



THE FUTURE OF COMPLIANCE:

Compliance Officers Today & Tomorrow

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Compliance officers are an integral part of every financial institution's Three Lines of Defense. The best ones are strategic partners that protect the institution while looking ahead towards tomorrow's challenges and opportunities.

Who are these essential professionals, and what do they have to say about their job, their institutions, and their industry? Ncontracts and CBANC surveyed 257 compliance officers at banks and credit unions of all sizes to find out.

EXECUTIVE SUMMARY

Despite the challenges of the job, compliance officers are in it for the long haul. Over half of respondents (58 percent) have been in the compliance industry for at least 10 years, and very few have plans to change careers.

Given one compliance-related wish from a genie, over a quarter of compliance officers (28 percent) would wish for their co-workers to understand that compliance goes beyond the compliance department and requires everyone's participation. One fifth (20 percent) wished for more resources while another fifth (20 percent) wished for fewer regulations.

The top four compliance risks are BSA/AML (57 percent), cybersecurity/data security/privacy (50 percent), compliance reviews and testing (38 percent), and fair lending (36 percent).

There is a disconnect between the number of compliance officers who say their FI has policies and procedures for managing complaints (88 percent) and the number who say their FI proactively monitors internal (50 percent) and external (48 percent) channels for complaints.

When it comes to the impact of the pandemic on compliance management, a quarter of compliance officers (26 percent) say it increased cybersecurity/data security/fraud risk, 18 percent report an increase in lending compliance risk, and 13 percent said the remote workforce has made it harder to monitor compliance.

When it comes to compliance talent, 56 percent of respondents say it's hard to find, 16 percent say it's too expensive, and 7 percent say it's difficult to retain. This was true for financial institutions of all sizes.

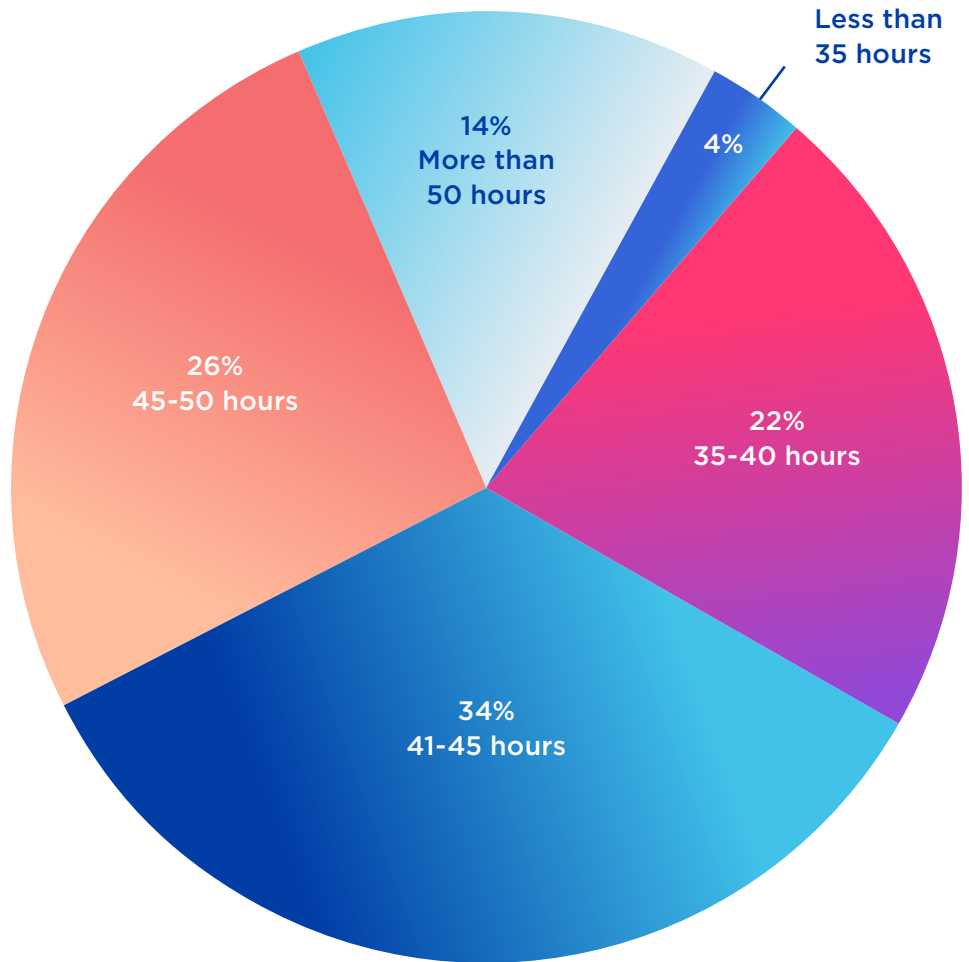
COMPLIANCE OFFICERS: EXPERIENCED, DEDICATED & DETERMINED

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At \$1.4 billion-asset Mission Bank in Bakersfield, Calif., Esmeralda Rivas is part of a two-person compliance team. *“We’re also taking on the audit function, the internal audit function (not 100% because we do outsource some of it), but we are on the borderline of needing more resources,”* says Rivas, compliance officer and vice president.

Compliance officers may be among the most expensive talent at a financial institution, but they are also extremely hard working. Three-quarters of compliance officers (74 percent) put in more than 40 hours a week. A quarter (26 percent) put in 45 to 50 hours and 14 percent put in more than 50 hours.

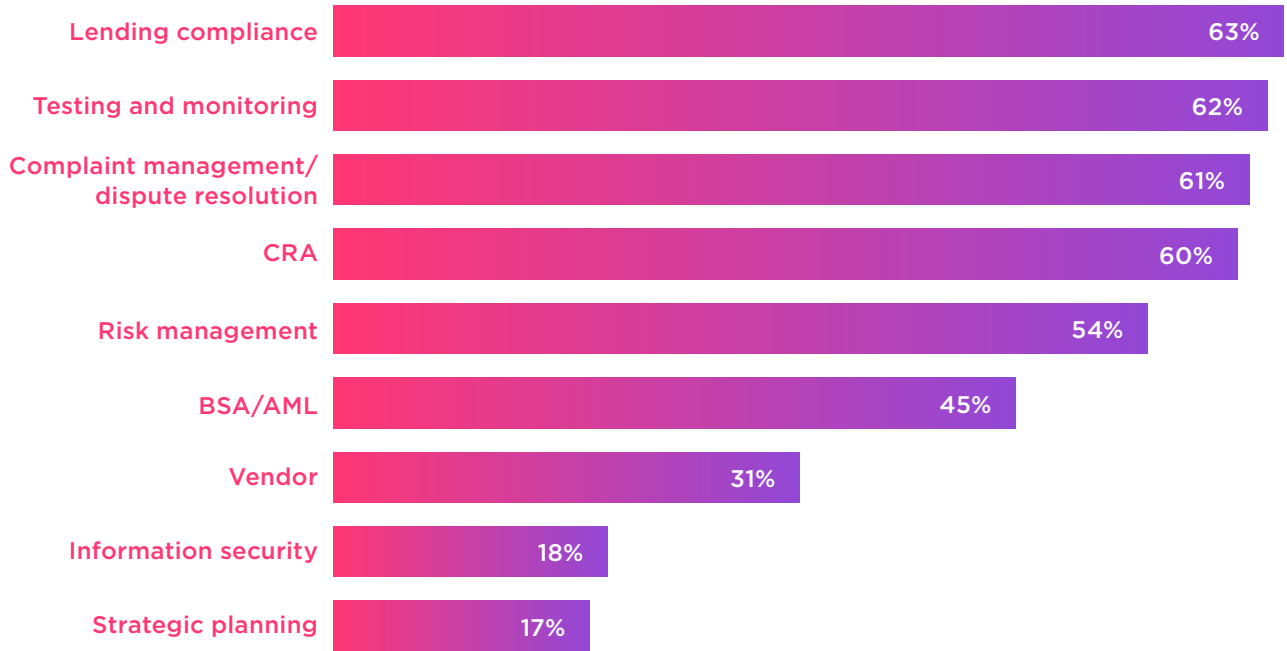
Compliance officers at the smallest institutions are most likely to put in between 35 and 40 hours (44 percent) or less than 35 hours (7 percent), but that doesn’t mean compliance officers at larger institutions are working harder than their counterparts. It’s most likely a reflection on the fact that staff at smaller institutions are wearing multiple hats and managing compliance responsibilities on top of other duties.

How many hours do you put in each week?



Compliance officers have a substantial workload and a broad range of compliance-related responsibilities. Most compliance officers are also responsible for lending compliance (63 percent), testing and monitoring (62 percent), complaint management and dispute resolution (61 percent), BSA/AML (60 percent), and risk management (54 percent).

Compliance officer responsibilities

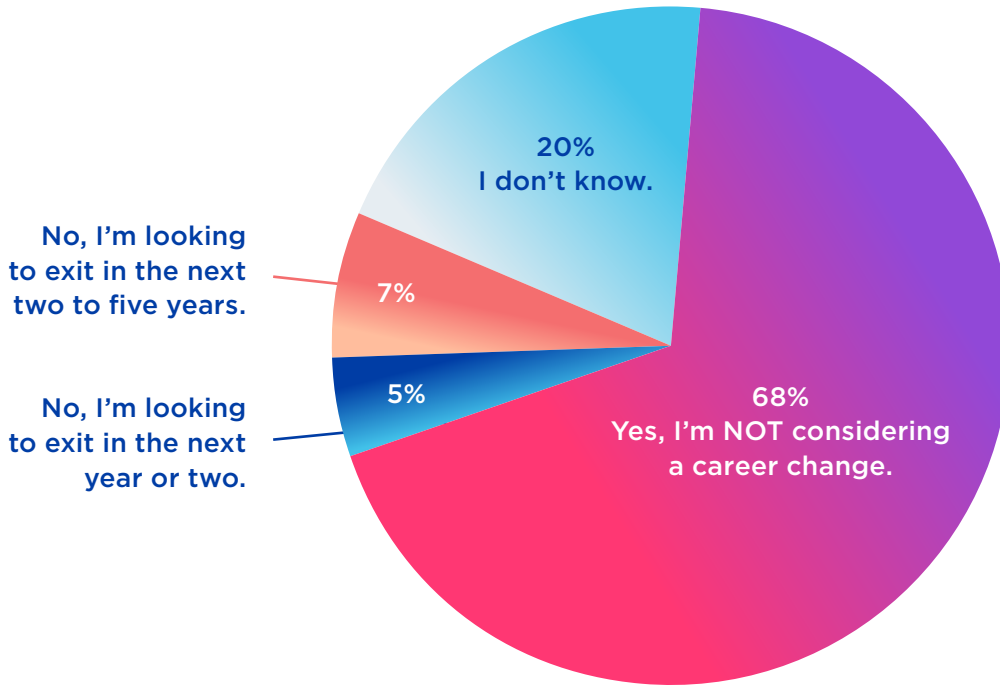


“When I started as a compliance officer, I thought, ‘I’ll do this for a couple years.’” says Denise Guira, SVP of integrated risk and vendor enterprise risk management at \$5.7 billion-asset MIDFLORIDA Credit Union in Lakeland, Fla. *“Now I’m in a position where I feel like I can contribute to my organization in a way that I want to do this as long as I can.”*

They are also constantly tracking regulatory information and trends. Most compliance officers rely on subscriptions to relevant publications (95 percent), peer groups (81 percent), and conferences (81 percent) to stay informed. This indicates that the average compliance officer must work to piece together disparate sources rather than simply rely on a single source of truth.

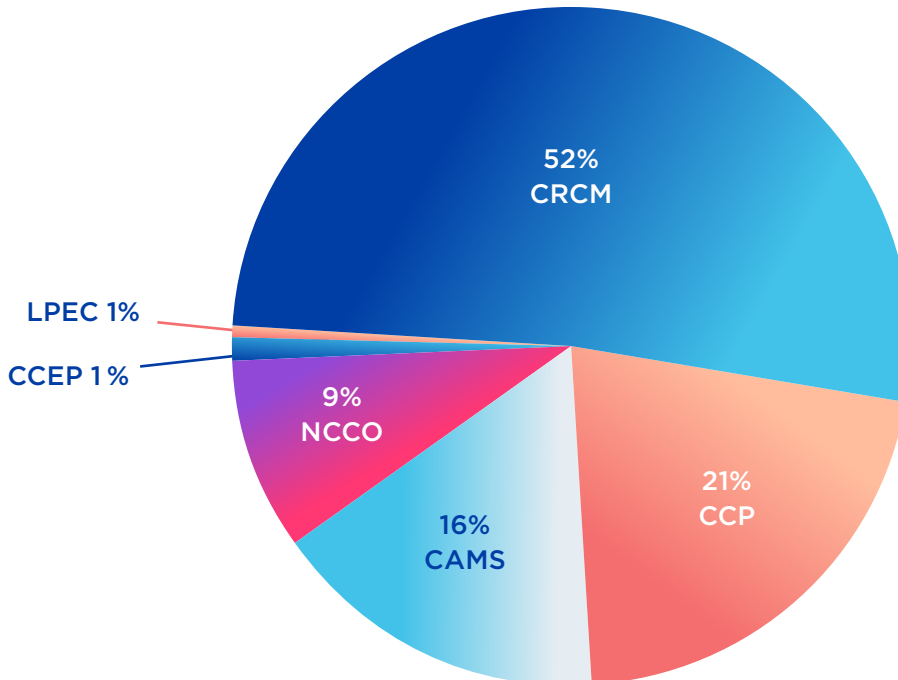
Despite the challenge, compliance officers are in it for the long haul. Over half of respondents (58 percent) have been in the compliance industry for at least 10 years, and very few have plans to change careers. More than two-thirds (68 percent) say they aren’t considering a career change. Less than 5 percent (5 percent) are planning to exit the field in the next year or two. Compliance with three to five years of experience are the least uncertain about staying, with about 37 percent saying they don’t know their plans.

Do you plan on staying in the compliance field?



That may be because so many have invested in compliance certifications and training. Nearly every respondent holds some sort of certification. The most popular include Certified Regulatory Compliance Manager (CRCM) (52 percent), Certified Compliance Professional (CCP) (21 percent), Certified Anti-Money Laundering Specialist (CAMS) (16 percent), and NAFCU Certified Compliance Officer (NCCO) (9 percent).

Most Popular Compliance Designations



SATISFYING COMPLIANCE

Everyone has a professional wish list—those things that would make them work smarter, happier, or more efficiently. When it comes to compliance officers, more than anything, they want everyone at their institution to realize that compliance is a team sport.

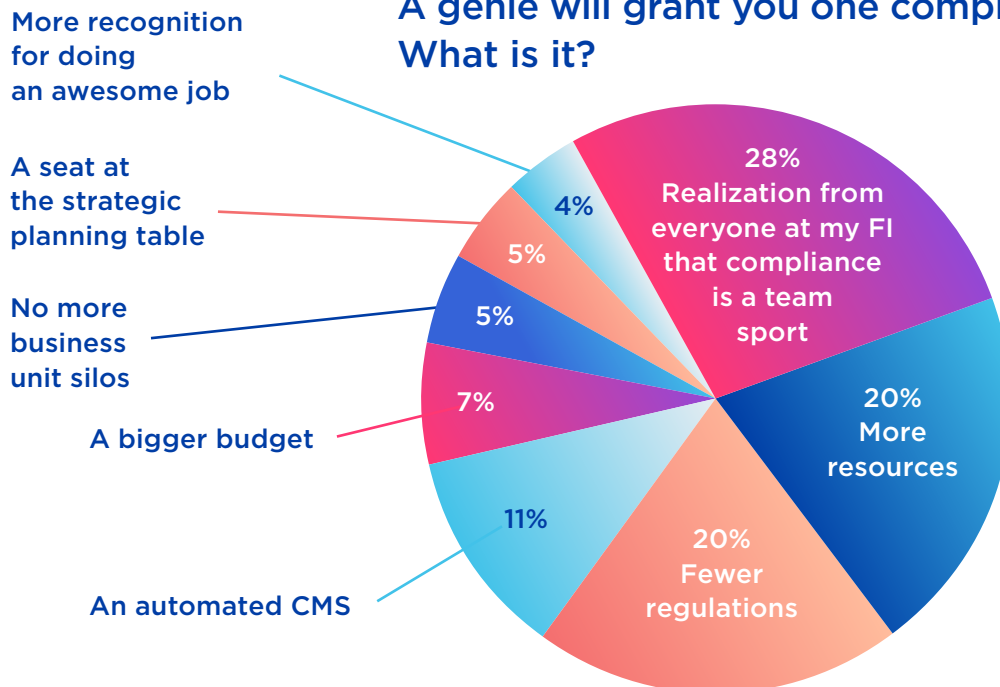
We asked compliance officers what they'd ask for if a genie appeared and offered to grant one compliance-related wish. Over a quarter (28 percent) wanted their co-workers to understand that compliance goes beyond the compliance department and requires everyone's participation. One fifth (21 percent) wished for more resources while another fifth (20 percent) wished for fewer regulations.

The desire for more interdepartmental teamwork topped the wish list for FIs of every asset size but one: FIs with less than \$250 million in assets wanted fewer regulations (30 percent) even more than they wanted collaboration (around 25 percent). This stands in juxtaposition with FIs with more than \$10 billion in assets where compliance officers most want institution-wide compliance teamwork (33 percent) and the reduction of business unit silos (25 percent). It's also a reflection of the role of compliance officers at smaller versus larger financial institutions. Compliance officers at smaller FIs wear many hats, and compliance is organically integrated into other institutional areas by default.

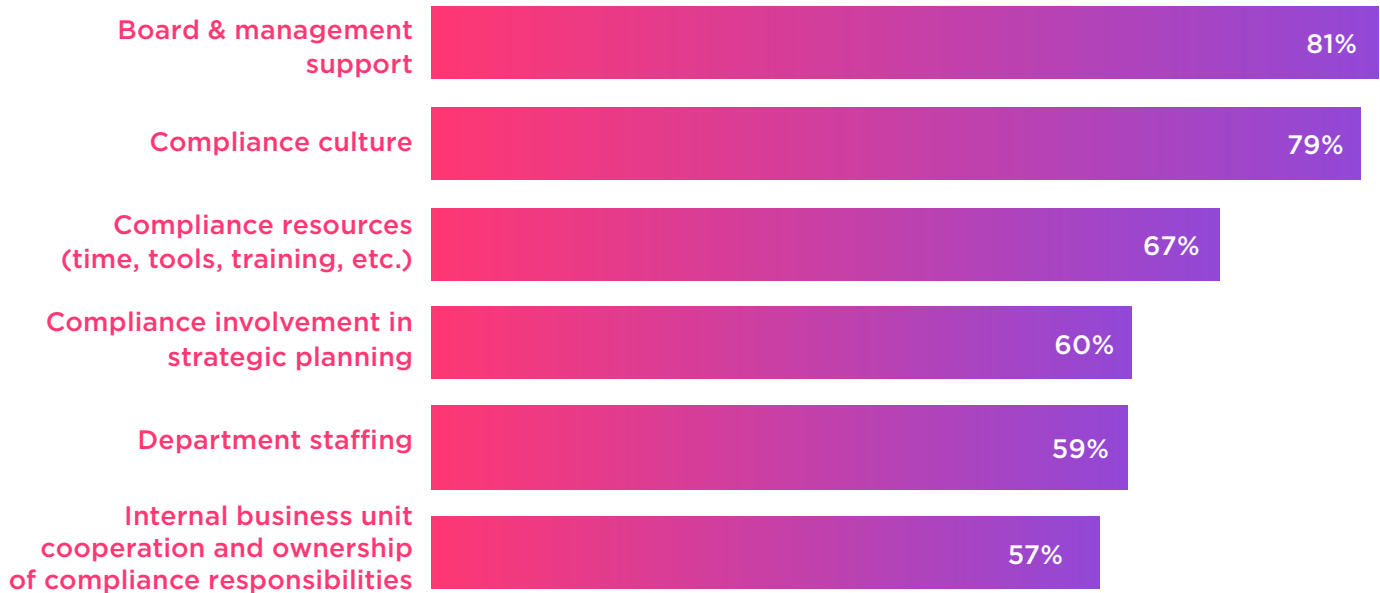
The survey also suggests that compliance officers seek out automated compliance management system (CMS) as their institution grows. Just over 10 percent of compliance officers at FIs with between \$250 to \$500 million would wish for a CMS—a figure that increases by 50 percent at institutions between \$500 million and \$999 million in assets (17 percent). The wish for a CMS declines at FIs with \$1 billion to \$10 billion in assets (around 8.1 percent) and drops off entirely for institutions over \$10 billion, suggesting these FIs already recognize the value in a CMS for managing compliance and have implemented one.

“Compliance is honestly more than checking a box. And I want to see people feel passionate about compliance,” says Rivas. “I’m our biggest protector and by protecting the bank, I am protecting our consumers.”

A genie will grant you one compliance-related wish. What is it?



Despite the challenges, compliance officers are generally satisfied with compliance involvement at their institution. The vast majority are very or somewhat satisfied with their institution's compliance culture (79 percent) and board and management support (81 percent). Not surprisingly, compliance officers report the least satisfaction with internal business unit cooperation and ownership of compliance responsibilities with just 57 percent of compliance officers very or somewhat satisfied.



“I am part of the leadership team, so that to me speaks volumes because the leadership team is really the ones that are coming up with strategic ideas and initiatives,” Rivas at Mission Bank says. “Even our policy dictates that the compliance officer will review new products and new services, marketing materials, and those sorts of things so it’s absolutely critical that we are involved in that process.”

These findings vary by institution size and other factors. Compliance officers at institutions with \$250 million or less in assets or over \$10 billion in assets are most likely to be very satisfied with compliance involvement in strategic planning. This is likely because the smallest FIs have an all-hands-on-deck approach with staff wearing many hats while the largest FIs have formal structures built to include compliance at the highest levels.

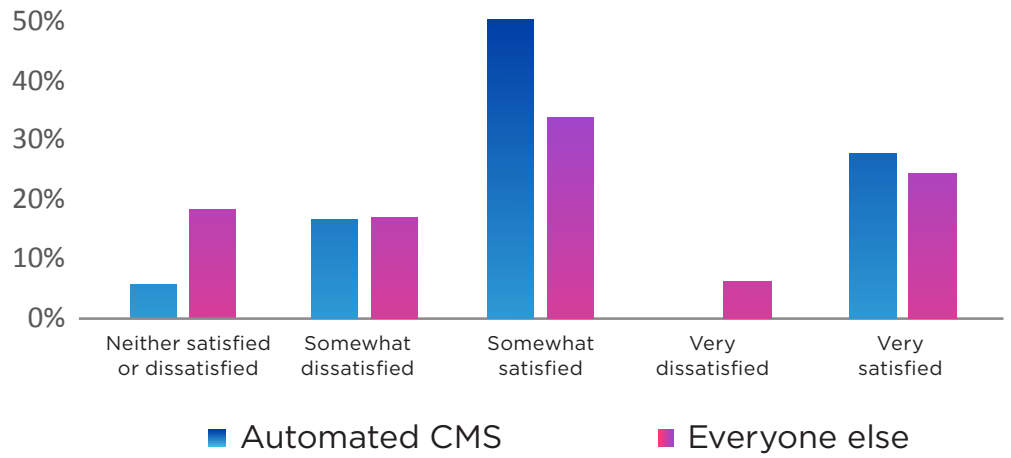
Other highlights:

FIs at \$10 billion+ institutions are least likely to be satisfied with board and management support (an ambivalent 25 percent are neither satisfied or dissatisfied).

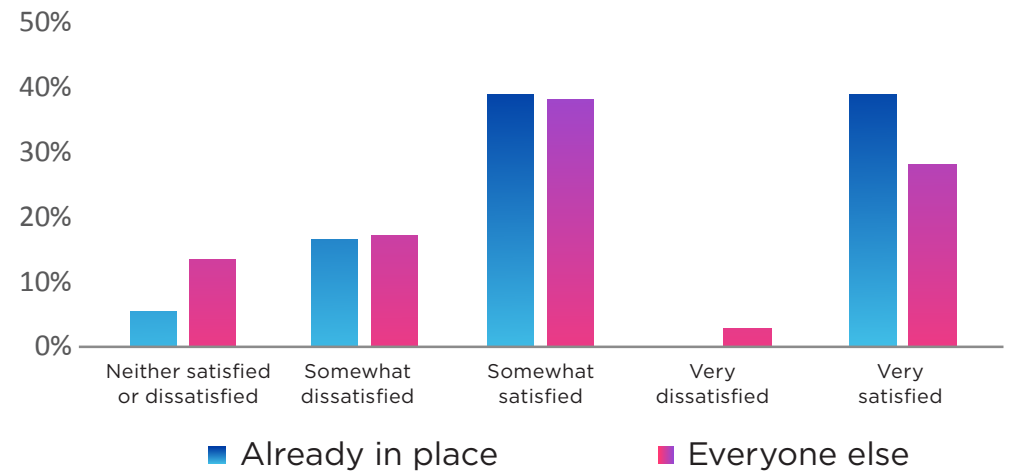
FIs with \$1 billion to \$10 billion in assets are most likely to be somewhat or very dissatisfied with compliance department staffing (32 percent) **and internal business unit cooperation** (27 percent).

Digging deeper in the results, respondents with automated CMSs reported being more satisfied with compliance involvement in strategic planning (78 percent) than those at institutions with no CMS in place (58 percent). They are also 39 percent more likely to be very satisfied with compliance resources and 26 percent more likely to be very satisfied with compliance staffing.

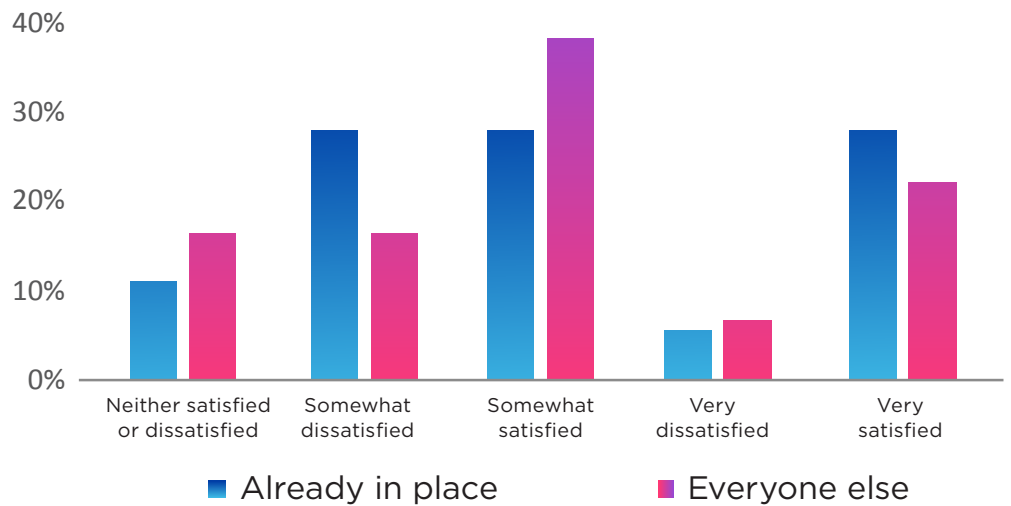
Automated CMS vs. Non Compliance involvement in strategic planning



Automated CMS vs. Non Compliance resources

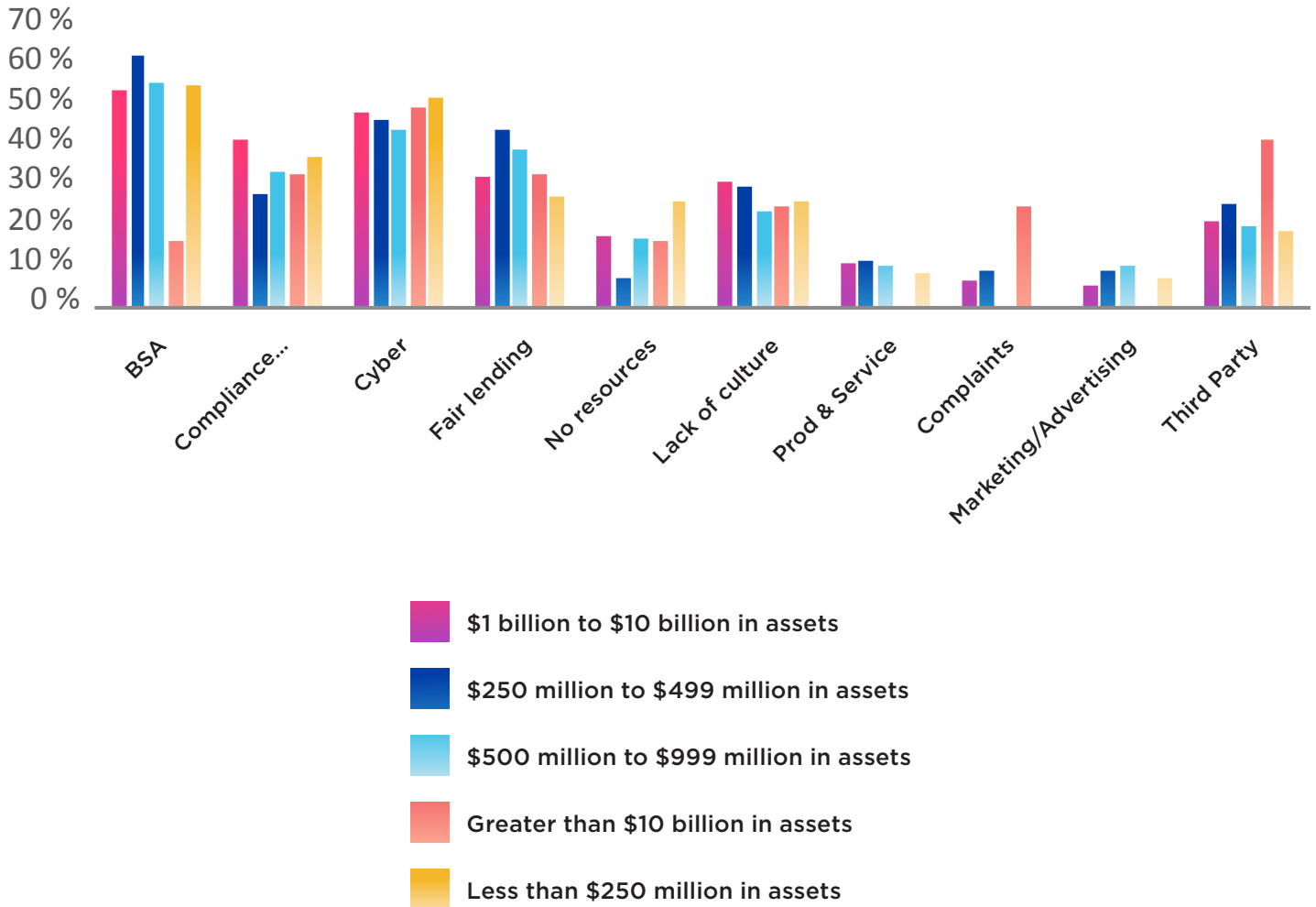


Automated CMS vs. Non Satisfaction with compliance staffing



TOP COMPLIANCE RISKS

The top three compliance risks cited by compliance officers are BSA/AML (57 percent), cybersecurity/data security/privacy (50 percent), compliance reviews and testing (38 percent), and fair lending (36 percent), but this varied based on the size of the institution, with banks with more than \$10 billion in assets far more concerned about complaints and third-party vendors than their smaller counterparts. On the other hand, these banks see much less risk in BSA/AML (17 percent) vs. 54 to 63 percent.



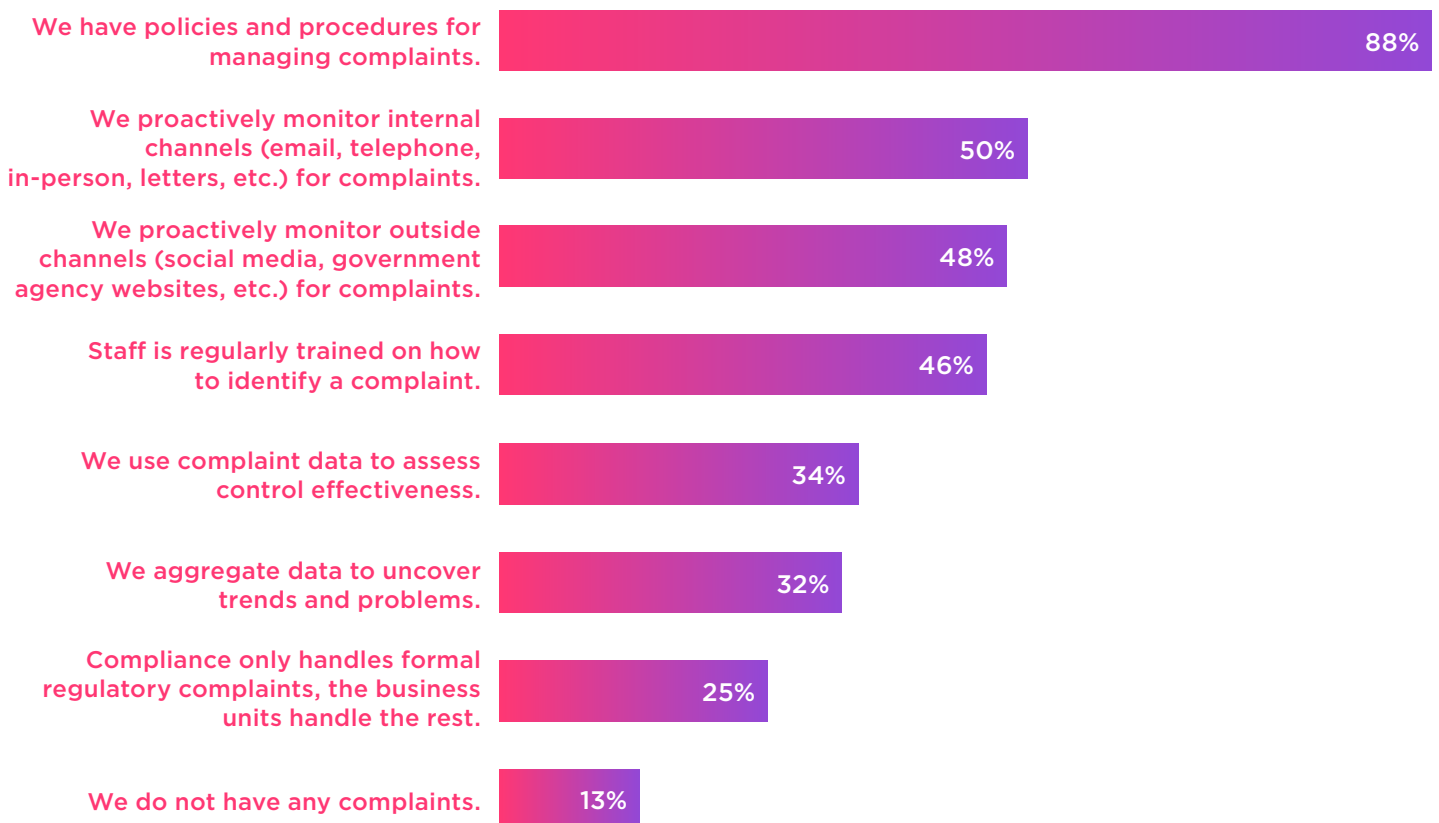
COMPLAINT MANAGEMENT

While compliance officers are largely satisfied, the same cannot be said for consumers. While 88% of respondents said their FI had policies and procedures for managing complaints, many of these plans run light when it comes to details and implementation—making it hard to uncover customer dissatisfaction and the missteps that lead to them.

Less than half of FIs proactively monitor internal (50 percent) and external (48 percent) channels for complaints. That means many complaints in emails, phone calls, letters, on social media, and government agency websites like the Consumer Financial Protection Bureau (CFPB) go unrecorded and unrecognized. Less than half of FIs regularly train staff to recognize complaints (46 percent). Thirteen percent claim not to have any complaints at all—a sign that complaint management is ineffective since every FI has complaints.

Those that gather complaint data make minimal use of it. While they may address individual complaints, they miss an opportunity to identify and mitigate problems. Just 32 percent of FIs aggregate complaint data to identify trends and problems, and 34 percent leverage complaint data to assess control effectiveness.

Complaint Management



COMPLIANCE & THE PANDEMIC

The COVID-19 pandemic has had a limited impact on compliance management at financial institutions. More than half of FIs (54 percent) report no major change. A quarter (26 percent) say it increased cybersecurity/data security/fraud risk, 18 percent report an increase in lending compliance risk, and 13 percent said the remote workforce has made it harder to monitor compliance.

Two thirds of compliance officers worked from home at some point during the pandemic, and 17 percent aren't planning to return to the office. The opportunity to work from home was not universal. Almost 50 percent of compliance officers with FIs with less than \$250 million in assets didn't work from home. The same is true for nearly 40 percent of FIs with less than \$1 billion in assets. Only about 10 percent of this cohort plans to continue working remotely.



“There was a lot of innovation, which I’m bringing back to the office,” says Rivas. “We created a lot of reports that extracted specific data from our core system, where now instead of mining through data now this report pulls out exactly what we need. That created a lot of efficiencies for us which we’re bringing forward.”

Guira at MIDFLORIDA didn't have a work-from-home culture, so she came into the office most days. Her team turned its attention to vendor management, ensuring vendors had the necessary controls to mitigate the risk of employees working remotely. *“We had to create a lot of policy from those work-from-home environments. As we created infrastructure, we also had to create policy.”*

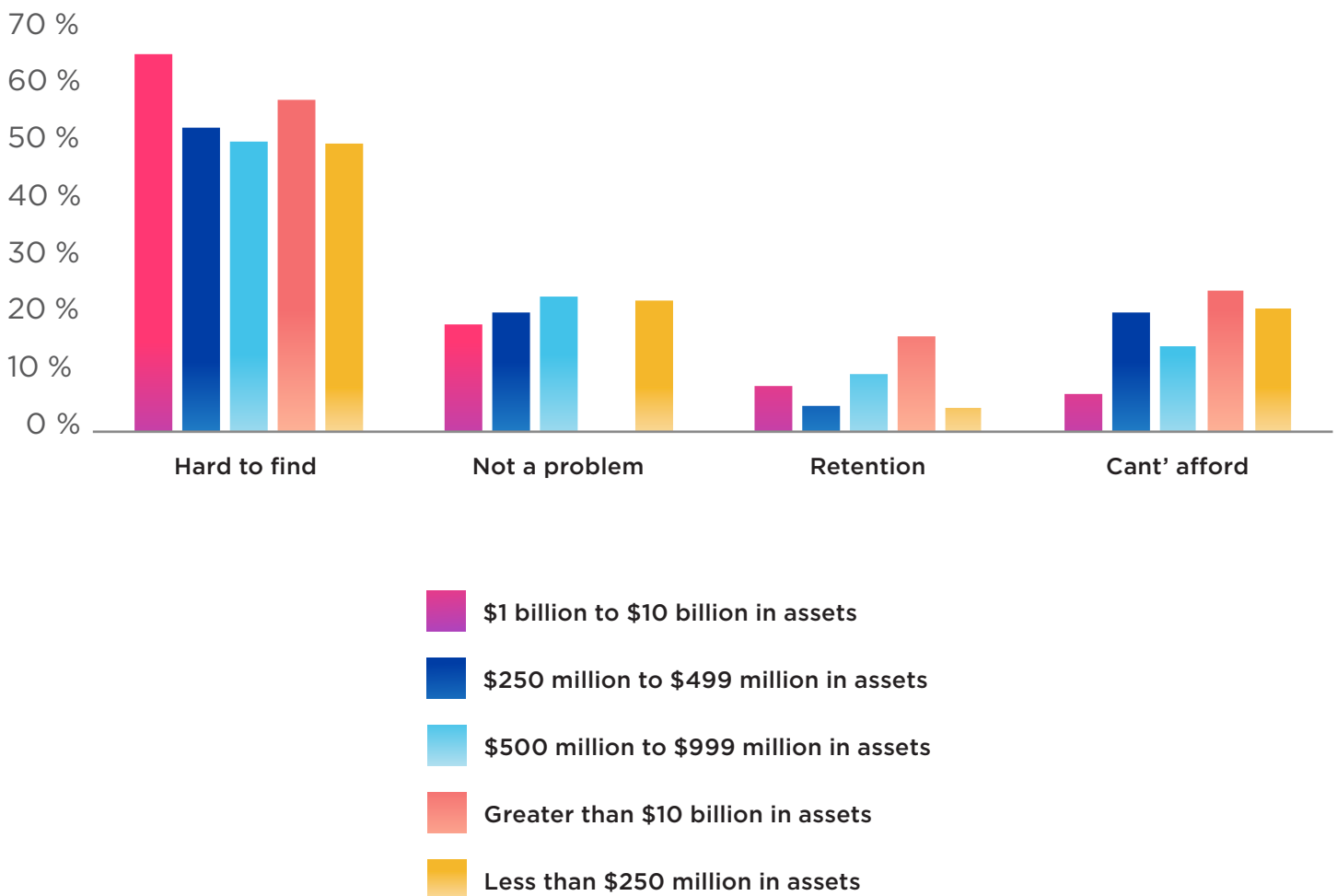
It's a different story at FIs with more than \$1 billion in assets. Just 10 percent of compliance officers at banks with \$1 billion+ stayed in the office. Many of them (42 percent of \$10 billion+ FIs and 30 percent of \$1 to \$10 billion) plan to continue working from home even after the pandemic ends.

THE FUTURE OF COMPLIANCE

Finding and training the next generation of compliance officers is already a challenge. Compliance talent can be hard to find (56 percent), too expensive (16 percent), or difficult to retain (7 percent). Just 20 percent of FIs reported that finding good compliance talent isn't a problem.

The search for compliance talent isn't limited to smaller FIs. Whether over \$10 billion in assets or under \$250 million, institutions of all asset sizes struggle with these problems. Despite this challenge, just 24 percent of compliance officers think it very likely that their FI expands its talent markets by hiring remote compliance team members in the next 5 to 10 years. Just 5 percent do so today.

How difficult is it to find good compliance talent?





The single best thing compliance officers say they can do to prepare for the future of compliance is to continue trying to communicate and collaborate with all business lines.

WHEN IT COMES TO FUTURE TRENDS, COMPLIANCE OFFICERS THINK IT'S FAR MORE LIKELY THAT THE COMPLIANCE FUNCTION WILL:

Better coordinate with the risk management function and other areas (57 percent)

Make greater use of data analytics/artificial intelligence (55 percent)

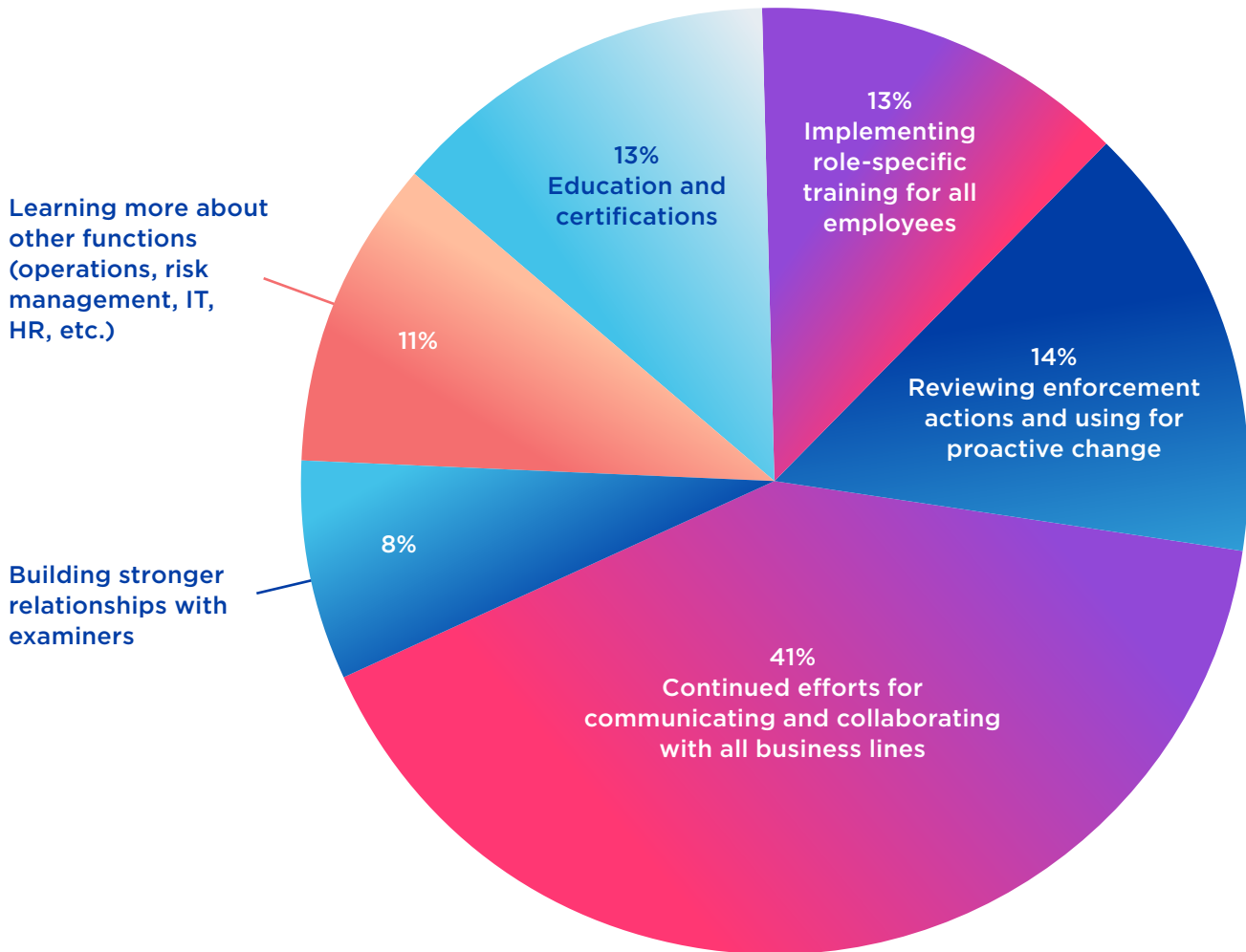
Use more metrics-based assessments of compliance risk and performance (48 percent)

Emphasize compliance with policies, procedures, and training requirements in job descriptions and performance reviews (45 percent)

Automate compliance functions/CMS and increase strategic insights (45 percent)

	Already in Place	Very Likely	Don't Know	Somewhat Unlikely	Very Unlikely	Total
Greater use of data analytics/AI	10% 26	55% 142	27% 69	6% 16	2% 4	257
Automation of compliance functions/CMS leading to increased strategic insights	7% 18	45% 116	36% 93	10% 25	2% 4	256
Better coordination with the risk management function and other areas	15% 38	57% 147	23% 60	4% 9	1% 3	257
Emphasis on compliance with policies, procedures, and training requirements in job descriptions and performance reviews	25% 64	45% 116	23% 59	6% 16	1% 1	256
Expansion of talent markets by hiring remote compliance team members	5% 13	24% 61	34% 87	17% 43	20% 52	256
More metrics-based assessments of compliance risk and performance	7% 17	48% 122	37% 95	6% 16	2% 5	255

How Should Compliance Officers Be Preparing for the Future of Compliance?



CONCLUSION

Moving forward, compliance officers will continue to adapt their roles to a banking environment that's embracing growing use of technologies that harvest risk and compliance management insights while quantifying risk.

Tomorrow's compliance officers aren't interested in check-the-box compliance. They are looking for institutions where they have the tools and support to thrive.

Those looking to attract top compliance talent in a competitive market will benefit from creating a compliance culture and empowering compliance hires to coordinate and collaborate with other departments, functions, and business lines.