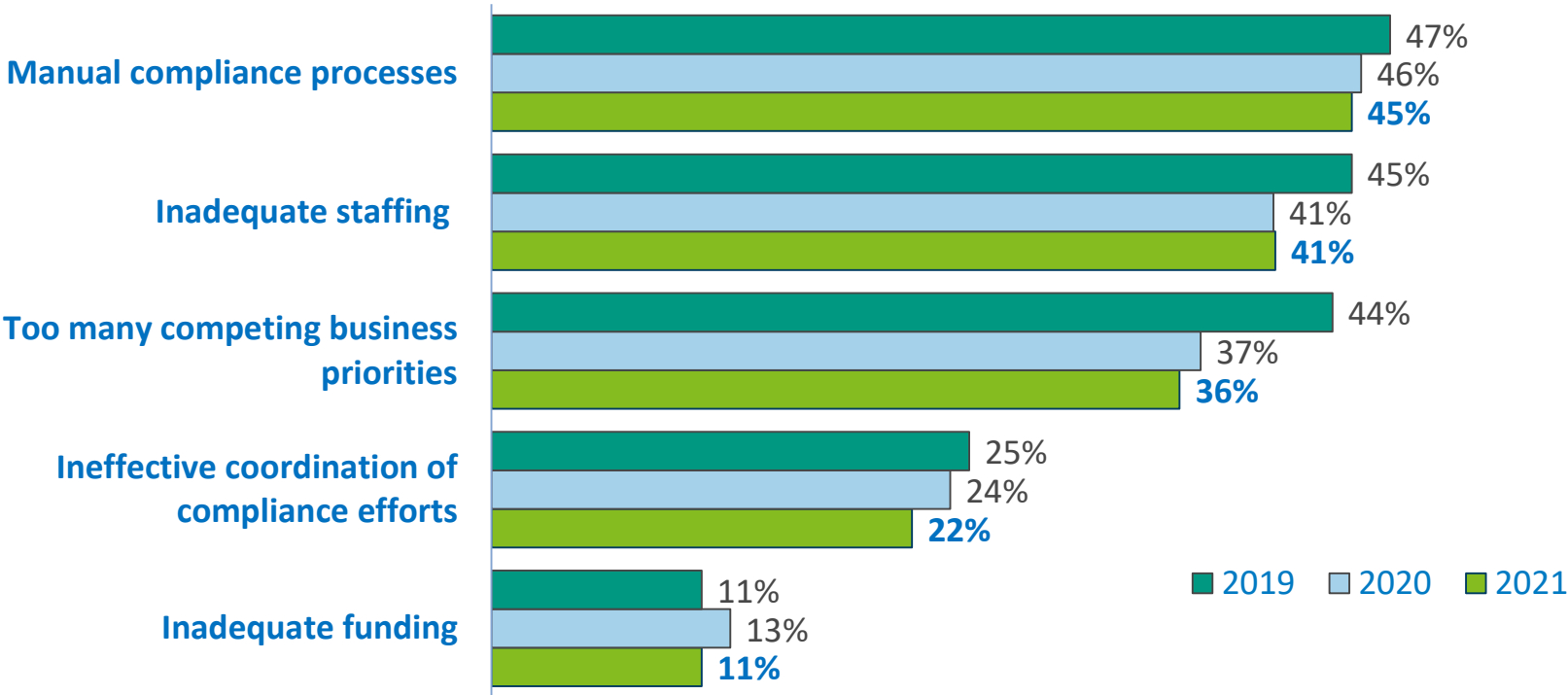
# Investing in CMS Components – Trends

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



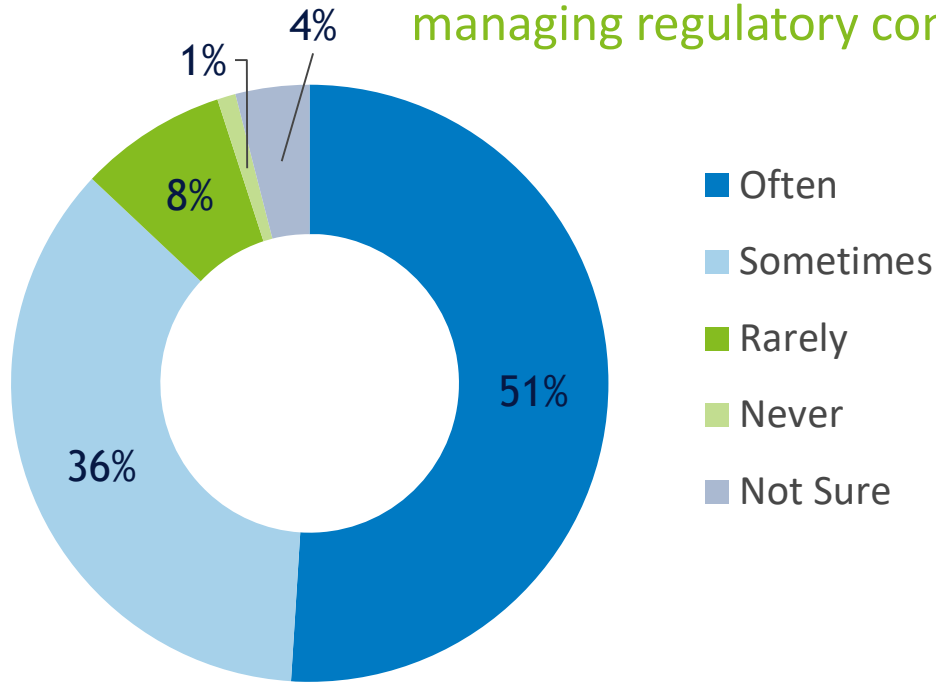
# Obstacles to Effective Compliance —Trends

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



## Manual Processes Continue to Reign

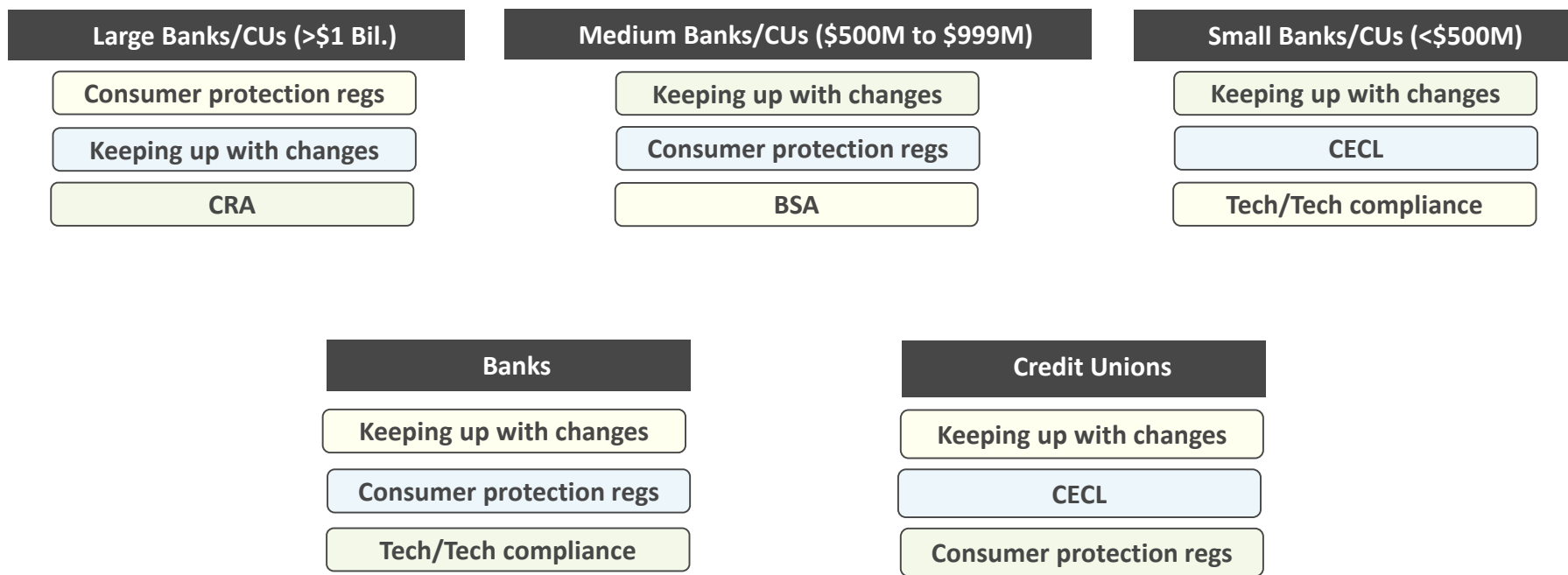
How frequently do you use manual processes and spreadsheets – as opposed to automated technology workflow systems – as the primary means for managing regulatory compliance?



87% of respondents are still using manual process or spreadsheets at least some of the time for their compliance management efforts.

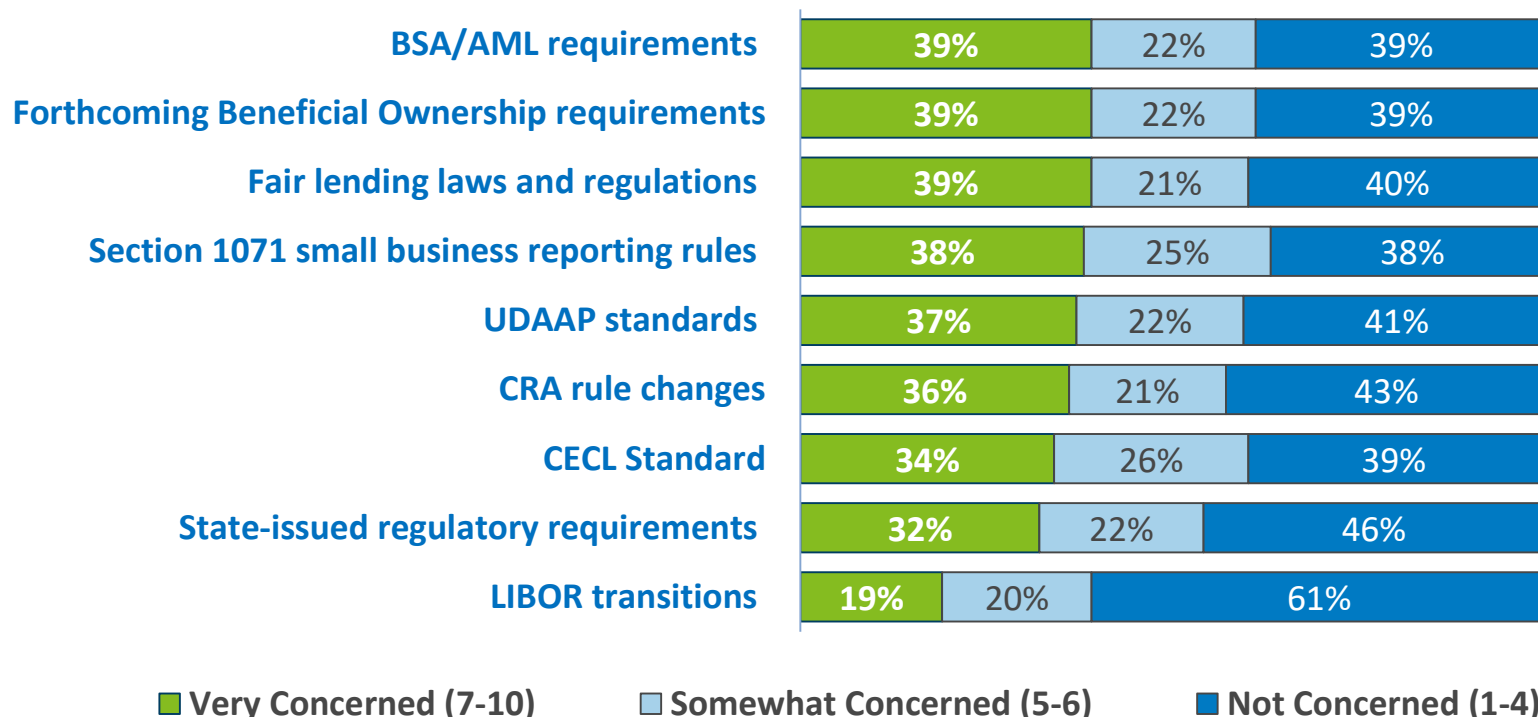
# Top Regulatory Compliance Challenges—by Asset Size and Type

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



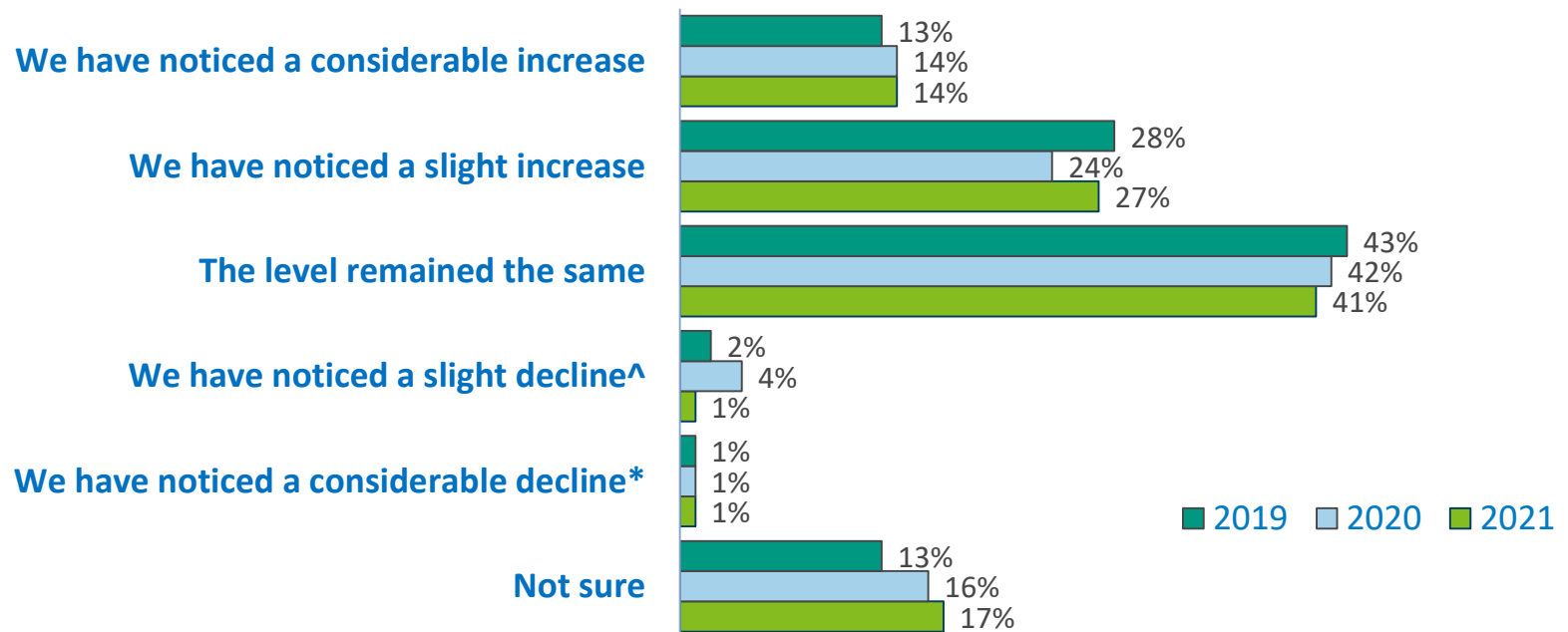
## Ability to Comply

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



# Examiners' Scrutiny of Fair Lending Programs

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



<sup>\*</sup> Added response option in 2019

<sup>^</sup> Altered "decline" to "slight decline" in 2019



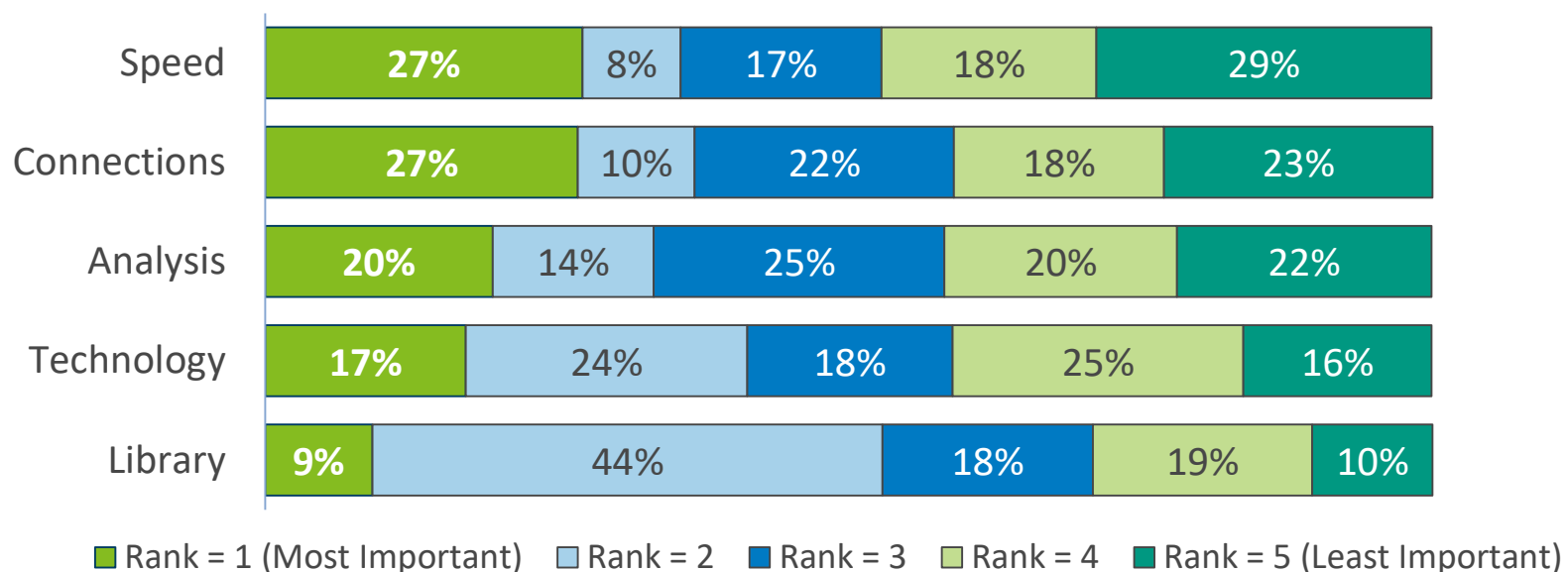
## Polling Question #1 of 4

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



## Polling Question #2 of 4

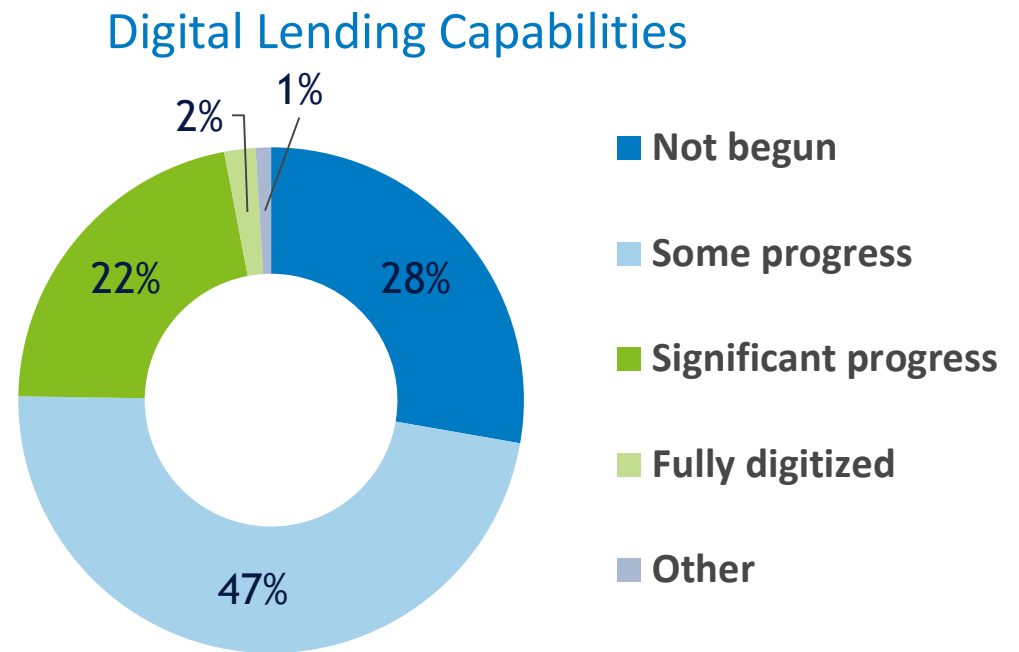
Which of the following best describes your institution's progress in building out a fully digitized lending capability?

- a) Not begun
- b) Some progress
- c) Significant progress
- d) Fully digitized

## Digital Lending Capabilities -- Progress

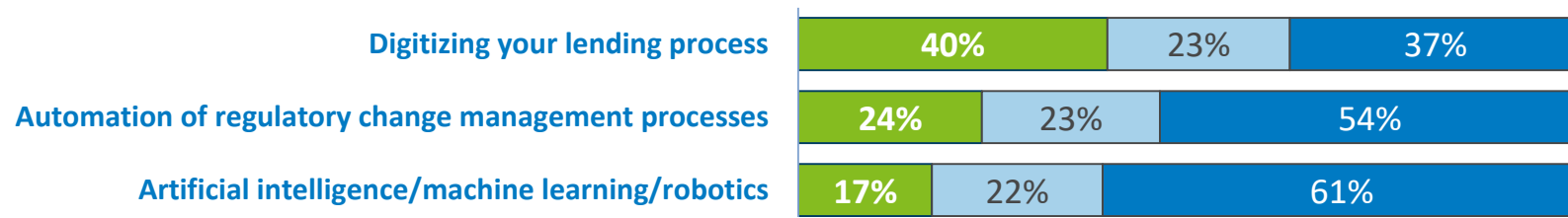
Which of the following best describes your institution's progress in building out a fully digitized lending capability?

- 47% of the respondents indicated they have made some progress with digitizing their lending capabilities
- 24% indicate they either have made significant progress or are fully digitized.
- 28% indicated they haven't started.



## Acceleration of Investments in Digital Transformation

Over the next 12 months, how much do you anticipate accelerating your institution's investment in the following:



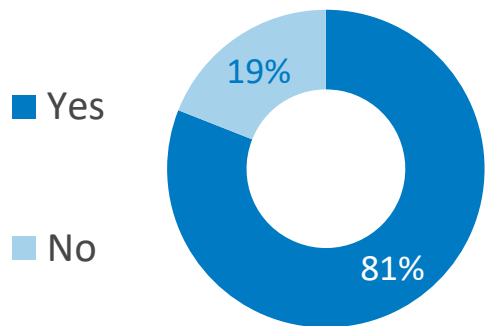
■ Significant Acceleration (7-10)    ■ Moderate Acceleration (5-6)    ■ No/Low Acceleration (1-4)

- 63% anticipate a “significant” or “some” acceleration of their organization’s **digital lending** processes.
- 47% anticipate acceleration of their **regulatory change management** processes.
- Few anticipated much acceleration around AI or robotics.

# CARES Act Paycheck Protection Program (PPP)

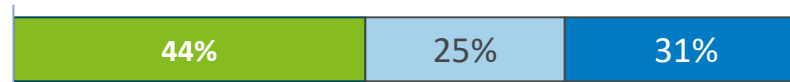
Did your institution participate? If yes, did your participation help serve as a catalyst to more activity in the SBA 7(A) Program?

Participation in PPP



- 81% indicated that they participated in PPP
- 44% strongly agreed PPP participation served as a catalyst for SBA 7(a) lending
- Conversely, about a third of the respondents (31%) strongly disagreed PPP loans were a catalyst

PPP participation catalyzed SBA 7(a) lending



Strongly Agree (7-10)    Neutral (5-6)    Strongly Disagree (1-4)

## Polling Question #3 of 4

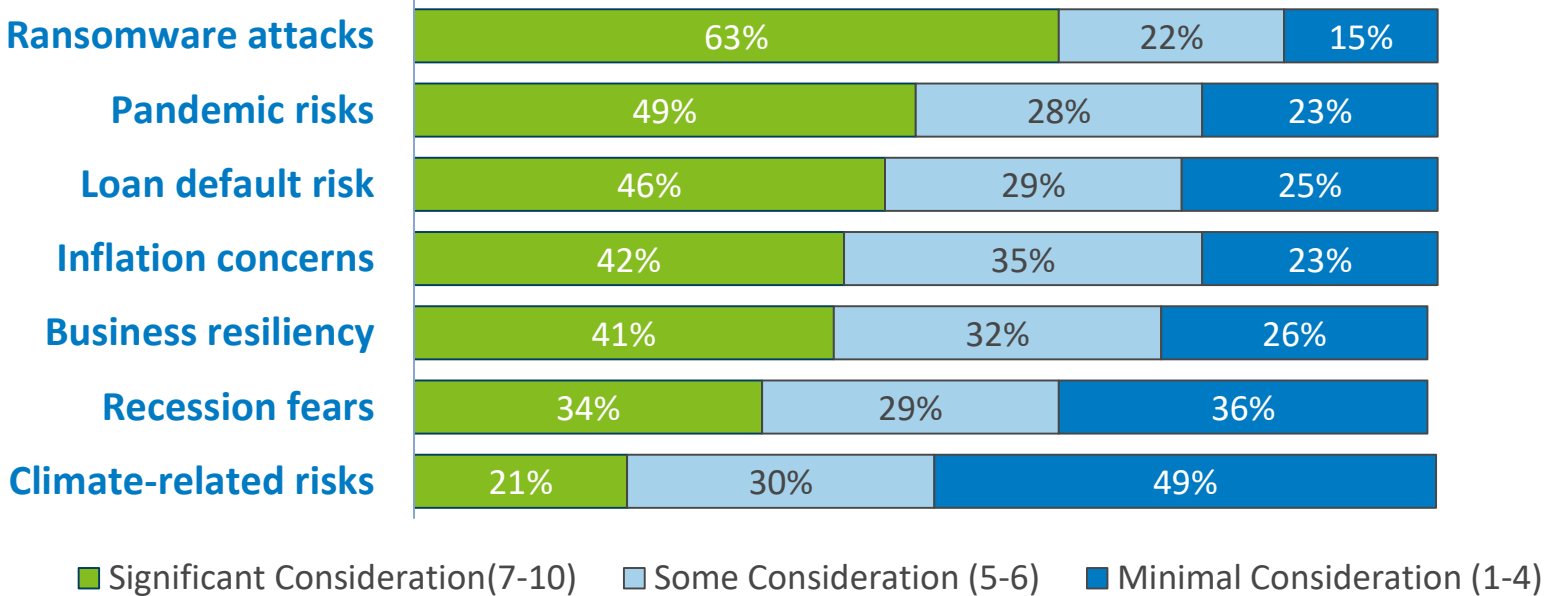
To what degree is your institution considering climate-related financial risks in your enterprise risk business planning?

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



# Environmental Factors: Implications for the Banking Industry

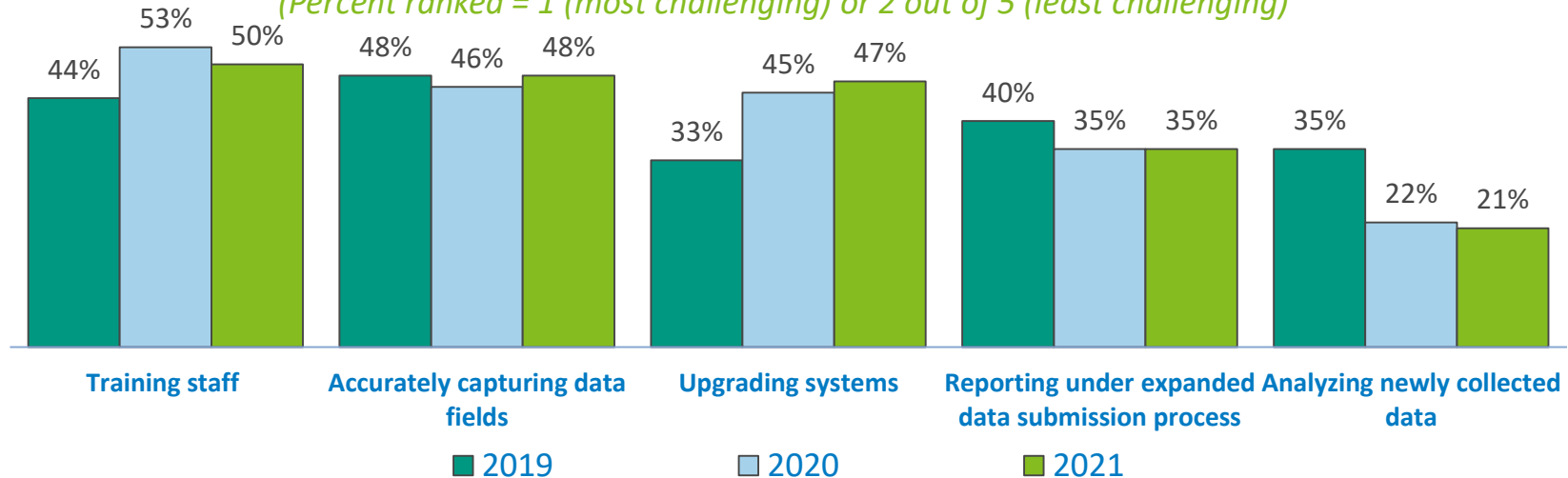
To what degree are you weighing these environmental factors in your enterprise risk business planning?



# 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.

*(Percent ranked = 1 (most challenging) or 2 out of 5 (least challenging))*



- Accurately capturing data fields and upgrading systems were more frequently ranked as a number 1 or 2 challenge in 2021 compared to 2020, while training staff and analyzing newly collected data showed a marginal decline.
- Upgrading systems has experienced the most significant rising trend among HMDA compliance challenges in recent years, rising from a low of 33% of respondents giving it top ranking in 2019 to 47% of respondents in 2021.

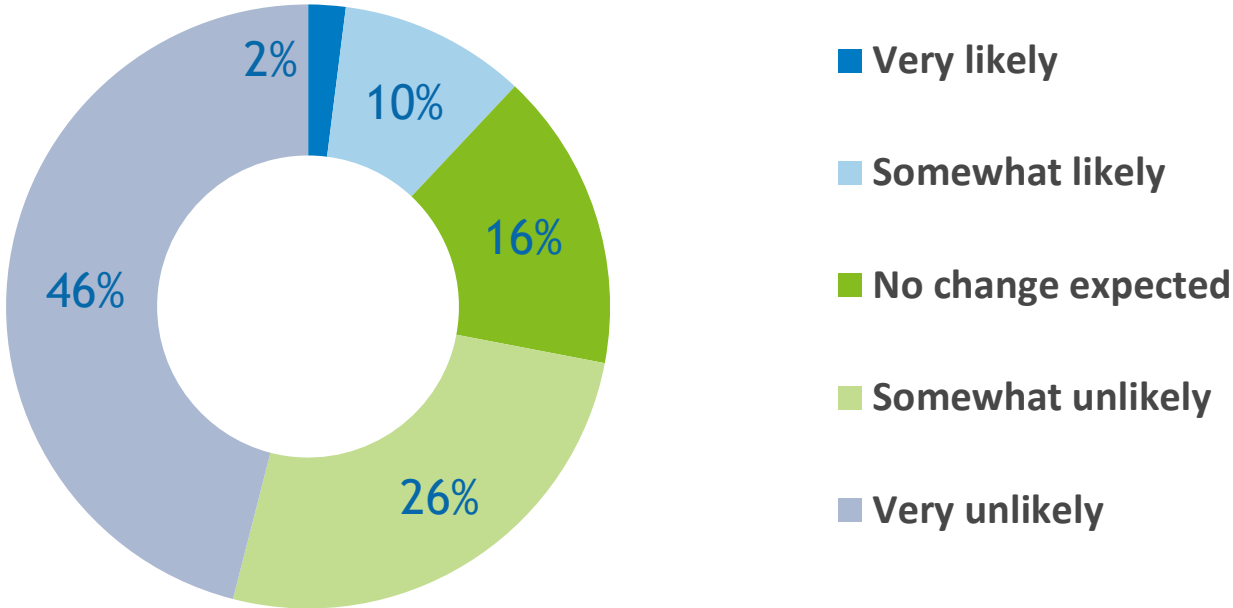
## Polling Question #4 of 4

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



# 2021 Indicator Survey: Implications for 2022

## Environmental factors weigh heavily:

- Continuing pandemic concerns
- Economic pressures
- Inflation
- Low likelihood of less regulation
- Ransomware attacks
- Concerns about climate risk management will grow

## Major risk concerns include:

- Cybersecurity
- Credit Risk
- Operational risk and business resiliency

## Major compliance concerns include:

- Keeping up with changes
- Evolving BSA/AML requirements
- Fair lending laws and regulations/CRA modernization
- 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
- ✓ Use of technology to manage risk and compliance company-wide
- ✓ Embracing digital transformation to effectively compete and promote inclusivity

# Wolters Kluwer Resources

- ✓ Robust regulatory change management programs – particularly an up-to-date library
  - [OneSumX for Regulatory Change Management](#)

- ✓ Strong Compliance and Operational Risk Management Systems

- ✓ Fully updated policies and procedures
  - [OneSumX for Regulatory Change Management](#)
  - [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](#)

- Reg. Change Management
- Compliance and Ethics Governance
- Compliance Testing

- Complaint Management

- Examination Management
- Compliance Risk & Controls Assessment
- Regulatory Insight



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SAVE THE DATE

# CRA & FAIR LENDING COLLOQUIUM

NOVEMBER 13-16 2022

[www.cracolloquium.com](http://www.cracolloquium.com)

Caesars Palace

Las Vegas, NV

*Registration to open early 2022*



## 2022 Banking Landscape

# the 10 C's

1. Climate Risk Management
2. CRA Regulatory Modernization
3. Compliance
4. Cybersecurity
5. Cryptocurrency
6. Change Management
7. Continuing Effects of the Pandemic
8. Competitive Changes
9. Consolidation
10. Cannabis Banking

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