

Intensifying compliance requirements engender a cottage industry

Dodd/Frank. CFPB. Corporate governance. The very terms are apt to make bankers wince. Nevertheless, they've become integral to the industry and its management. Whatever one thinks of the specific merits—or demerits—of the increasing role of government oversight, they're a fact of life. And, in a sense, they're also an opportunity, both for banks and the vendors that are feverishly fashioning technological solutions to changing compliance realities.

Crowe Horwath, which earned ABA's Corporation for American Banking renewed endorsement in February for its governance, risk, and compliance management services, takes a philosophical approach to the situation. In a white paper issued late last year, its analysts put it this way:

"For almost as long as banks have been in existence, they have been managing the changes prompted by evolving regulations. The critical issue is how the potential impact on the institution is evaluated and how the changes are managed. Savvy financial institutions recognize that the key is aligning the necessary adjustments with their business models and processes. By integrating Dodd/Frank compliance within business-as-usual processes, banks can cope with the new demands and often even extract greater value from their business processes."

They go on:

"It's important to recognize, however, that a bank should not saddle the compliance officer alone with responsibility for adapting to the new reality. A silo approach to compliance is unlikely to succeed; success requires that critical management throughout the organization be on board. For example, line-of-business managers will need to help determine how to make Dodd/Frank compliance part of what they do, and information and technology managers will need to be aligned to implement new or adjust existing technology platforms to integrate new processes that facilitate compliance."

It's not just Crowe Horwath advocating the gritting of teeth and getting on with it. Deloitte reported on a recent poll that shows a majority of companies (57.7%) plan to focus more time and resources on improving compliance programs.

"After years of seeing corporate America cut compliance budgets and headcounts, it's good to see that many companies seem to be getting back to investing in and continuing to hone their compliance programs in the near term," says Donna Epps, partner with Deloitte financial Advisory Services LLP.

Adds Robert Biskup, a Deloitte advisor, "We're seeing more and more management teams recognizing the importance of their actions as crucial in leading the way for corporate compliance efforts."

—attention from the top, cross-management teamwork, increased investment, technological assistance—what's that spell?

Again, opportunity.

At least that's what seems apparent from the onslaught of vendor announcements recently. Without endorsing any particular ones, it's interesting to scan some of these, which came out in mid-April:

- FIS expanded its risk, fraud, and compliance management offerings by acquiring two firms that specialize in these areas. One of these, called Memento, is an automated enterprise platform to protect against fraud and meet compliance requirements.

- ATTUS Technologies Inc. released its new Dodd/Frank Managed Compliance Planning Module to help financial institutions identify and understand the impact of the pending mortgage reform regulations.

- Questsoft touted its flagship software called Compliance EAGLE to provide lenders an automated compliance review tool that helps financial institutions evaluate loan files for adherence "to the full range of more than 10,000 pages of mortgage lending regulations." [Again, more wince-inducing reality.]

- Calyx Software launched Point and PointCentral 7.6 that update compliance functionality and integration to streamline mortgage operations.

- Wolters Kluwer issued a new version of its TeamMate audit management system aimed specifically at the U.S. securities industry, incorporating new rules and notices from the Securities and Exchange Commission, the Financial Industry Regulatory Authority, and the New York Stock Exchange.

- NICE established a practice dedicated to the Dodd/Frank Act to help financial institutions be compliant with the new recordkeeping and risk management requirements. Part of this practice includes new tech solutions to automate

hedge fund trading compliance, trading floor compliance, and contact center compliance.

No doubt there are more. And no doubt, each individual bank team must evaluate which, if any, of these are appropriate for them. It is apparent, though, that there is a demand for such products and services and therefore, there is a matching supply.

Perhaps Crowe Horwath has the best advice on how to move forward:

“Organizations should develop cross-functional teams to keep abreast of changes likely to be required by Dodd/Frank and begin to develop strategies for implementing new processes and technology that can facilitate compliance in an efficient and effective manner. The goal of these teams should be to include a client-focused experience, product development, and sustainable process improvement while complying with new regulatory requirements.”

Sources used in this article include:

The Dodd-Frank Act: Can Banks Survive the Cost and Complexity of Compliance

Improvements, Investments in Compliance Programs In Vogue for 2012

FIS Expands Risk, Fraud and Compliance Management Offerings

Comprehensive Audit Solution Helps Securities Industry Comply with NASD Rule 3010 Requirements

ATTUS Technologies, Inc. Launches Managed Compliance Module to Facilitate Dodd-Frank Act Compliance

Calyx Software Announces Point and PointCentral 7.6

NICE Opens New Practice Dedicated to Dodd-Frank Act and is Working with Leading Financial Services Firms to Address its Requirements

TILA/GFE Reform, Fair Lending and RESPA Tolerances Rank as Mortgage Lenders’ Greatest Compliance Concerns

About the Author

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