



U.S. Banking Industry



Regulatory & Risk Management Indicator

October 2014



Wolters Kluwer
Financial Services

When you have to be right

AN OVERVIEW

Wolters Kluwer Financial Services' Regulatory and Risk Management Indicator measures 10 critical factors that help illustrate the overall level of regulatory and risk management pressures U.S. banks and credit unions face.

These factors include banks' and credit unions' concern over 1) their ability to track regulatory changes; 2) comply with new and existing requirements; 3) prove compliance to federal regulators; and 4) the time and resources they have invested in compliance efforts. The factors also include 5) how effective banks and credit unions feel they are at managing overall risks to their institutions; 6) the involvement, buy-in and ability of the executive team in managing risk; and 7) the time and resources they have invested in managing risk.

For the final three factors of the Indicator formula, Wolters Kluwer Financial Services measures and compares 8) the number of significant new U.S. banking regulations; 9) the number of enforcement actions taken against banks and credit unions by federal regulators; and 10) the total dollar amount of federal regulatory fines levied against banks and credit unions.

What follows in this report are the results of the Indicator itself as well as the highlights of our findings, including banks' and credit unions':

- Overall Compliance and Risk Management Concerns
- Top Dodd-Frank Act and CFPB Concerns
- Greatest Risk Management Concerns

To obtain the data set used to compile the Indicator, please contact us at WKFSCorporateCommu@wolterskluwer.com.

Indicator Methodology

Wolters Kluwer Financial Services surveyed more than 300 banks and credit unions on their most pressing regulatory and risk management concerns in August 2014. We used the resulting measurements along with the changes we monitored in the actual regulatory environment to develop the latest Indicator.



MAIN INDICATOR



RISK AND COMPLIANCE CONCERNS RISE NEARLY 30%

The Main Indicator score rose to 128 from its baseline of 100 in January 2013, nearly a 30% increase in less than two years. Of more than 300 respondents representing U.S. banks and credit unions, three quarters of respondents showed significant concern with meeting their overall compliance requirements. The majority of respondents (63%) also indicated significant concern in their ability to manage risk across all lines of business, up 7% from January 2013.

COMPLIANCE
FACTORS



REGULATORY
ENVIRONMENT FACTORS

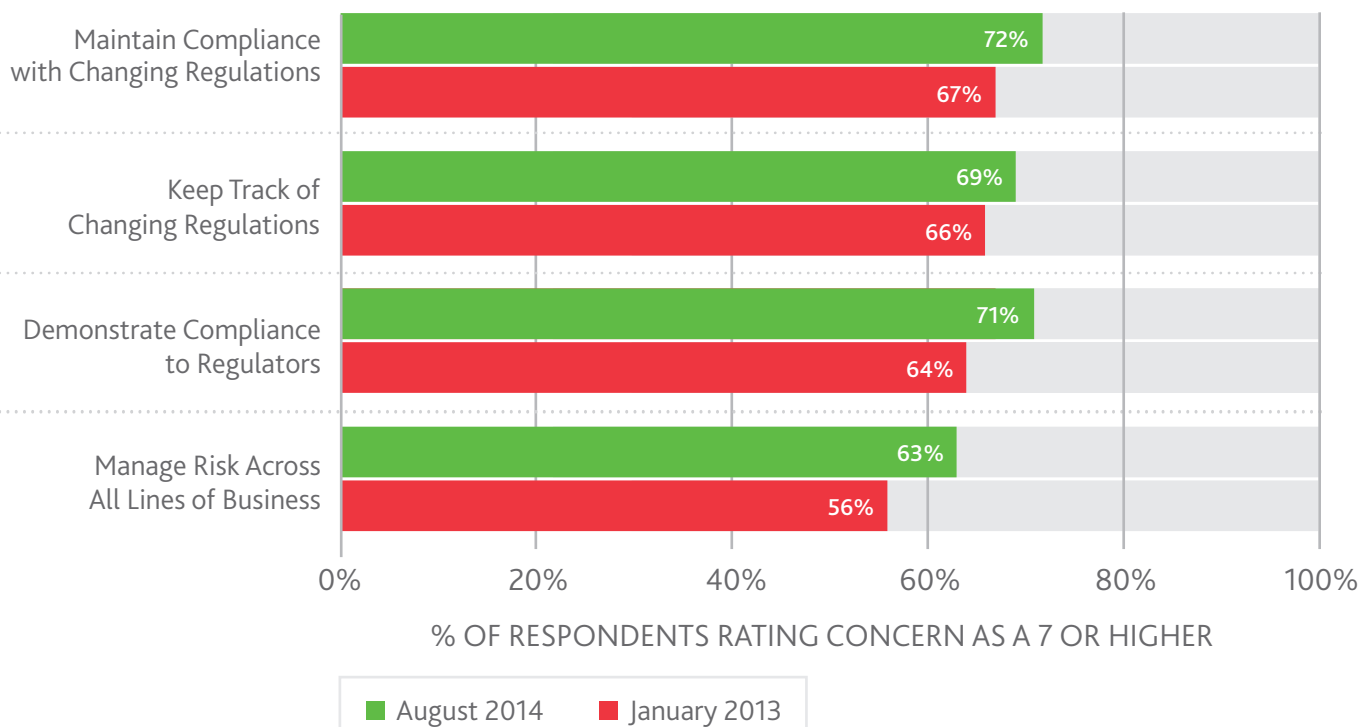


RISK MANAGEMENT
FACTORS





OVERALL COMPLIANCE AND RISK MANAGEMENT CONCERNS

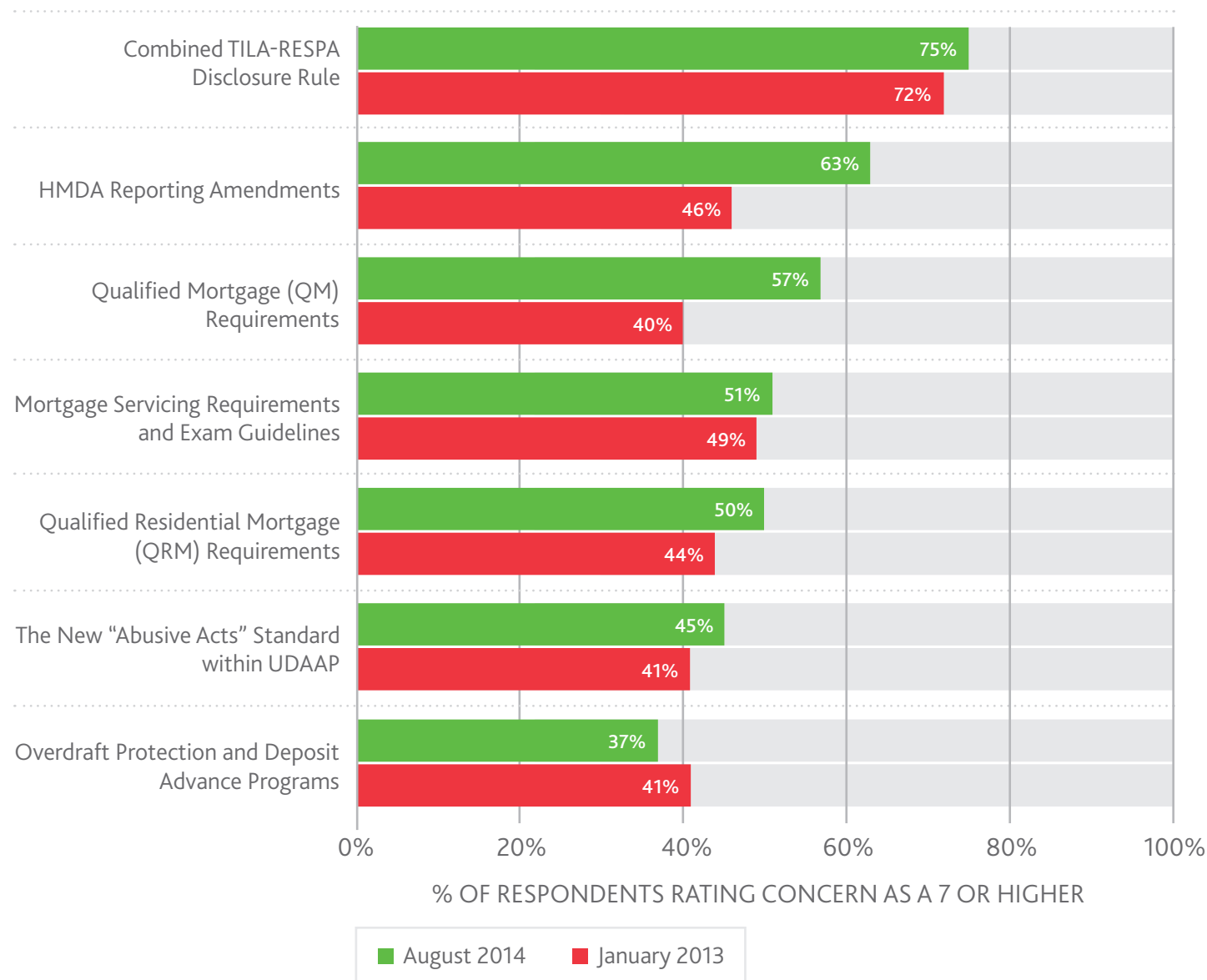


Less Confidence at the Top

The C-suite and other senior leaders expressed less confidence in the ability to address regulatory requirements and manage risk across their organizations. The results underscore the growing need to manage both risk and compliance more holistically and with more transparency at the enterprise level.



TOP DODD-FRANK ACT AND CFPB CONCERNS

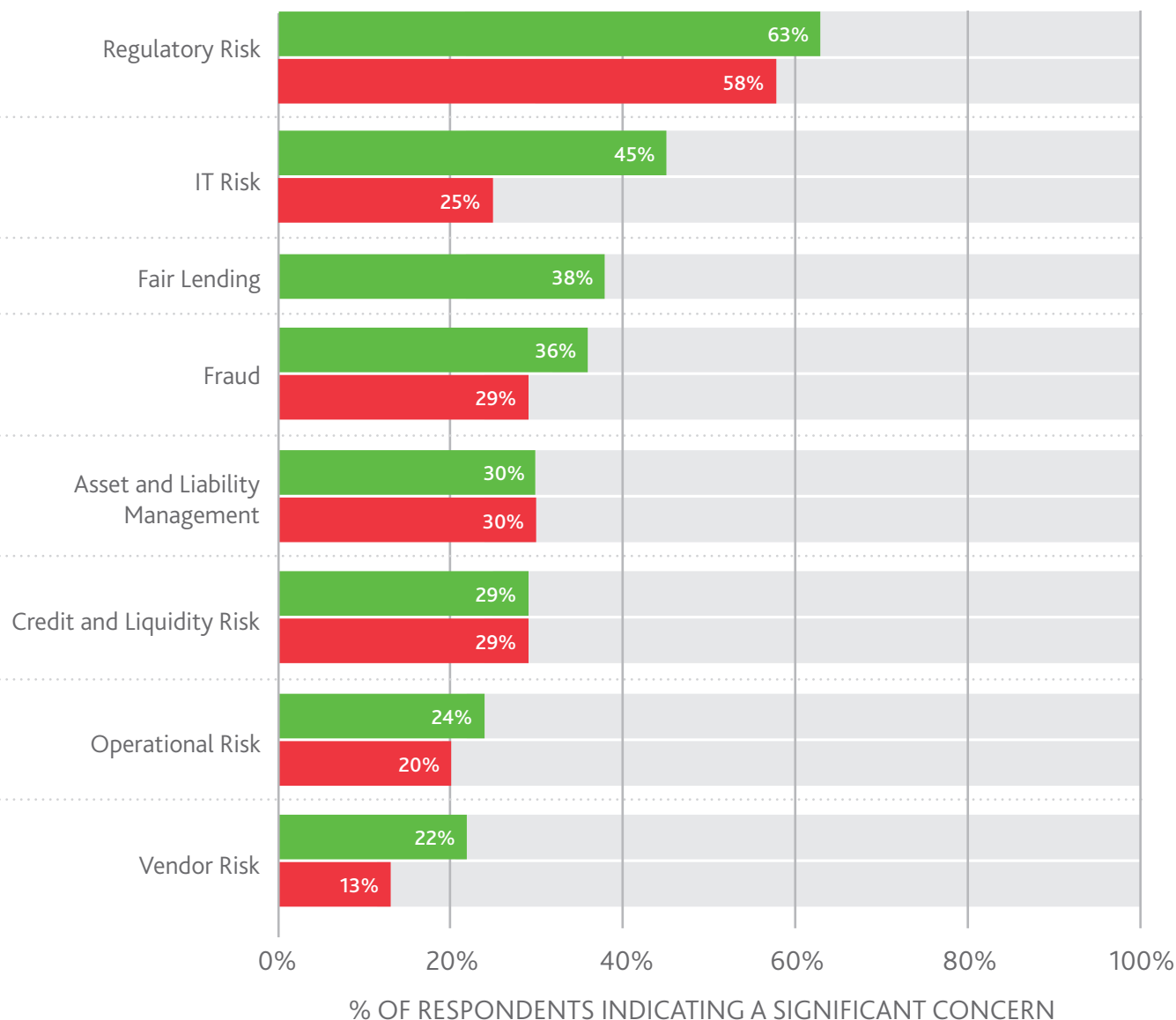


TILA-RESPA and HMDA Top the List

Anxiety over the CFPB's new HMDA reporting requirements jumped significantly since the last Indicator, moving up three spots on the list of Top Dodd-Frank Act and CFPB Concerns. The upcoming TILA-RESPA disclosure rules increased slightly to stay at the top of the list.



GREATEST RISK MANAGEMENT CONCERNS



Greater Risk Management Emphasis

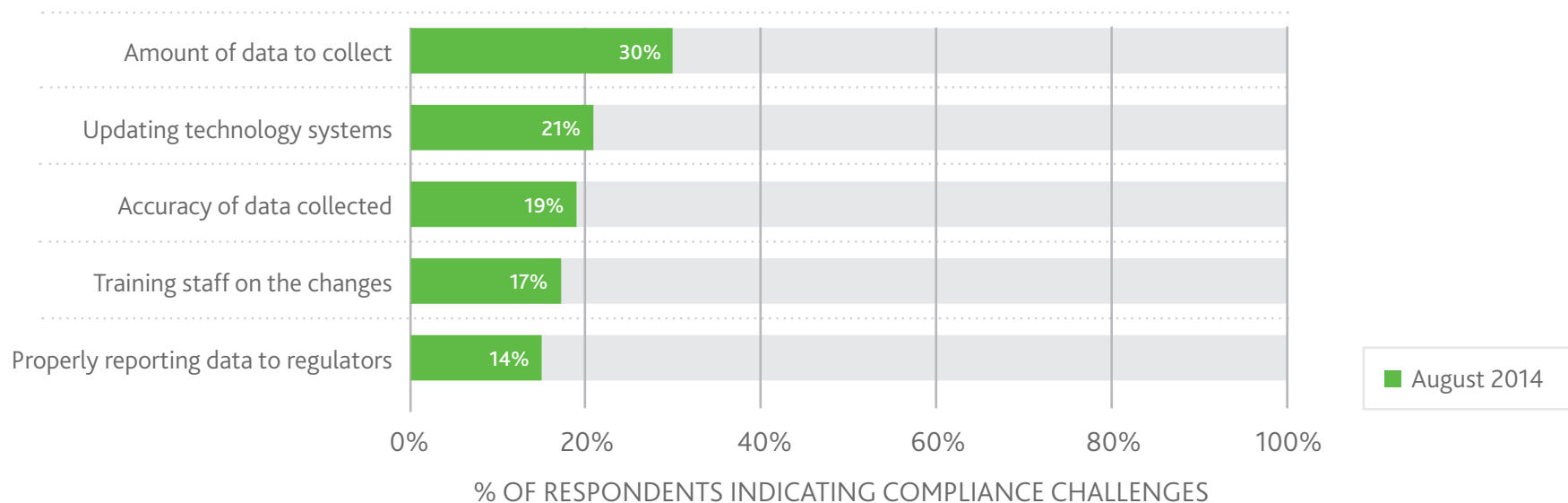
Concern over IT risk has nearly doubled since January 2013, now just trailing regulatory risk, which has held the top spot since the Indicator was first conducted.

A minority of respondents (37%) said they had an integrated or strategic risk management program in place that was being actively used across the organization. One in five respondents said they had no program in place. In addition, more than one in three said they had hired additional staff in the past 12 months to help more effectively manage risk.


■ August 2014
■ January 2013


TOP 5 HMDA COMPLIANCE CHALLENGES


We asked banks and credit unions the open-ended question, "What are the biggest challenges you anticipate when complying with the new HMDA data collection requirements?"



Respondents' views on the biggest HMDA data collection challenges:

 The requirements will be very burdensome and will require additional personnel to collect and monitor."

 While HMDA appears to be a cut-and-dried requirement, scenarios have proven that it is not. Training and ongoing data collection remains a high priority challenge."

 The rule changes will double to triple our workload... HMDA already is one of the biggest compliance resource burdens on our bank."

ABOUT WOLTERS KLUWER FINANCIAL SERVICES

Whether complying with regulatory requirements or managing financial transactions, addressing a single key risk, or working toward a holistic enterprise risk management strategy, **Wolters Kluwer Financial Services** works with more than 15,000 customers worldwide to help them successfully navigate regulatory complexity, optimize risk and financial performance, and manage data to support critical decisions. Wolters Kluwer Financial Services provides risk, compliance, finance and audit solutions that help financial organizations improve efficiency and effectiveness across their enterprise. With more than 30 offices in 20 countries, the company's prominent brands include: AppOne[®], ARC Logics[®], AuthenticWeb[™], Bankers Systems[®], Capital Changes, CASH Suite[™], FRSGlobal, FinArch, GainsKeeper[®], NILS[®], TeamMate[®], Uniform Forms[™], VMP[®] Mortgage Solutions and Wiz[®]. Wolters Kluwer Financial Services is part of **Wolters Kluwer**, a leading global information services and solutions provider with annual revenues of (2013) €3.6 billion (\$4.7 billion) and approximately 19,000 employees worldwide. Please visit www.wolterskluwerfs.com for more information.

For more information

*about Wolters Kluwer Financial Services,
or our Regulatory and Risk Management
Indicator, please contact us at
WKFSCorporateCommu@wolterskluwer.com*