



Risk And Compliance - What Your Peers Say

regulatory risk management

Summary: We uncover some thought-provoking points of interest from a recent risk management survey.

Since you are reading the BID today, we thought you would be interested to know which countries read the most hours per week: India (10.7), Thailand (9.4) and China (8.0). The US came in at #24 with 5.7 hours.

As you read further, you should also find a risk management study that we surfaced of interest. Not surprisingly, regulatory concerns among financial institutions (FIs) continue to mount. Some points of contention highlighted in a recent [Wolters Kluwer study](#) produce some things to think about.

The latest survey includes responses from 704 banks and credit unions. The survey seeks to measure the pressure FIs feel from a regulatory and risk perspective. Of note, it spiked 10 points vs. the survey in 2019.

Asked to name their most pressing regulatory concerns over the next 12 months, FI lenders cited keeping pace with residential mortgage regulations. Some of the concerns with respect to The Home Mortgage Disclosure Act (HMDA) however, have shifted somewhat from years past. Specifically, lenders expressed greater concerns about reporting, analyzing newly collected data, and training staff due to the expanded submission process.

Another concern for lenders is keeping on top of changing regulations. CECL accounting standards are understandably at the top of the list as well, along with deposit account regulations and compliance program management. Lenders also expressed concern about keeping up with BSA/AML requirements, fair lending laws and regulations, UDAAP standards and new URLA forms. Banks and credit unions also expressed some unease, albeit less so, with state regulatory requirements. Heightened concern here is certainly understandable, since some states have recently focused more aggressively on lending.

Lenders cited several factors that are impeding their efforts to create effective compliance programs. A notable 47% of lenders ranked concern over manual compliance processes as a 7 or more on 10-point scale. This is an area that would likely benefit from greater automation perhaps.

Meanwhile, 45% of lenders pointed to inadequate staffing as a major compliance obstacle. Too many competing business priorities was another challenge, cited by 44% of lenders polled, as a top obstacle to an effective compliance program.

When it comes to risk management, cybersecurity and data security continue to be top of mind for lenders. A whopping 78% of those polled said cyber and data security would receive heightened priority over the next 12 months, though that's still slightly lower than the 81% who shared this sentiment in the year-earlier study. Credit risk and regulatory compliance risk are also widely expected to receive heightened priority over the next year.

The list of risks seems to be perpetually long for bankers. However, we are used to it. The challenge is more in the types of risks, some of which are new and some of which we may not even recognize yet. Stay diligent, nonetheless!

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