

TECH ADVICE: Incorporate regs as you upgrade, not after

By John Ginovsky

As new technology continues to proliferate in the banking industry, various observers advise banks to not only remember the basics when it comes to compliance, but seek to find ways to use new technology to meet regulatory requirements.

ABA Banking Journal recently talked with a number of such observers on this issue.

Nicholas Brewer, senior analyst at Aite Group, for example, says: "Something changed in 2008-2009 which we're still working through. Before then there was never a time-maybe excepting the Glass-Steagall Act-when popular politics and banking regulation coincided...We're still seeing the working out of the politics and banking regulation.

"To the extent that banks remain agile to customers and credit changes and market prices and all the rest, they should also remember in their IT strategies that they need to remain under the regulatory requirements."

Andrew Tilbury, chief marketing officer, BluePoint Solutions, says much the same thing. "No matter what [new technology] you're looking at, there are going to be regulations around it. Up front you should make sure that what you're going to start offering has built-in compliance.

"We've seen a lot of financial institutions being able to handle the regulatory documentation and compliance with better document imaging systems. It saves a lot of time within the financial institution."

And Randy Roth, president of Vitex, offers this observation: "We have to be more diligent with our due diligence of the vendors, our definition of processes. The actual roll-out of the technology has got to include the security component of it and regulatory compliance.

"One of the biggest things that we see with banks today is they kind of tack on the regulatory and compliance pieces at the end of the process. They don't really re-engineer the process, so every time a new regulation comes out they just keep making their processes longer."

Roth recommends incorporating a standard process to periodically examine each of the bank's processes not only for its regulatory compliance aspects, but to see if there are new systems available to make the regulatory aspects more effective.

"On a regular basis I think banks need to step back and look at each individual process from a customer standpoint and see where is the most appropriate place to plug in the regulatory and the compliance components," Roth continues. "You can't just keep tacking them on the end...All of this new technology is coming at them so fast and the regulations are changing so fast, you really have to look at each process from beginning to end."

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 editor 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

[This article was posted on January 29, 2013, on the website of ABA Banking Journal, www.ababj.com.]