

Navigating the Financial Regulatory Landscape



A host of new rules

From a regulatory perspective, the 2007 financial crisis changed everything. IT ushered in a rigorous regulatory environment, including the Dodd-Frank Wall Street Reform and Consumer Protection Act.

“ CCOs are under pressure as demand for greater evidence of program effectiveness continues to increase, especially from regulators (according to 57% of respondents) and audit committees (54%).¹ ”

¹ PWC State of Compliance 2013 Survey - <http://www.pwc.com/us/en/press-releases/state-of-compliance-survey-press-release.jhtml>

Regulations recent and pending

As of October 1, 2014, a total of 280 Dodd-Frank rulemaking requirement deadlines had passed.

- ✓ Of these 280 passed deadlines, 115 (41.1%) have been missed. 165 (58.9%) have been met with finalized rules.
- ✓ In addition, 220 (55.3%) of the 398 total required rulemakings have been finalized.
- ✓ 95 (23.9%) rulemaking requirements have not yet been proposed.²

² Davis Polk Dodd-Frank Progress Report - www.davispolk.com/Dodd-Frank-Rulemaking-Progress-Report/

Multiple regulations debut in 2015



By July 21, 2015, banks will have to comply with the Volcker Rule, including:

- New prohibitions on proprietary trading of securities, derivatives, or commodity futures or options on these instruments.
- New limits on investment banks' relationships with hedge funds and private equity funds.



New disclosure requirements, including formal disclosure policy, quarterly disclosure, and disclosure in multiple financial reports are effective January 1, 2015.



Amendments to changes in the market risk rule adopted in 2012 apply as of January 1, 2015.

Are financial services organizations prepared for the regulatory deluge?



As a result of new rules and requirements, you must now navigate:

- ✓ Thousands of pages of new, complex regulations.
- ✓ Rigorous oversight, documentation and reporting requirements.
- ✓ More exhaustive, costly, and time-consuming audit processes.

“ Financial services firms give lip service to the importance of compliance, but the majority fails to devote adequate resources to the function, according to a new survey by Cipperman Compliance Services.

The survey found that the compliance function in these firms tended to be underfunded and understaffed.³”

³ “Compliance at Financial Services Firms Falls Short,” Think Advisor, August 18, 2014 – <http://www.thinkadvisor.com/2014/08/18/compliance-at-financial-services-firms-falls-short>

Many financial institutions will fall behind



The survey found that on average, 74% of those tasked with compliance duties believed their firms should commit more resources to the compliance function.



83% of broker-dealers and 58% of asset managers said they needed to focus more resources on compliance.”

“ Based on our experience with many firms and the regulators, we believe firms should spend a minimum of 5% of revenues or 2 bps of assets under management on the compliance function. ”

– Cipperman Compliance Services, Chief Executive Todd Cipperman statement.⁴

⁴ Compliance at Financial Services Firms Falls Short,” ThinkAdvisor, August 18, 2014 - <http://www.thinkadvisor.com/2014/08/18/compliance-at-financial-services-firms-falls-short>

Consequences can be dire

Failure to meet regulatory requirements can result in fines or suspensions that not only harm the bottom line, but the organization's reputation.

" In the aftermath of the Great Recession, regulators have turned dramatically to a far more punitive approach in dealing with actual and alleged instances of non-compliance with laws and regulations by financial institutions.⁵"

⁵ "Regulatory non-compliance is now a financial matter," Baker Tilly, November 10, 2014 - http://bakertilly.com/insights/regulatory-non-compliance-is-now-a-financial-matter/?utm_source=SilverpopMailing&utm_medium=email&utm_campaign=BT-FS-NAT-NA-1114-Banking%20Advisor-NL%20%281%29&spMailingID=9907913&spUserID=Mjl3MjQzNzExMDYS1&spJobID=421042630&spReportId=NDlxMDQyNjMwSO



Meet expectations



No matter how “clean” your organization, regulators expect a certain level of oversight. Anything less may be met with suspicion.



Error-prone manual processes take too much time, cost too much money, and are too unreliable to satisfy auditors.



Technology provides the most efficient, cost-effective means of meeting today’s stringent documentation and oversight expectations.

“ The role of IT has become even more central than it was in the past, and chief technology officers are increasingly working with chief financial officers and compliance officers to improve processes.”⁶

– Sr. technologist and industry standards strategist

⁶ Regulation: IT stands to play a bigger role as financial rules tighten, Financial Times, September 17, 2013 - <http://www.ft.com/intl/cms/s/0/f9f5bbc2-13c1-11e3-9289-00144feabdc0.html#axzz3JXn0uCzw>

Use technology to meet compliance requirements —and simultaneously improve business processes



Invest in technology that fills both compliance and business needs

- ✓ Information collected for risk management can help you make better capital deployment decisions or identify promising M&A opportunities.
- ✓ Ensure your tools have sufficient customization capabilities so you can maximize their business utility and value.
- ✓ Use software that interfaces with and integrates all of your data sources to efficiently manage risk across multiple platforms.

Seize compliance as an opportunity



“ It’s time to look at compliance and the regulatory environment in a new light. A strong compliance effort could help organizations differentiate themselves from the competition.”⁷



Compliance, risk management, and audit capabilities can provide valuable business insights.



Technology investments can result in robust data collection and analytics capabilities that improve business processes and business decision-making.

“ The energy FIs put into better understanding their business, customers, risks and capital can be used to drive changes in how and where the organization operates in the future, up to and including its business mix.”⁸

⁷ “Look on the bright side of heavy regulation: Finding opportunity in compliance,” Deloitte - <http://www2.deloitte.com/ca/en/pages/financial-services/articles/opportunity-in-compliance.html>

Seek a compliance partner that knows all of your business

Since 1989, EAI has delivered integrated solutions to financial institutions that creates competitive advantages in customer service, marketing, management, and operational efficiency.

Providing the compliance tools and oversight required to satisfy today's auditors is just another tool in our formidable arsenal designed to keep you on top.



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