AN OVERVIEW

Wolters Kluwer Financial Services’ Regulatory and Risk Management Indicator measures 10 critical factors that help illustrate the overall level of regulatory and risk management pressures U.S. banks and credit unions face.

These factors include bank and credit union concerns over: 1) their ability to track regulatory changes; 2) comply with new and existing requirements; 3) prove compliance to federal regulators; and 4) the time and resources they have invested in compliance efforts. The factors also include: 5) how effective banks and credit unions feel they are at managing overall risks to their institutions; 6) the involvement, buy-in and ability of the executive team in managing risk; and 7) the time and resources they have invested in managing risk.

For the final three factors of the Indicator formula, Wolters Kluwer Financial Services measures and compares: 8) the number of significant new U.S. banking regulations; 9) the number of enforcement actions taken against banks and credit unions by federal regulators; and 10) the total dollar amount of federal regulatory fines levied against banks and credit unions.

What follows in this report are the results of the Indicator itself as well as the highlights of our findings, including banks’ and credit unions’:

- Overall Compliance and Risk Management Concerns
- TILA-RESPA Integrated Disclosure Rule
- Escalated Risk Priorities, 2016

To obtain the data set used to compile the Indicator, please contact us at WKFSCorporateCommu@wolterskluwer.com.
Risk and Compliance Concerns Inch Upward

The Main Indicator score rose slightly to 107 compared to the baseline score of 100 from August 2014. Of the 539 respondents representing U.S. banks and credit unions, three quarters showed “significant concern” with meeting their overall compliance requirements. A slight majority of respondents (58%) indicated significant concern in their ability to manage risk across all lines of business, down from 63% in August 2014.
OVERALL COMPLIANCE AND RISK MANAGEMENT CONCERNS

<table>
<thead>
<tr>
<th>Activity</th>
<th>August 2015</th>
<th>August 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maintain compliance with changing regulations</td>
<td>73%</td>
<td>72%</td>
</tr>
<tr>
<td>Keep track of changing regulations</td>
<td>72%</td>
<td>69%</td>
</tr>
<tr>
<td>Demonstrate compliance to regulators</td>
<td>71%</td>
<td>71%</td>
</tr>
<tr>
<td>Manage risk across all lines of business</td>
<td>58%</td>
<td>63%</td>
</tr>
</tbody>
</table>

Despite continued concern about overall organizational compliance and risk management readiness, only one-third of respondents (34%) could characterize their organizations as having an integrated or strategic risk management program established across the enterprise to control risks.
**IMPACT OF TOP REGULATORY CHALLENGES**

<table>
<thead>
<tr>
<th>Challenge</th>
<th>Third Quarter 2014</th>
<th>Third Quarter 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Combined TILA-RESPA integrated disclosure rule</td>
<td>75%</td>
<td>86%</td>
</tr>
<tr>
<td>CFPB's rulemaking authority</td>
<td>76%</td>
<td>78%</td>
</tr>
<tr>
<td>HMDA data collection</td>
<td>73%</td>
<td>67%</td>
</tr>
</tbody>
</table>

**Three Longstanding Concerns:**

Concern over the TILA-RESPA Integrated Disclosure (TRID) rules was top of mind and jumped 11% from August 2014 scores, as respondents neared the October 3, 2015 implementation date. The Consumer Financial Protection Bureau’s rulemaking authority was viewed as a concern by more than three-quarters of respondents, up 2% from last year’s survey, whereas Home Mortgage Disclosure Act data collection concerns dropped 6%.
ESCALATED RISK PRIORITIES IN 2016

Cybersecurity: 66%
Regulatory change management: 49%
Third-party risk: 30%
Fair lending: 29%
Credit risk: 25%
UDAAP: 18%
Liquidity risk: 16%
Not sure: 16%
Data governance: 12%
Community Reinvestment Act: 11%
Model risk: 8%
Other: 1%

Well-publicized security breaches at prominent retail and financial institutions over the past year drove anxiety over cybersecurity sharply upward, cited by two-thirds of respondents as needing heightened attention. Regulatory change management was next in respondents’ list of risks requiring escalated priority in the coming 12 months.
**TOP CHALLENGES RELATED TO THE COMBINED TILA-RESPA INTEGRATED DISCLOSURE RULE**

- **Collaborating with stakeholders in a 30-day closing to meet the 3-day waiting period**: 32%
- **Receiving last-minute changes that trigger a re-disclosure and delay closing**: 24%
- **Not sure**: 18%
- **Having the technology in place to support all mortgage products**: 17%

%-indicating task is the top challenge related to TRID

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**“TRID” Becomes Part of Lenders’ Daily Lexicon**

A new question on this year’s survey queried lenders about top concerns around complying with the new TRID rules that went into effect Oct. 3. Collaborating with stakeholders (e.g., settlement agents, realtors, title companies) during the 30-day closing to meet the three-day waiting period was ranked by one-third as the highest challenge, followed by concerns in receiving last-minute changes that trigger a re-disclosure.
ABOUT WOLTERS KLUWER FINANCIAL SERVICES

Whether complying with regulatory requirements or managing financial transactions, addressing a single key risk, or working toward a holistic enterprise risk management strategy, Wolters Kluwer Financial Services works with customers worldwide to help them successfully navigate regulatory complexity, optimize risk and financial performance, and manage data to support critical decisions. Wolters Kluwer Financial Services provides risk, compliance, finance and audit solutions that help financial organizations improve efficiency and effectiveness across their enterprise.

With more than 30 offices in 20 countries, the company’s prominent brands include: AppOne®, AuthenticWeb™, Bankers Systems®, Capital Changes, CASH Suite™, GainsKeeper®, NIFS®, OneSumX®, TeamMate®, Uniform Forms™, VMP® Mortgage Solutions, and Wiz®. Wolters Kluwer Financial Services is part of Wolters Kluwer, a leading global information services and solutions provider with annual revenues (2014) of €3.7 billion ($4.9 billion) and approximately 19,000 employees worldwide. Please visit www.wolterskluwerfs.com for more information.

For more information about Wolters Kluwer Financial Services, or our Regulatory and Risk Management Indicator, please contact us at WKFSCorporateComm@wolterskluwer.com