# Technology seeks to trump Dodd/Frank

By many accounts, bank regulatory burden, eternally expanding and now greatly exacerbated by the Dodd/Frank Act, threatens the viability of thousands of financial institutions.

With the threat, however, comes what many technology providers see as opportunities. Their basic approach centers around two selling points:

· The overbearing amount and complexity of current and proposed rules require automated solutions beyond the ability of most banks to develop themselves.

· The results of noncompliance are too dire to contemplate.

You can hardly blame the tech companies. The two assumptions are heartbreakingly correct.

ABA, long a champion in the thankless task of resisting regulatory burden or at least mitigating what some lawmakers would propose that would be even worse, estimates that Dodd/Frank has spawned more than 7,200 pages of proposed and final rules to the banking industry.

Furthermore, the association estimates that "as many as 1,000 community banks could disappear" as a direct result of the ever-increasing regulatory burden.

Even that is conservative, according to others. Continuity Control, a financial technology company, estimates that as many as 2,000 banks will fail in the next few years directly because of regulatory burden. It says that banks have been forced to deal with 157 rule alerts issued in just the last year, 58 of which came down in the last six months. Its further analysis "shows 762 rule alerts were issued by the individual regulatory agencies over the last five years, with hundreds of subsequent updates."

Just to put an accent on the numbers, SEI polled 100 wealth management firms recently, and 58% said regulatory changes pose the single largest challenge. Only 22% said they felt comfortable that they fully understand the new rules.

"The challenge for firms is anticipating the regulations' parameters before they're finalized and bracing for unexpected changes, without losing momentum in other areas of their businesses," says Sandy Ewing, senior vice president of SEI's Global Wealth Services.

She might as well have been talking about the entire financial services industry.

(Note: ABA maintains an ongoing "Dodd/Frank" tracker page on its website that provides updated information on everything related to it and its administration. Also, ABA offers a "regulatory burden evaluation tool," an online means to measure compliance time and costs. See links below.)

It's a huge challenge, to say the least. So-in come the third parties.

As mentioned, Continuity Control offers a platform claiming to provide highly automated compliance controls to meet requirements. However, they are not alone.

ABA's Corporation for American Banking endorses Crowe Horwath for technological compliance solutions. Indeed, as the company says in a white paper on Dodd/Frank requirements, "There's little reason to think that well-run banks will not be able to adapt to future regulatory requirements. Successful adaptation comes down to taking a reasonable and systematic approach to integrating the requirements with normal processes, often using enhanced technology." A caveat to this optimistic outlook is the need for what the company describes as "enhanced technology." Many other companies are joining in. Here's just a sampling of recent announcements:

· Protiviti partnered with Morrison & Foerster to add Dodd/Frank Act rule maps and work-plan guidance to its Governance Portal for Regulatory Reform. "One of the key challenges our clients face is managing overlapping rules that affect various business lines, products, geographically dispersed legal entities, processes, policies, and IT systems," says Scott Wisniewski, managing director.

(By the way, Morrison & Foerster gets the prize for characterizing the new law by naming the company's proprietary database "FrankNDodd.")

· Wolters Kluwer Financial Services added services to help securities firms complete Form PF, required by Dodd/Frank. "The SEC has estimated that it will take between 40 and 100 hours to complete Form PF, but it will likely be a

conservative estimate for many firms," says Paul Murdock, director of consulting and professional services.

· SAI Global Compliance now offers integrated software solutions based on the Consumer Financial Protection Bureau (CFPB) Supervision and Examination Manual for automating risk and compliance self-assessments. The new procedures focus on unfair, deceptive, and abusive acts or practices.

· Attus Technologies Inc., of Computer Services Inc., introduced new enhancements to its Website Comply service, incorporating the new CFPB standards into its compliance review process. "Regulators are beginning to place greater emphasis on financial institutions' web presence, so banks and credit unions need a reliable method for effectively managing online compliance," says Lori Moore, director of compliance.

Even more such announcements have come over the transom recently, including Questsoft, which offers updated CRA software, and ACI Worldwide which partnered with Spectrum for real-time fraud prevention. No doubt many other companies will follow suit.

The point is that the days of in-house, manual compliance are long over for most banks. Indeed, the incorporation of new technology just to tread the compliance waters seems inevitable.

It's not quite as easy as it sounds. Going back to Continuity Control, its CEO, Andy Greenawalt observes: "With a new plan of attack and the right technology, executives willing to make hard choices about change can improve their banks' efficiency ratios...A necessary element of that improvement will be the ability to operate in this complex regulatory environment with minimal overhead."

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Sources for this article include:

ABA Dodd-Frank Tracker v

Bank Regulatory Burden Evaluation Tool

One In Four Community Banks Risks Failure In Next Three Years

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

SAI Global Compliance Automates CFPB Risk and Compliance Self-Assessments

ATTUS' Website Comply Simplifies Bank Compliance with Latest Regulatory Guidance

Governance Portal for Regulatory Reform Expands Content

ACI Worldwide and Spectrum Partner to Deliver Advanced Fraud Prevention Using Mobile Alerts

QuestSoft Helps Lenders Meet Annual CRA Asset-Size Threshold Adjustments

About the Author
John Ginovsky is contributing editor of ABA Banking Journal and editor of the publication's TechTopics e-newsletter. For more than two decades he has written about the commercial banking industry. In particular, he's specialized in the technological side of banking and how it relates to the actual business of banking. He previously was senior for Community Banker magazine (which merged with ABA Banking Journal) and was a staff writer for ABA's Bankers News. You can email him at jginovsky@sbpub.com