Compliance.ai Usage Case Study:

Analysis of 11 financial services companies transforming their regulatory change management processes to lower their compliance operational costs by over 30 percent.

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Abstract

Between 2019 and 2020, Compliance.ai performed multiple anonymized studies of groups (see page 13) of users of the Compliance.ai regulatory change management solution within the financial sector. The goal was to better understand the impact of using a RegTech solution, and analyze the cost savings compared to outdated, legacy, manual regulatory change management processes and technologies. The professionals studied are all compliance professionals in the financial services sector.

- There were an average of 25,537 regulatory agency documents that required analysis and review

- After filtering for relevancy, we found that only 6% of those documents were actually relevant to each financial services organization

- The Compliance teams in our cohort spent an average of 5 minutes per document for an initial assessment

- The slowness of manual processes resulted in an average of 12 weeks wasted during each 6-month period processing documents that are irrelevant (94% of all documents)

- Using Compliance.ai, compliance teams were able to reduce the volume of documents they needed to manually process from an average of 25,537 down to 585

- In other words, Compliance.ai was able to remove 94% of the agency documents that compliance teams previously needed to touch and process

- This saved compliance teams an average of 87 days of work every 6 months

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The Challenge

Regulatory Change Is Accelerating and Growing More Complex

Compliance teams within financial services organizations face a constantly evolving array of compliance risks as laws are enacted, amended, and repealed. For the financial services industry, the problem is compounded by the fact that many banks operate across jurisdictions, from the local to the international levels, where the laws themselves may not be in sync and can even be contradictory.

The banking industry was already one of the most **heavily regulated industries in the world**, but after a string of crises, including the dotcom crash and the housing crisis of 2008, the pace of regulatory change has accelerated. The Great Recession alone triggered sweeping laws, such as Dodd-Frank, amended regulations, enhanced enforcement efforts, and the creation of a new regulatory body, the Consumer Financial Protection Bureau (CFPB).

Meanwhile, the pace of change has increased, with regulators churning out new or evolving regulations continuously, as often as 1 new regulatory document released every 12 minutes. This level of change is sparking another crisis in the financial sector: compliance teams that struggle to keep up with regulatory change management.

Enforcement Actions Add Another Layer of Complexity

Another complicating factor is Enforcement Actions (EAs). **Enforcement patterns can be as important as the laws themselves, with many laws, for instance, falling out of favor but never rescinded**. Keeping up with changing enforcement patterns is even more difficult than managing regulatory change, since changing EAs patterns may be opaque to the industries being regulated and may change without warning.

In fact, in Q2 2020 alone, Compliance.ai reviewed **over 500 enforcement actions issued by U.S. federal regulators across various topics**, including Securities, Mortgage Lending, FCPA/ABAC, Deposits, Crowd-funding, and Broker-dealer related topics.

> **Within compliance and risk teams, 1 knowledge worker spends more than 30% of their time each week manually tracking and reacting to Enforcement Actions.**

Compliance teams that attempt to keep up with our current environment of chaotic regulatory change using only legacy tools and processes must constantly play from behind. A Thomson Reuters survey found that the typical financial **compliance officer spends more than thirty percent of each week manually tracking and reacting to Enforcement Actions**. Thomson Reuters findings align with what we at Compliance.ai have found.

The Cost of Not Addressing the Challenge: The High Cost of Slow Processes Compounds

In 2019, **Compliance.ai polled more than 100 financial compliance, risk and crime professionals** at mid-sized to large financial institutions to learn more about how financial compliance, risk, and crime teams are currently tracking and monitoring enforcement actions.

- Over **90%** of survey participants track enforcement activity from federal agencies

- But when asked how they monitor federal or international enforcement actions, the majority of survey participants pointed to manual and informal processes in reviewing enforcement actions

- More than **30%** of respondents use manual spreadsheets and/or folders to track enforcement actions

- Nearly a quarter **(22%)** do not yet have a formal process established for tracking enforcement actions

A Day in the Life of a Compliance Officer Who Uses Legacy Tools and Manual Workflows

To illustrate this problem, we talked to a Compliance Officer at a Community Bank. She **described her typical day** as she attempts to keep up with fast-paced regulatory change:

"On average $3,700 per person per month is devoted to simply researching and organizing regulatory changes [at the typical community bank]. The larger the number of products, geographies of operation, charter for your organization and the size of the compliance team, the higher this cost (and the complexity) gets. And, this does not even include the often hefty cost associated with actually reading and analysis of the documents to understand and explain the impact of the changes on the business to the rest of the organization." – Compliance Officer from a community bank in Illinois

"On average, I receive 30 to 40 newly published documents from the 7 Federal Agencies I am tracking. Some I get straight in my inbox, whereas other documents I have to track down. Some are press releases and news updates, others are proposed rules, notices, and final rules. I organize this collection of content into an Excel spreadsheet. . . Often I spend 4 hours in the morning going through this routine and preparing the spreadsheet with the latest regulatory updates, and I haven't even read any of them yet."

The average rate for a Regulatory Change Coordinator/Manager in the U.S. is currently ~$115/hour, meaning that the typical small bank **spends an average $3,700 per person per month on researching and organizing regulatory changes**. This doesn't include analysis, planning, and dissemination of the information.

But it's not just the high TCO of manual change management that is a problem. Manual and informal processes also expose financial institutions to risk, especially with new far-reaching consumer privacy laws on the books, such as the GDPR in Europe and California's CCPA in the U.S.

Fortunately, new technologies, such as modern RegTech solutions, have matured to the point that banks of all sizes can begin transforming the lengthy, complex process of regulatory change management to take advantage of RegTech solutions.

How Much Can You Save Through Intelligent RegTech Automation?

The time saved processing documents by using RegTech only scratches the surface of what compliance teams can accomplish when they begin automating repetitive workflows and applying AI to help speed up decision making.

Without Compliance.ai

Consider the average time it takes for compliance teams to perform the following routine regulatory change management activities:

Time: 35 days:

- Manually extract key dates (such as effective date and comment close date)

- Map the relationships between documents, For example being able to determine and track from when a Proposed Rule -> has Comments during its comment period -> and is Changed (revisions) by the regulatory -> finally Becomes Final Rule -> References Regulations & Acts -> For which advisory firms publish guidance & whitepapers.

- If Enforcement actions are issued against the rule/regulation, extract the relevant enforcement action information (penalties, violations, respondents, etc.) is 35 days for a 100% focused staff member.

- Finally collect all the activities that have transpired before, during and after the change management process for reporting purposes.

Time: 20 days:

- Then, extract obligations, constraints, exceptions and rights via line-by-line analysis of the published document

- Finally report on the activities that have transpired

The Solution

How RegTech Automates Change Management, while Adding Expert Insights

Modern RegTech software combines the advantages of cloud computing (instant updates, zero CapEx, no vendor-lock) with cutting-edge technologies, such as AI and machine learning, to automate many regulatory change management processes, while also incorporating expert input to drastically reduce the time it takes to analyze, plan, and disseminate critical compliance-related information throughout the organization.

Here is what our cohort of Compliance.ai users have been able to achieve using our on-demand, AI-powered RegTech platform:

- Using Compliance.ai, Compliance teams were able to reduce the volume of documents they needed to manually process from an average of **25,537 down to 585**

- In other words, Compliance.ai was able to remove **94%** of the agency documents that Compliance teams previously needed to touch and process

- This saved compliance teams an average of **87 days** of work every 6 months

Time saved using Compliance.ai

■ Without Compliance.ai
■ With Compliance.ai

Total Agency Documents

25,537
documents

585
documents

← 24,952 docs found irrelevant
with Compliance.ai filters

Based on an average of a 5-minute review to determine a document's relevance.

Time Spent to Extract Requirements and Obligations

35
days

8
days

← 27 days saved
with Compliance.ai

Based on an average time to complete a full review, extract requirements, compare
to existing requirement and extract obligations

Compliance.ai users were able to reduce the time needed to assess regulatory changes and saved weeks of unnecessary repetitive, manual work. With Compliance.ai's noise-cancelling capabilities, only relevant regulatory changes surfaced within the solution.

Our **Expert-in-the-Loop based Artificial Intelligence** (AI) technology automatically normalizes dissimilar content published by regulatory sources, tags and classifies the documents and sentences within the document, extracts key information from the documents including detecting the changes between various versions of regulatory content, so users can create our advanced filters to create monitoring alerts, and to receive near real-time notifications whenever regulatory changes relevant to their business are published.

For our cohort, the other 24,005 documents could be safely ignored, since they weren't relevant to their organizations. This time savings alone added up to 87 days, or more than 12 weeks of high-cost, specialized labor.

Onboarding and Set Up

Each Compliance.ai organization spent less than 5 business days for set up and completion of their entire onboarding process. For comparison, most regulatory change management solutions require months of work for complete onboarding and setup, including professional and consulting services, installation, configuration, training and customization, plus ongoing software maintenance updates.

Time Spent on Onboarding and Training

Legacy Regulatory Change Management Platforms

Compliance.ai

Onboarding and Training Time (weeks)
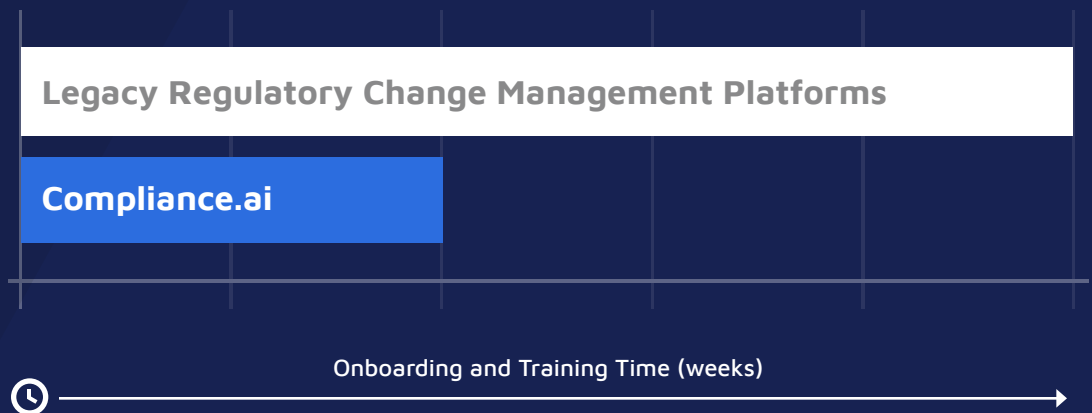
User Onboarding and Training

End users: (1 hour)

- ✓ Default Filters
- ✓ Personalize Views: Dashboard, Timeline, Enforcement, Resources, Insights & News
- ✓ Notifications & Folders
- ✓ Reporting
- ✓ Annotation & Collaboration

Administrators: (2 hours)

- ✓ Workflow Management
- ✓ Team & Organization Management
- ✓ Reporting
- ✓ Team Edition users: Training session to set up workflows

With Compliance.ai

With Compliance.ai's curated and enhanced regulatory content and proactive, noise-cancelling technology, compliance teams can use the automated document extraction, processing, and relationship mapping, and obligation extraction capabilities to save time, and increase the consistency and scalability of their operations.

As the company grows and expands into new jurisdictions or launches new products and services, or acquires other firms, the incremental cost of regulatory change management becomes negligible and the amount of time and resources to manage it remains consistent. Meanwhile, our Expert-in-the-Loop AI speeds analysis, finding hidden patterns in data and alerting you to risks you may otherwise miss in an avalanche of documentation.

Check out this **Savings Calculator**, input the parameters relevant to your organization, and see just how much you can save. You may also take a risk-free, no-obligation **test drive of the Compliance.ai platform**. Discover just how easy it is to eliminate noise and accelerate the time to insights using AI-powered RegTech and find out how our typical user experiences a time-to-value that is 2 hours or less.

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Thorough Analysis Based on Relevant Stakeholders

We analyzed anonymized, randomized and reviewed headerless usage data from compliance, risk and legal professionals in the financial services sector, who have been using the Compliance.ai RegTech platform for at least 6 months.

Organizations:

Group of 11 organizations:
- Banks
- Mortgage Lenders
- Asset Managers
- Fintech
- Credit Unions

Assets Under Management:

$1B- $30B

Roles:

Compliance:
- Chief/AVPs/Directors/Managers of Compliance
- Due Diligence Administrators
- VP/Director of Regulatory Change Management & Compliance
- Senior Vice President Investment Management Compliance
- Asset Management/Investment Compliance Executive

Counsel:
- General Counsel/VP General Counsel
- Investment Adviser and Fund Attorney

Risk & AML:
- VP Cyber Risk, Risk & Control, Business Development Officer CRA
- AML Program Unit Lead, Enterprise Risk Management
- Compliance RIsk & Compliance Coordination
- Senior Enterprise Risk Officers/Analysts

Number of Users:

73 (~7 users per organization)

Analysis Period of Time:

Regulatory Change Management: April 17, 2020 - Oct 1, 2020
Enforcement Action Survey: Oct 2019
Day in the Life of Compliance Officer Blog series: Jan 2018

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About Compliance.ai

Compliance.ai is transforming the way highly regulated organizations address compliance risk. Its regulatory change management solution empowers financial institutions to proactively manage the growing volume and velocity of regulatory changes as they occur, and makes it simple to implement the correct steps to remain in compliance. Compliance.ai delivers relevant content with personalized insights, obligation analysis, and risk assessment. With Compliance.ai, organizations can intelligently assess and mitigate their compliance risk, avoid regulatory sanctions and safeguard their corporate reputations– without increasing headcount.

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To Learn More: www.compliance.ai

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