

Turn Compliance into Profit

Learn How an Integrated Compliance Strategy
Can Help You Grow.

Summary: Taking an integrated approach to your compliance documentation process can help you improve speed to market, reduce costs, and reduce risk across the enterprise.

Overview

Financial institutions face overwhelming challenges in the overall scope of the compliance documentation process—from regulatory requirements and institutional policy to technical issues and market fluctuations. Traditionally, this process has been managed independently across multiple departments, entities, and systems. This decentralized method gives way to increased expense, redundancy, or even worse—conflicts within the organization. In contrast, an integrated strategy centralizes the role of compliance documentation in the organization, resulting in consistent, efficient, and more customer-friendly practices across the enterprise.

By reconsidering the big picture of their problematic compliance issues, financial institutions can realize improved speed to market, decreased costs, reduced risk, and enhanced customer experiences.

Situation: The High Cost of Decentralized Compliance

A decentralized structure relies on widespread responsibility for compliance documentation across the enterprise. Inherently, this approach involves redundant processes and manual tasks which are not only inefficient, but inconsistent. This opens financial institutions up to risk, costs, and lost opportunities.

The High Cost of Compliance

According to TowerGroup, the costs for risk and compliance for financial institutions in the U.S. exceeded \$300 billion in 2005 and 2006. Guillermo Kopp, Vice President, Cross Industry for TowerGroup, says much of the cost is spent on decentralized approaches to compliance. “The financial services industry spends hundreds of billions of dollars annually on fragmented approaches to [a broad range of] risk and compliance [issues]. About 80 percent of the expense is attached to administrative processes, penalties, and fines.”¹

Financial institutions must invest in skilled legal and compliance professionals to monitor the regulatory environment, determine how new and revised mandates affect the institution, and consolidate changes into a practical application within the institution’s documents. Interpreting and meeting these requirements, which are handed down by governmental agencies like the Office of the Comptroller of the Currency (OCC) and other federal and state regulators, demands a substantial amount of time from both legal and compliance teams. In a time of intense regulatory scrutiny, a lack of communication and coordination within an organization can be costly. Failing to meet compliance requirements can lead to repurchasing loans, substantial fines, higher credit costs, bad publicity, and dissatisfied customers.



What is an Integrated Compliance Strategy?

A An integrated compliance strategy is a holistic approach to managing compliance in financial institutions that uses a common repository for compliance content, leading technology, and advanced tools. Benefits include reduced compliance risk, faster speed to market, decreased costs, and enhanced customer experiences.

¹TowerGroup and Wolters Kluwer Financial Services, “Enterprise Compliance Management—What Does it Mean for Mortgage Lenders?” (first presented December 16, 2006).

The High Cost of Technology

Costs are equally high on the technology side of the compliance equation. According to a study by *Financial Insights*, "M&A activity has permeated all tiers. In 1994, there were approximately 14,000 U.S. commercial banks; now there are roughly 9,000."²

The resulting disparate systems of this fast business growth present the challenges of immense document libraries and inefficient data flows. Maintaining these vast collections of documentation is difficult and costly. The disparate, or legacy, systems are also exceedingly growth prohibitive because of their inherent redundancies and resource-intensive requirements.

While legal and compliance teams must decide how to administer content modifications, IT staff must determine how new and revised content integrates into existing documentation. With legacy systems, technology professionals must spend time incorporating new data into the front- and back-ends of multiple systems, which requires complicated data mapping, programming, applying business rules, testing, and troubleshooting. Ultimately, decentralized compliance presents corresponding costs for compliance and technology by diminishing the time professionals can apply to accomplishing greater objectives, such as IT system enhancements and new product development.

The High Cost of Missed Opportunities

Regulatory and competitive pressures require financial institutions to respond quickly to change. Unfortunately, the repetitive and manual processes of a decentralized environment require more time and effort to make changes or bring new products to market. This prevents key personnel from spending time on revenue-generating activities. Worse yet, organizations lose critical time getting to market ahead of competitors with new products.

Solution: An Integrated Compliance Strategy

An integrated compliance strategy is a central business service that integrates the various systems found in financial institutions and supports their multiple lines of business and delivery channels. The strategy optimizes existing technology while delivering consistent compliance through:

- A common repository for compliance content, which includes the language, rules, data elements, and more, used to generate documents;
- Leading technology that integrates with multiple front-end systems to select, assemble, package, and deliver compliance documentation; and
- Advanced tools that help manage, create, test, and deploy content for specific needs.

Disparate System Effects:

- Inefficient management of documents
- Large, redundant document libraries
- Inability to make changes quickly
- Inconsistencies in documentation and usage rules

² Maggie Scarborough, "The Next Generation of Revenues and the Integrated Banking Enterprise," *Financial Insights*, an IDC company; 2005.

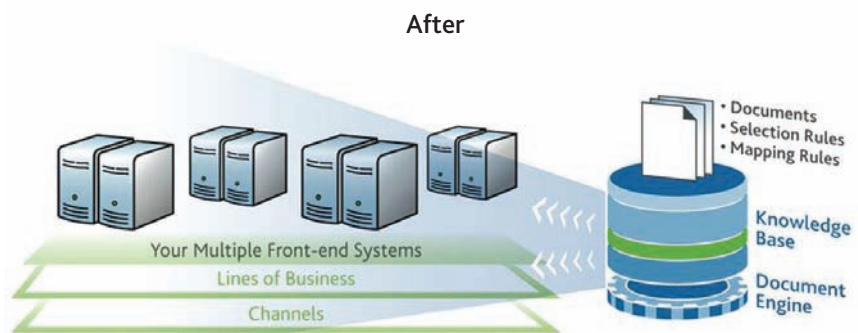
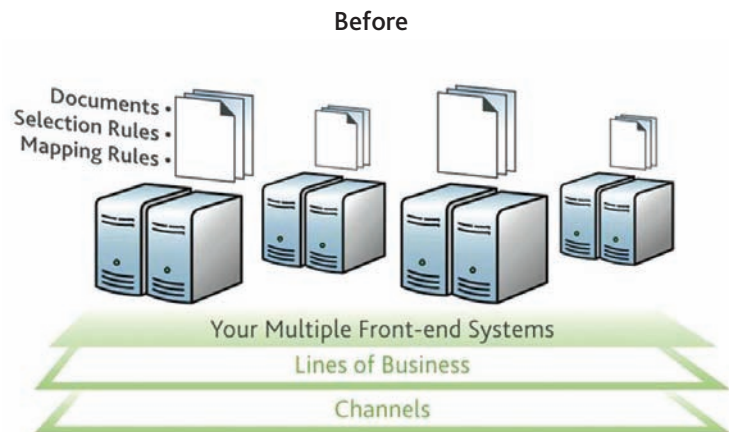
Use Case: A Major Financial Institution

Decentralized Challenges

One top-tier financial institution knows the challenges of a decentralized approach. They manage compliance documentation across three different entities and multiple front-end systems. For this organization, like many of its size, a single content change involves numerous documents and several departments with duplication across systems. After affected documents are located within the vast libraries and changes are documented, operations and IT staff have to develop new versions by defining and programming the rules for the document's use, mapping the data fields, and testing.

An Integrated Compliance Approach

To realize the benefits of an integrated compliance strategy, this institution began implementing a centralized compliance structure by employing one content system to service all entities and systems. This centralized approach will help the institution operate more efficiently, mitigate risk, and respond more quickly to market trends.



Benefits of an Integrated Compliance Strategy

An integrated compliance strategy raises business enablement to an entirely new level; compliance becomes a competitive advantage by decreasing the institution's risks and enabling it to react to market conditions faster than its competitors. Rather than viewing compliance as a hindrance, an integrated strategy provides the financial institution with the benefits of improved speed to market, reduced costs, reduced risk, and enhanced customer experiences.

- **Improved Speed to Market**—Automating time-intensive processes helps clear blockage-prone areas of routine tasks and increases efficiency, speed, and agility.
- **Reduced Costs**—Removal of redundant tasks allows staff to be more productive and spend more time on business-critical issues and customers.
- **Reduced Risk**—Consistent implementation of compliance content reduces the risk of using non-compliance documentation and opportunities for penalties, negative publicity, and higher credit costs.
- **Enhanced Customer Experiences**—By creating documentation on demand, unnecessary information from documentation is eliminated, making contracts less confusing, easier to understand, and faster to process. For example, the system will present information specific to the type of transaction and locale instead of including language required by other jurisdictions.

Implementation Considerations

Clearly, financial institutions can transform their compliance documentation processes by implementing an integrated compliance strategy—from loan application, closing, and maintenance to product lines and business units. The following is an implementation check list of key considerations to help simplify the evaluation of an enterprise compliance strategy.

- **Technology and compliance designed to work together from the ground up.** Technology alone cannot create or maintain an integrated compliance strategy. The technology must be designed for handling the complex world of compliance documentation.
- **A central repository of continually updated content, which acts as an extensible, stable, and scalable rules-driven knowledge base, is a key component of integrated compliance.** Ideally, an integrated compliance strategy needs compliance content that can be shared across business lines when appropriate and allows for distinction when desired. Repurposing common content across various systems allows an enterprise to streamline compliance efforts and create consistent documentation and policies.
- **The technology of an integrated compliance strategy is best served with architecture that can be structured to grow enterprise-wide.** The deployment model should allow the compliance document engine to be a service within a financial institution's service-oriented architecture (SOA).
- **The utmost flexibility and control helps products go to market quickly and ensures the fulfillment of business and compliance preferences.** These requirements are satisfied, in part, through tools that manage and modify existing content, develop new content, control versions, streamline implementation processes, and support quality assurance and testing. It's important that all tools are designed to work together.
- **Optimally, the unified strategy is a complete solution suite for everything from authoring and document management to the automated selection and packaging of compliant document transactions.** As a complete solution suite, an integrated compliance strategy addresses the daily demands of generating efficient documentation packages, as well as the tools to deploy new content quickly when business or compliance changes occur.

Implementation Considerations: A Check List

- Technology and compliance designed to work together
- Central repository for compliance content
- Technically architected as a business service for enterprise-wide deployment with staged implementation
- Flexibility and control for managing preferences and getting products to market quickly
- A complete suite of solutions

An Integrated Compliance Strategy: Bringing the Enterprise Together

In its most simplified form, an integrated compliance strategy centralizes and increases compliance intelligence and automation across the enterprise while enabling greater control and effectiveness. These advantages are possible through the pairing of industry-trusted compliance and compatible, leading technology. In addition to facing the numerous challenges of the compliance process with greater efficiency, an integrated compliance strategy can help financial institutions redefine their long-term growth strategy.

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