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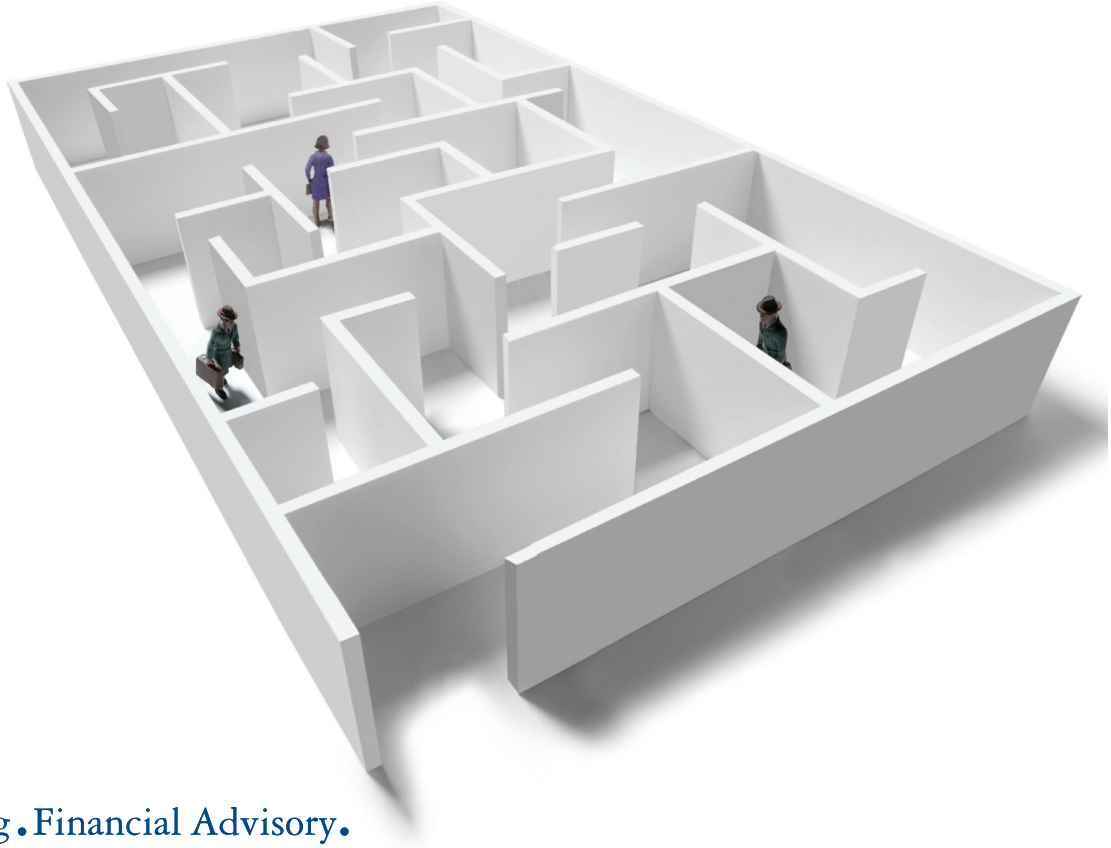
Navigating the Compliance Labyrinth

The Challenge for Banks

Produced by the Deloitte Center for Banking Solutions



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Foreword

We are pleased to present the results of our survey on compliance management at major financial institutions, conducted last summer. The study, designed by the Deloitte Center for Banking Solutions, explores some of the challenges facing these institutions as they attempt to navigate what we have termed "the compliance labyrinth." We believe the results are important, as they not only shed light on several difficulties within existing compliance management systems, but also reveal some valuable opportunities for improvement.

We note that in contrast to many studies currently in the marketplace, our survey focuses on larger institutions and attempts to gain a deeper understanding of their compliance issues, benefits, and strategies. Further, our research quantifies the recent growth in compliance costs and provides insight into its ongoing management. Interestingly, most responses correspond closely with our own observations.

With the risks of non-compliance increasing, the need for best practices in compliance management is acute. Over the next couple of months we will be releasing a subsequent report outlining a new approach to integrated compliance risk management (ICRM), based on a pilot we executed with a large U.S.-based financial services institution. In it we will discuss our learnings and reveal several strategies for the industry. For now we hope you consider the current study a first layer of insight into this important topic, and look forward to the next stage of this dialogue with the release this winter.

Sincerely yours,

Don Ogilvie
Independent Chairman
Deloitte Center for Banking Solutions

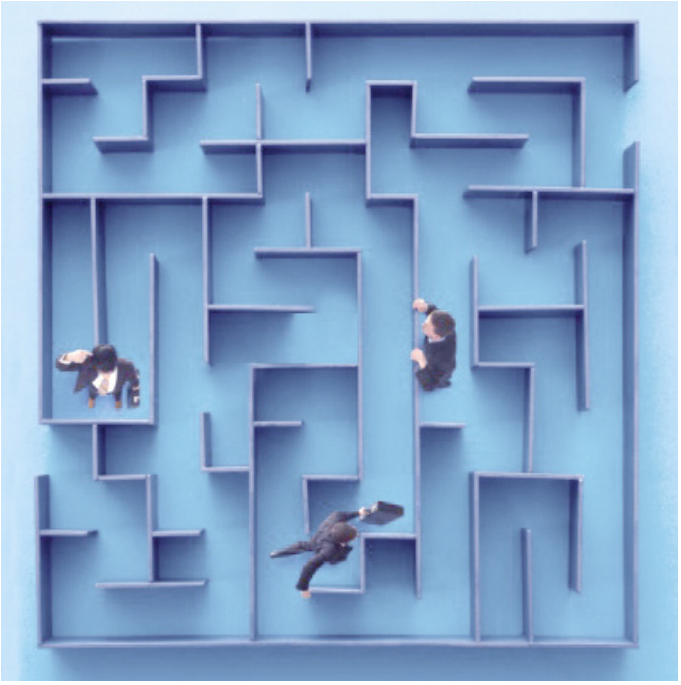
Executive Summary

Financial institutions operating in the United States must comply with a myriad of requirements, which have only grown in complexity in recent years. Regulatory requirements have been introduced with the objective of advancing important public policy goals such as the safety, stability, and efficiency of the financial system. Yet, the combined effect of all these requirements has placed a substantial burden on financial institutions and has left them with considerable challenges.

To follow up on issues highlighted in our earlier research in our 2007 *Global Banking Industry Outlook*, the Deloitte Center for Banking Solutions conducted a survey of Chief Compliance Officers, Chief Risk Officers, and other senior executives at 20 of the top 50 financial institutions and thrift institutions in the United States. The results shed interesting light on how financial institutions are coping with compliance and their expectations for the future. While most existing surveys have focused on the cost of compliance, our research attempted to look beyond this and address some additional questions:

- Do financial institutions expect compliance costs to increase or decrease in the future?
- What has been the impact of compliance on their operations?
- How efficient and effective have financial institutions been in meeting their expanded compliance responsibilities?
- How could they improve the management of their compliance obligations?

The results of this survey provide some interesting insights into the nature of compliance management amongst some of our leading banking institutions. To help level set this discussion, the survey defined "compliance" as conformity with applicable regulatory and legislative requirements, internal policies related to external requirements, and industry standards for operation.



Key Findings

The key findings of the survey include:

- Compliance costs grew significantly faster than net income for financial institutions in our survey. While compliance spending as a percentage of net income for the financial institutions surveyed was 2.83% in 2002, by 2006 it had grown to 3.69%.
- As costs have risen, financial institutions appear to have responded more by applying people resources to monitor compliance versus technology resources to manage it. This is suggested by the greater increase in spending on people rather than technology.
- Ninety-five percent of the financial institutions surveyed said their executives were much more involved in compliance management than in the past, with 40% saying that the time devoted to compliance had increased by more than 25%.
- Financial institutions have made considerable progress in implementing compliance management activities within the different parts of their business, but may have more work to do in reducing duplicative processes across their business units. Thirty percent claimed that duplication had actually increased.
- Only 10% of financial institutions reported that compliance information was always effective and 15% that it was always timely, suggesting that there is still substantial progress to be made in producing compliance management information.
- Measuring compliance performance remains largely a qualitative rather than a quantitative process. Only 55% of financial institutions reported using quantitative metrics, implying a limited application of process management tools and methodology.

Implications

In return for the higher costs and effort associated with meeting the additional compliance requirements put in place over the last several years, most financial institutions feel they have achieved a more secure operating environment. However, the increasing scope and complexity of these obligations have led to compliance spending growing rapidly, and significantly faster than revenues and profits.

One important reason for escalating costs is that many financial institutions have not taken advantage of the overlapping elements of the requirements they face, such as Sarbanes-Oxley, Basel, and the USA PATRIOT Act. Additionally, many financial institutions have replicated compliance practices in individual lines of business, which has resulted in similar processes, procedures, and requests for information being multiplied across the enterprise. This fragmented approach has also made it difficult to develop clear and comprehensive compliance information. In many cases, executives lack the information they need to prioritize key risks and compliance issues since reports are not sufficiently timely, complete, or distilled through dashboards or other frameworks.

Financial institutions have an opportunity to mitigate rising costs by approaching compliance comprehensively — reducing duplicative processes, eliminating unnecessary procedures, and building the business case for more investment in technology solutions to improve efficiency and provide actionable reporting. Rethinking compliance will require executives to question familiar assumptions and business processes. Yet, taking a more holistic approach to compliance management offers the potential to leverage the common elements of many regulations to achieve more effective compliance management at significantly reduced cost.

Background

Even before the new requirements of the last several years, financial institutions faced a complex regulatory environment, with most institutions supervised by numerous regulatory authorities. Four federal agencies regulate Financial institutions: the Board of Governors of the Federal Reserve System, the Office of Thrift Supervision, the Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation. Financial institutions are also regulated by state banking departments in the locations where they operate.

With the integration of the financial services industry, more financial institutions are also involved in securities and insurance activities, creating additional oversight responsibilities. Financial institutions that provide securities products are regulated by the Securities and Exchange Commission, state securities regulators, the National Association of Securities Dealers, and the New York Stock Exchange. Financial institutions offering insurance products are also supervised by state insurance commissions.

The combination of these new or strengthened laws, regulations, and supervisory guidance, together with tougher industry standards, has created a complex labyrinth of compliance, involving engagement with a variety of different state and federal agencies. Financial institutions are required to institute new procedures, upgrade technology systems, and commit additional management and staff time to increasingly complex compliance responsibilities.

What Do We Mean by Compliance?

In our survey, we defined "compliance" as conformity with the applicable regulatory and legislative requirements, with internal policies relating to external requirements, and with industry standards for operation. Some examples of these elements are the following:

- **Regulatory and legislative requirements:** Federal and state requirements such as Sarbanes-Oxley, Bank Secrecy Act, anti-money laundering requirements, and Basel II.
- **Internal policies:** Policies relating to external regulatory and legislative requirements such as those covering segregation of duties, authorizations/approval limits, approved transactions/investments/exposures, training, and regulatory reporting.
- **Industry standards:** Leading practices that are not regulatory requirements such as COSO (for Sarbanes-Oxley), Bank of International Settlements, International Organization for Securities Commissions, and the operational risk framework for regulatory capital.

Estimating the Costs of Compliance

For the purposes of our survey, we focused on direct costs, such as people costs (compensation), technology costs, and the costs of hiring additional external resources that provide assistance to financial institutions in managing their compliance obligations. We should emphasize that all results reflect the best estimates and opinions of the respondents surveyed.

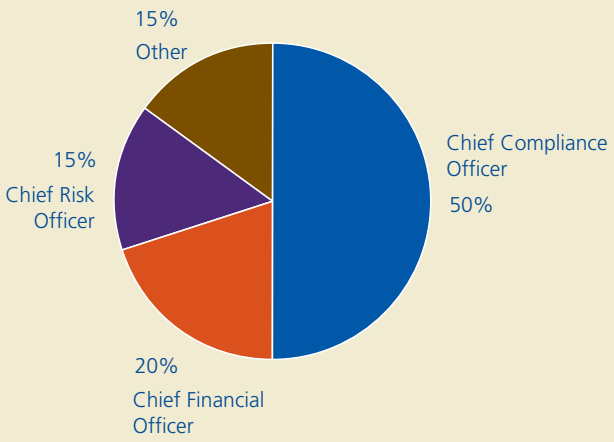
In responding to our questions throughout, a number of financial institutions requested an opportunity to research their replies before developing a response. While this gave us comfort that their replies were well thought through, it was also interesting to note that much of the information requested was not easily or immediately available. This underscored the difficulty that many financial institutions face in gaining clear visibility into the multiple compliance activities across their institutions.

Respondent Profile

The survey solicited responses from senior executives at 20 of the 50 largest U.S. bank and thrift institutions ranked by assets, according to the *American Banker*. Half of the survey respondents were Chief Compliance Officers, while 20% were Chief Financial Officers, 15% were Chief Risk Officers, and 15% had a variety of other titles or roles. (See Exhibit 1.)

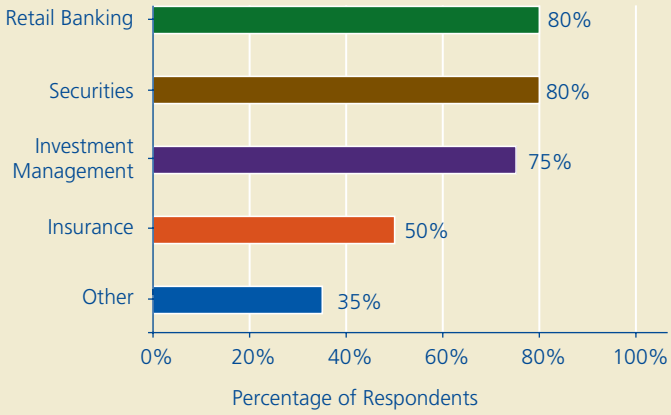
In an illustration of the continuing convergence of formerly distinct financial industries, most of the financial institutions were diversified institutions, engaged in a range of financial businesses. (See Exhibit 2.) In addition to being involved in retail and commercial banking, for example, 80% of the financial institutions were also engaged in securities, while three-quarters were involved in investment management. In addition, 50% of the institutions provided insurance products and services.

Exhibit 1: Title/Role



Note: "Other" includes senior compliance/risk executives, compliance officer (bank operations)

Exhibit 2: Business Activities



Note: 1. "Other" includes such categories as payment services, custody & corporate trust, commercial portfolios, corporate banking, and investment services (these have overlap with the defined categories).

2. Percentages total to more than 100 since respondents could make multiple selections

An Increasingly Challenging Environment

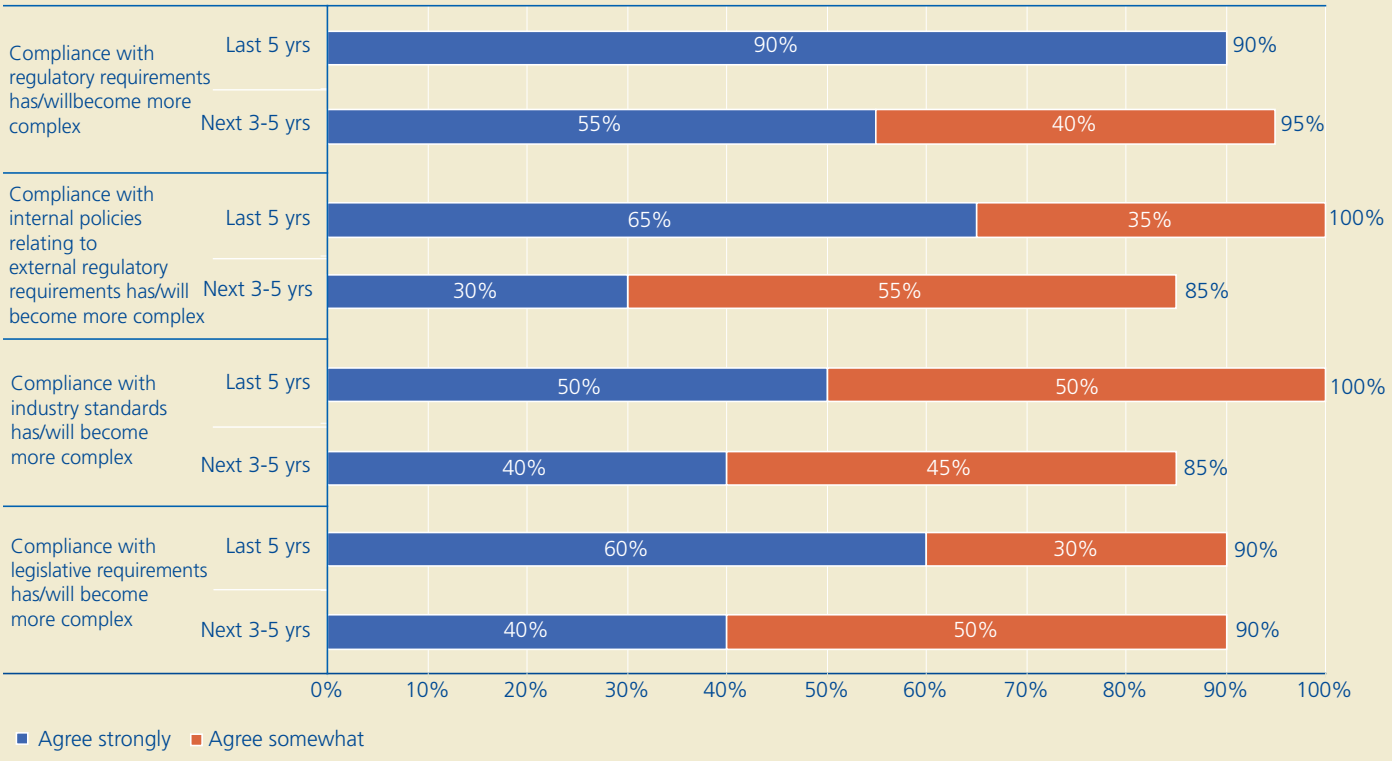
There was broad consensus among respondents that compliance had recently become more challenging for their institutions across a range of dimensions. (See Exhibit 3.) Ninety percent of respondents agreed strongly that compliance with regulatory requirements had become more challenging over the last five years. Further, all financial institutions agreed, with 65% agreeing strongly, that compliance with their internal policies relating to external regulatory requirements had also become more challenging over the same period.

Similarly, all financial institutions agreed that compliance with industry standards had become more complex, while 90% felt legislative requirements had as well. Again, half or more of the financial institutions surveyed agreed strongly with each of these characterizations.

Looking ahead over the next three to five years, almost all respondents expected compliance in each of these areas to continue to grow in complexity. However, fewer felt the complexity would continue to grow at the same rate as in previous years. For example, while 90% of respondents agreed strongly that compliance with regulatory requirements had become more complex over the last five years, the figure dropped to 55% when asked about the next three to five years.

In part, this may be due to a feeling that their institutions are climbing the learning curve and becoming more familiar with new requirements. It may also indicate an expectation that the flurry of regulatory activity over the past few years will abate. Still, as the subprime credit problems in 2007 underscored, there remains an enormous potential for new regulations to appear on the scene.

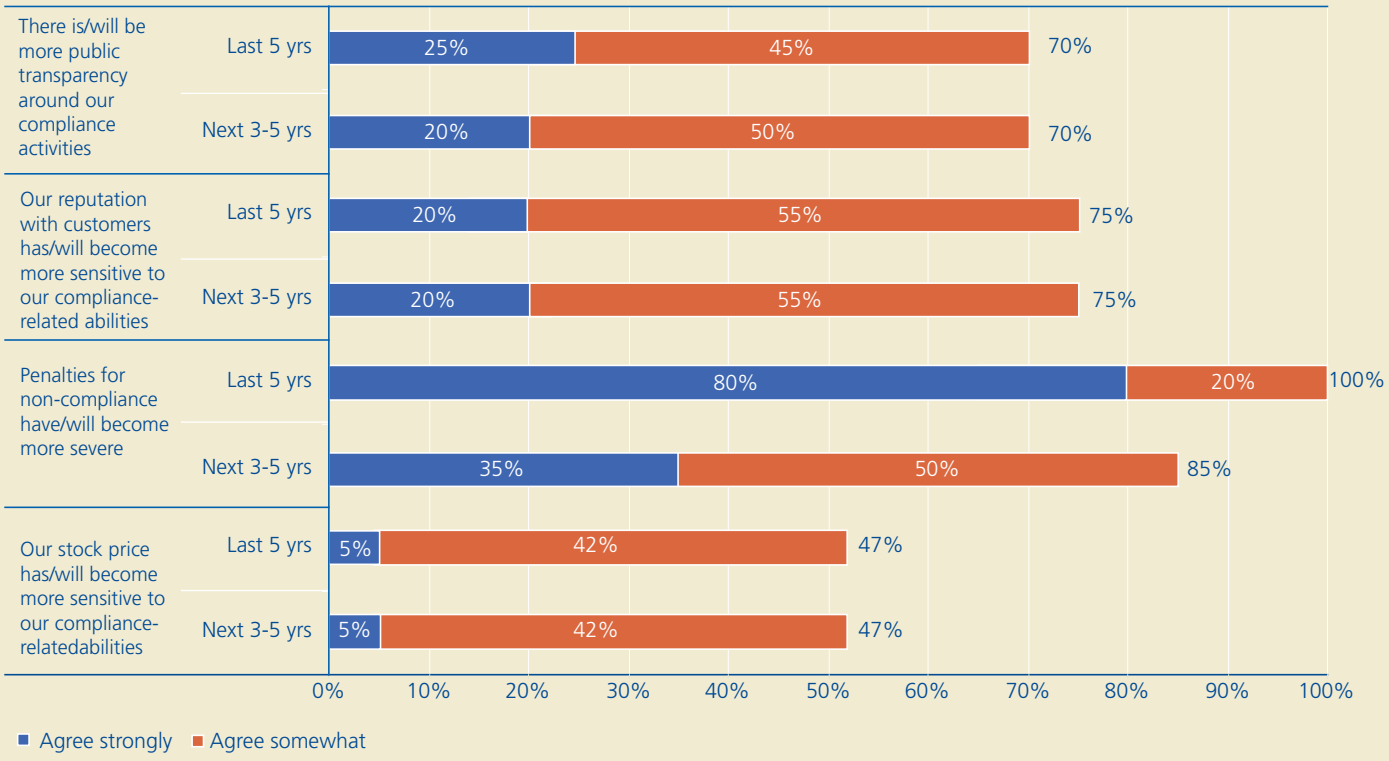
Exhibit 3: Complexity of Compliance Environment
Percent of Respondents



Financial institutions were also asked about the impact of compliance on the business environments for their institutions. Again, there was a broad consensus that the compliance-related abilities of their financial institutions have been playing a greater role, and were expected to continue to play a greater role in the future, in demands for transparency and corporate reputation. (See Exhibit 4.)

- Seventy percent of respondents agreed that there had been a greater demand for public transparency around compliance activities over the last five years and a similar percentage expected this trend to continue over the next three to five years.
- Their institutions' reputation with customers had become more closely related to their compliance abilities over the last five years, according to 75% of respondents, and a similar percentage expected this trend to continue over the next few years. While a small percentage (5%) felt that their compliance-related abilities hadn't become more important to customers in the past, none of the respondents disagreed with the prediction that they would become more important over the next several years.
- All the respondents reported that penalties for non-compliance had increased recently, while 85% expected penalties to continue to rise.
- When it came to assessing the impact of compliance ability on stock prices, however, there was less agreement. The view of the financial institutions surveyed was largely split on the impact compliance had on stock prices in the past and remained so for the future.

Exhibit 4: Increasing Impact of Compliance
Percent of Respondents

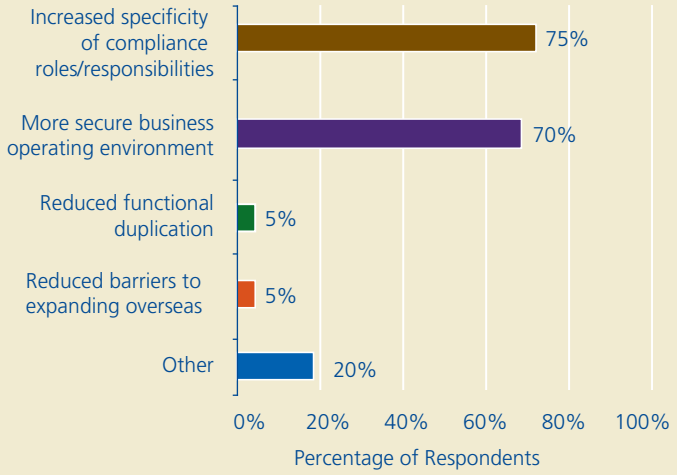


Note: 1. minority observations have been excluded in the interests of clarity.

There is ample evidence that compliance is a customer and reputation issue, and if not managed well, can have an important impact on revenues and profits. While some banking executives are not convinced that investors take compliance into account in the short term, if poor compliance performance negatively affects profits, it will also impact stock performance. In other words, compliance is a core business competency essential to the performance of financial institutions over the long term with significant downside risk if not managed effectively.

Despite the increasing complexity of compliance, most respondents believed the additional compliance requirements since 2002 had yielded benefits. (See Exhibit 5.) Roughly three-quarters of respondents felt that the enhanced requirements had led their financial institution to define compliance roles and responsibilities more clearly, and had also resulted in a more secure business operating environment overall.

Exhibit 5: Benefits of Increased Compliance Requirements since 2002



Note: 1. "Other" includes improved controls, better ability to meet regulatory expectations, improved identification/mitigation of risks.

2. Percentages total to more than 100 since respondents could make multiple selections

Compliance Spending

The proliferating number of regulatory requirements has driven significant increases in compliance spending including compensation, out-of-pocket spending on vendors and consultants, and capital investment. Among the institutions surveyed, overall compliance-related spending increased by an average of 159% from 2002 to 2006[1]. One financial institution reported compliance spending of $450 million in 2006, while another said that its compliance-related spending had increased five-fold.

Even more importantly, growth in compliance spending is outpacing growth in net income. On average, compliance spending as a percentage of net income among the participating financial institutions grew from 2.83% in 2002 to 3.69% in 2006. (See Exhibit 6.) Clearly, the cost of compliance activities is eating into revenues and profitability. Financial institutions that can discharge their compliance responsibilities more efficiently could gain a significant competitive advantage.

What is harder to measure are the benefits that financial institutions may have gained. To what extent have new regulations prevented financial institutions from suffering higher losses than they might otherwise have incurred?
This is difficult to assess, but clearly the fact that respondents reported feeling more secure as a result of regulatory requirements is significant.

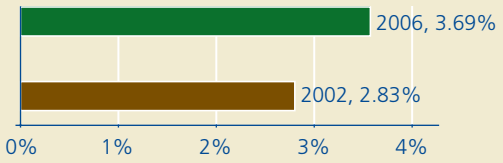
On average, institutions reported that 60% of their direct compliance spending (i.e., excluding indirect spending such as overhead) went to compensation of staff. (See Exhibit 7.) An additional 19% was allocated to out-of-pocket expenses for consultants/vendors providing accounting, auditing, legal, and technology (IT) services, while another 18% went to capital expenses, principally IT systems, hardware, and software.

The implication of these findings is that while technology has undoubtedly played a large part in managing the compliance burden, by far the greatest impact has been in increased staff costs throughout the organization. This raises the question whether technology could be used more effectively to reduce the costs of compliance management.

One indication that there may be more potential to leverage technology to improve compliance processes is the high degree of compliance duplication that continues to exist. To be successful, technology implementation needs to work in tandem with business process improvement.

Exhibit 6: Compliance-Related Spending Increases

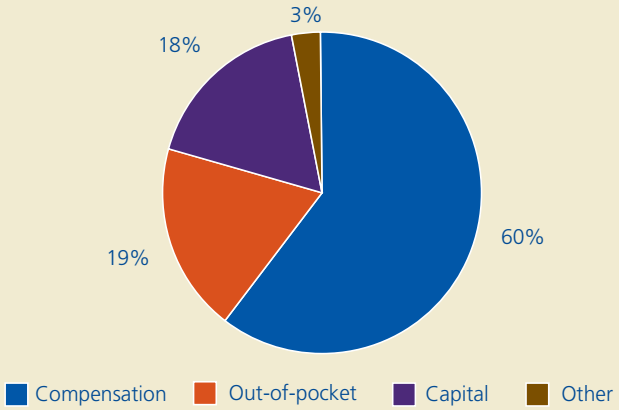
Average Compliance Spending as a Percent of Net Income



Note: Excludes indirect expenses, such as overhead

Exhibit 7: Compliance-Related Spending

2006 (estimated)



Notes: 1. Spending excludes indirect expenses, such as overhead

2. "Other" includes litigation support, travel, training

1. Three institutions were excluded from this calculation since they had average compliance spending growth rates ranging from 1,100% to 3,200%, far higher than the growth rates of the other institutions, which ranged from 48% to 400%. The data from these institutions were also excluded from the calculation of compliance spending as a percentage of net income. If these institutions had been included in these calculations, both these figures would have been even higher

Much of the increased spending has been allocated to compensation, as management and staff commit more time to compliance activities. (See Exhibit 8.) Employees across the institution must address new requirements, which have been communicated through formal regulatory guidelines, stricter regulator expectations, and more robust industry standards. Functions and lines of business have had to respond to additional regulatory examinations, institute new policies and procedures, and provide staff training.

Not surprisingly, 70% of respondents said that the time they devoted to their legal/compliance functions had increased by more than 25% since 2002. However, the increase in time spent was not confined to functions where compliance is a central responsibility. Overall, 95% of respondents reported that their management and administrative employees were spending more time on compliance than before, with 40% saying the time they devoted to compliance had increased by more than 25% since 2002. Similarly, 75% of respondents said the retail functions were spending greater than 10% more time on compliance than before.These findings clearly illustrate the considerable impact compliance has had across organizations and that many employees outside the core function have been actively involved in compliance.

The significant amount of management time and attention taken up by compliance suggests that financial institutions are instilling a strong compliance culture and awareness throughout their organizations. Business managers, and not just compliance managers, are deeply involved in addressing compliance issues. But this raises a couple of questions:

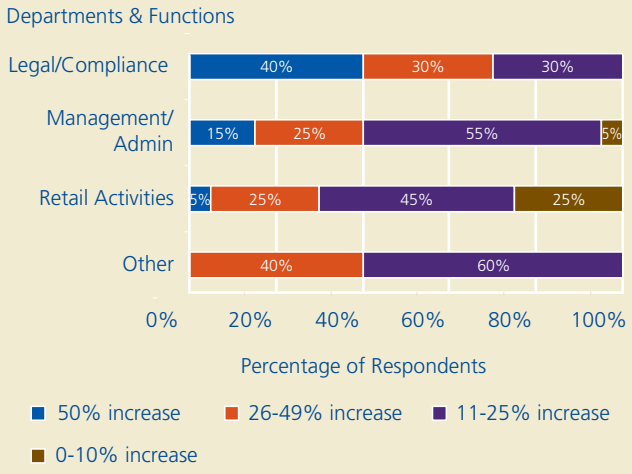
- First, what tools and techniques do managers have at their disposal to execute their responsibilities effectively? There are indications that information systems at many institutions need significant improvement. (See Exhibit 14.)

- Second, does the increase in management time spent on compliance in part result from compliance systems that are less integrated and effective than they could be? While the active involvement of managers throughout the organization on compliance is appropriate, it is equally important to ensure that inefficient compliance processes do not divert scarce management time that could be committed to achieving the organization's strategic objectives.

Spending on professional advisers and vendors is also up. More than 80% of institutions said their compliance-related spending on accounting, legal, audit, and technology (IT) services had increased by more than 10%. (See Exhibit 9.) For example, 85% of institutions said their spending on legal services for compliance had increased by more than 10% since 2002, while 60% said this spending was up by more than 25%.

Exhibit 8: Time Spent Meeting Compliance Requirements

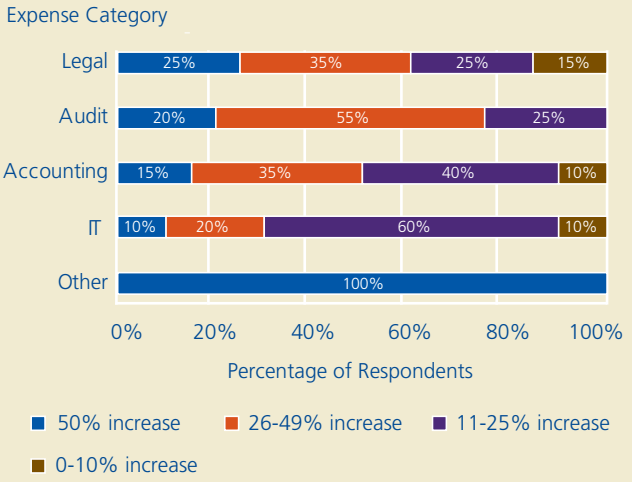
Change from 2002 - 2006



Note: Other includes Risk, HR, IT, and Finance

Exhibit 9: Impact of Compliance Requirements on Out-of-Pocket Expenditures

Change from 2002 - 2006



Notes: 1. Out-of-pocket expenses include accounting, legal, audit services & IT vendors/suppliers; excludes indirect expenses, such as overhead

2. "Other" includes other types of consulting

Financial institutions have engaged more outside providers in such areas as upgrading IT systems, conducting regulatory audits, providing staff training, and designing compliance systems. Among the compliance requirements that executives mentioned as generating the need for outside services and consulting were anti-money laundering requirements, the Bank Secrecy Act, Fair Lending, Sarbanes-Oxley, and Basel II.

Given the nature of compliance, it is not surprising that financial institutions were most likely to report that they made the largest increases in spending on accounting, audit, and legal services. While spending on technology vendors has also increased significantly, this raises the question whether compliance processes could be made more efficient if more focus was placed on IT investments designed to reduce the costs of compliance.

Compliance requirements also drove increased capital spending on technology systems, software, and hardware. (See Exhibit 10.) Capital spending on technology systems was up more than 10% since 2002 at 90% of the institutions surveyed. Executives said that IT systems designed for monitoring, controls, and regulatory policies saw the most rapid increases in capital investment.

In addition, 70% of the financial institutions surveyed reported that spending on software had increased by 10% or more since 2002. One reason for the increase has been the need to acquire third-party monitoring capabilities to comply with anti-money laundering requirements.

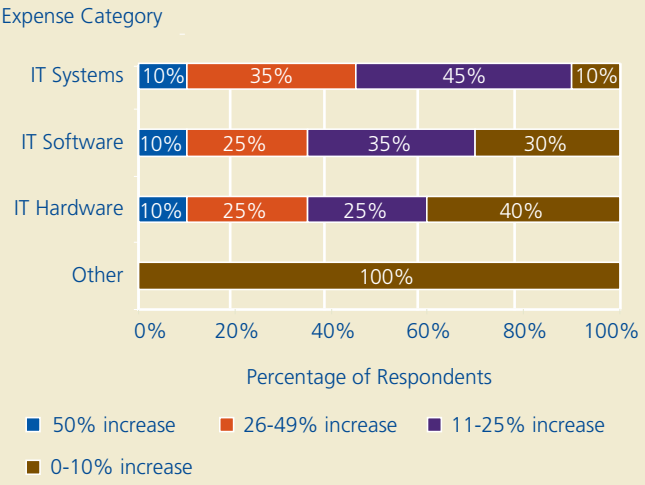
Executives estimated that their institutions' technology spending was 10% to 15% higher than it would have been without the additional compliance requirements they faced. Increases in capital spending may not be over since financial institutions continue to make significant investments in IT to keep pace with new requirements.

As significant a burden as the increased spending on compliance poses for financial institutions, the opportunity costs may be even more important. Compliance spending claims financial resources that could have been invested to enhance customer service, develop new products, and expand market share. Similarly, many executives said that technology initiatives designed to drive increased revenue or upgrade risk management had been delayed over the past three years, due to the priority that has been placed on compliance-related projects.

In addition, in their technology compliance spending, financial institutions are investing mainly in software and systems, and in particular on the integration of systems, rather than on hardware. Financial institutions are clearly trying to generate more productivity through efficient software and better integrated systems.

Exhibit 10: Impact of Compliance Requirements on Capital Expenditures

Change from 2002 - 2006



Notes: 1. Capital includes expenditures on IT systems, software, and hardware; excludes indirect expenses, such as overhead

2. "Other" includes IT development staff

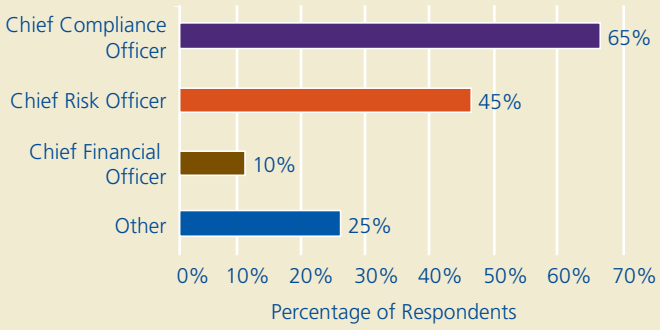
Governance

Institutions have adopted a variety of approaches to the governance of compliance. The executive most often cited as having primary responsibility for compliance was the Chief Compliance Officer, as reported by 65% of executives, with the Chief Risk Officer named by 45%. (See Exhibit 11.)

Institutions also differed in whether a single executive had primary responsibility for compliance or the responsibility was shared. While 60% of financial institutions reported that a single executive had primary responsibility, 40% said the responsibility was shared, often by the Chief Compliance Officer either with the Chief Financial Officer or with the Chief Risk Officer (responses totaled more than 100% as respondents were offered the opportunity to indicate shared responsibilities).The diversity of approaches suggests that common governance standards have not yet emerged across the industry.

There was greater agreement to whom those with primary responsibility for compliance report. Sixty percent of financial institutions said those responsible for compliance reported to the CEO, underlining the high-level attention that compliance receives at most financial institutions. (See Exhibit 12.) On the other hand, relatively few organizations said that either the Chairman or the Board of Directors supervised the top executives responsible for compliance, suggesting that Boards of Directors may not be as deeply involved in compliance issues as some observers have suggested. Whether governance is adequate is a separate issue, but the varied responses demonstrate that there is not yet a consensus on the best approach.

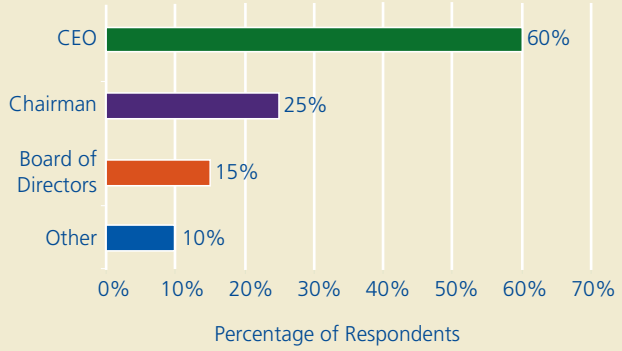
Exhibit 11: Individuals with Primary Responsibility for Compliance



Notes: 1. "Other" includes governance, regulatory relations, and legal affairs executives, general counsel, compliance oversight committee, and direct business presidents

2. Percentages total to more than 100 since respondents could make multiple selections

Exhibit 12: Reporting Authority for Individuals with Primary Responsibility for Compliance



Notes: 1. "Other" includes governance, regulatory relations, and legal affairs executives, Chief Risk Officer, Chief Legal Officer, and EVP of risk management

2. Percentages total to more than 100 since respondents could make multiple selections

Compliance Processes

When executives were asked to characterize how the efficiency and effectiveness of their compliance processes had changed since 2002, most felt their financial institutions had made strides on many fronts. However, progress was much less common in two key areas: reducing duplication and justifying compliance costs by evidence of their benefits or effectiveness. (See Exhibit13.)

Only half of the respondents reported that their financial institutions had made progress since 2002 in reducing duplication of compliance activities across functions and lines of business, while 30% said duplication had actually increased. Similarly, only half of the respondents said their institutions now did a better job than before in justifying compliance expenditures with evidence of their effectiveness, e.g., by measuring return on investment.

Executives reported more progress in other areas. From 80% to 95% of financial institutions had improved performance in integrating oversight, controls, and processes across functions and lines of business. This is particularly important since taking a holistic view and integrating compliance across functions and lines of businesses provides opportunities to substantially boost efficiency, while at the same time increasing effectiveness.

While it is a positive sign that most financial institutions reported making progress in these areas, our experience is that there remains substantial fragmentation and duplication in most institutions that needs to be addressed. In fact, it was significant that many of the financial institutions participating in this survey did not have enterprise-information on their compliance activities readily available. Simply to answer the survey questions, they discovered that they had to collect and analyze information on their compliance activities from functions and lines of business across their organizations.

This fragmentation is reflected in executive responses to their ability to deliver comprehensive compliance information in a timely fashion. Despite the additional spending and management time devoted to compliance over the last several years, many financial institutions still find this to be difficult to achieve consistently. Only 10% of financial institutions reported that their compliance information is always comprehensive, although another 55% said it was often comprehensive. (See Exhibit 14.) Regarding timeliness, just 15% said compliance reporting was always timely, while another 80% said it often was timely. Compliance reporting remains a work in progress.

Exhibit 13: Change in Compliance Function Since 2002

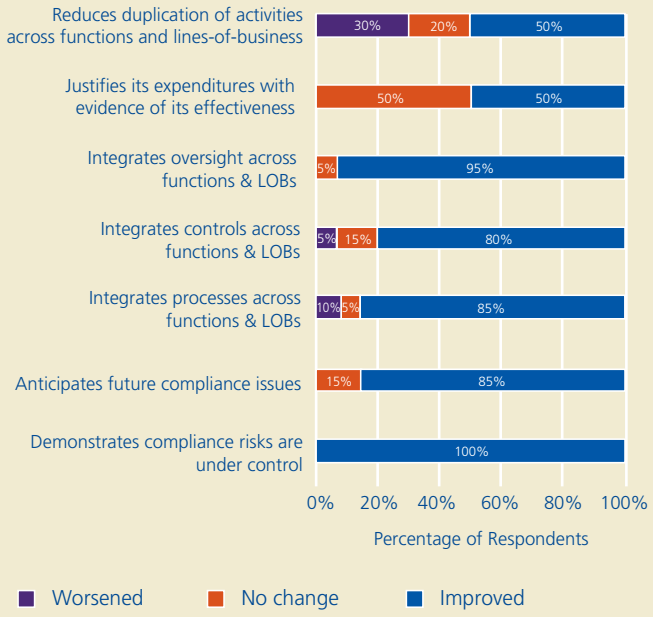
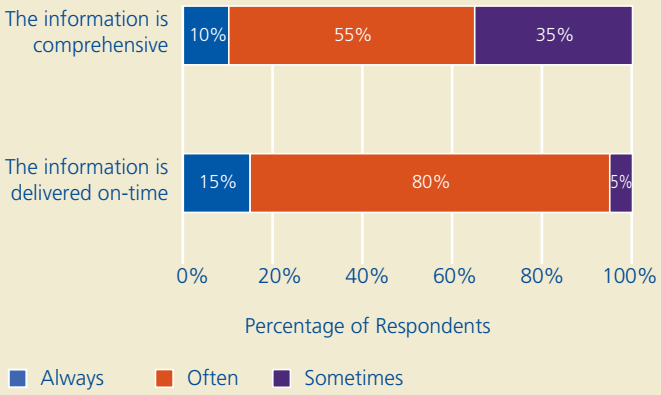


Exhibit 14: Nature of Compliance-Related Information



Measuring the Performance of Compliance Management

Most institutions reported that they measure compliance performance frequently, with 30% measuring performance quarterly and 50% measuring it more often. (See Exhibit 15.) For many institutions, however, measurement remains qualitative. Only 55% of financial institutions reported using quantitative metrics. The most common approaches to measuring performance of compliance programs was reviewing internal feedback, cited by 95%, holding meetings with regulators, cited by 90%, and consulting industry surveys, used by 80%. (See Exhibit 16.) Again, these results suggest there has been less focus on process improvement in compliance and the required metrics to measure performance.

Exhibit 15: Frequency of Compliance Performance Measurement

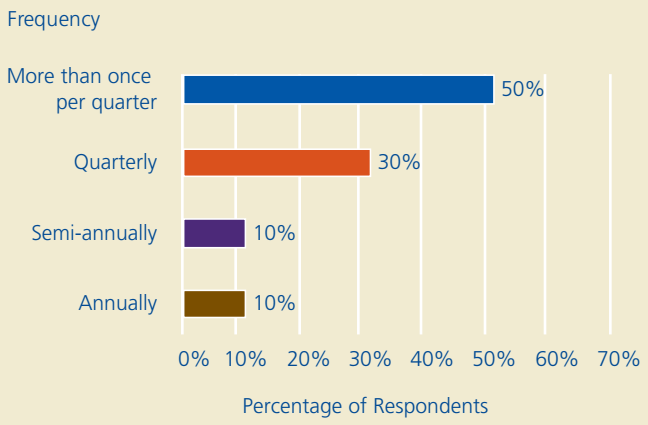
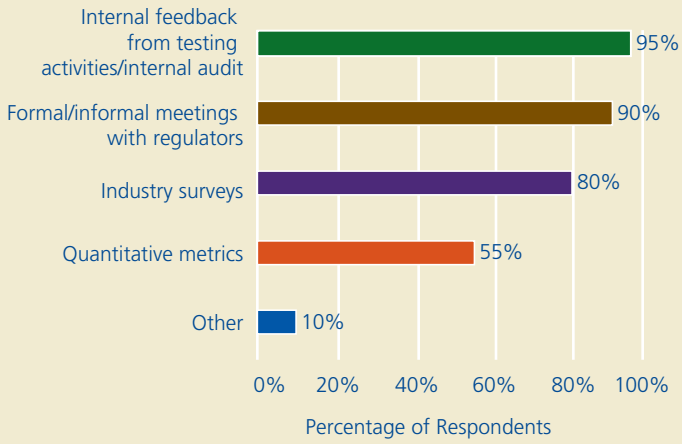


Exhibit 16: Methodologies Used for Compliance Performance Measurement



Note: 1. "Other" includes peer groups, control environments

2. Percentages total to more than 100 since respondents could make multiple selections

Recommendations to Improve Compliance Environment

Financial institutions were asked to suggest any regulatory, legal, industry, or internal changes that they believed would be most important to allow their institutions to improve the efficiency of compliance while maintaining their level of oversight. Thirty-five percent of the executives suggested steps to improve regulatory oversight or structure. Among the suggestions offered were the following:

- Provide more clarity and consistency in interpreting regulatory requirements since currently many grey areas exist in such regulations as anti-money laundering.
- Create more consistency among regulators and reduce the frequency of different regulators examining the same issue.
- Focus on principle-based regulations rather than a statutory/ transaction approach.
- Increase collaboration among regulators and with the industry.

The second category of recommendations, cited by 30% of executives, were initiatives to better integrate compliance activities across the functions and lines of business within their institutions. These executives commented that compliance and risk management in their institutions were each managed in multiple locations, which can create inconsistencies and lead to different groups repeating the same data gathering and analysis. They believed that they needed to do more to bring together compliance and risk management activities in order to eliminate duplication and achieve an enterprise-wide view.

Conclusion

A clear finding emerging from the survey is that the compliance costs for financial institutions have increased substantially in recent years and are likely to continue to rise. Although there are some expectations that the pace of spending may slow, there is a widespread agreement that compliance competence will remain critical to the success of the business and that many financial institutions clearly see a reputation issue here at least in the minds of customers. A top priority for financial institutions across the industry is to find ways to increase the efficiency of compliance process management, while becoming more effective at complying with increasingly complex regulatory requirements.

Why have compliance costs risen so sharply? Is it simply a question of more regulations?
The survey results suggest this is not the entire story. Financial institutions have tended to respond to increased regulations by adding people, rather than by leveraging technology and improving processes. In our opinion, technology spending may go more often to monitoring compliance, rather than improving the performance of compliance management. Additionally, in our experience, financial institutions have not always leveraged the shared elements in many regulations and the wider opportunities of managing compliance at an enterprise-wide level.

The challenge for many financial institutions is to devise the best approach to operationalize the compliance management process holistically within and across their businesses, given the divisions and sub-divisions that exist in different parts of the enterprise.

Although the financial costs of compliance have been significant, there may be important opportunities for financial institutions to reduce those costs by focusing more on improving process management within compliance.

Besides the additional direct costs associated with increased compliance, there are undoubtedly opportunity costs stemming from less investment in other parts of the business. But again these types of trade-offs could probably have been made far less acute for financial institutions by more focus on process improvement and technology investment in compliance management.

The less duplicative regulations are, the more easily implemented they will be and the more effective a contribution they will make to banking efficiency and consumer protection. We also believe that the impact of compliance may not be equal across different sizes of financial institutions and believe that additional thought should be given to whether or not larger financial institutions gain an advantage over smaller financial institutions by being able to leverage their scale to better absorb the compliance burden.

Compliance approaches vary significantly across individual financial institutions, and some companies have been far more effective than others in efficiently managing the compliance burden. The challenge for many financial institutions is to fundamentally rethink their business processes and information systems to boost efficiency, while at the same time improving their visibility into the multiple compliance activities across their organizations.

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