



Greatest Risks For Banks

by [Steve Brown](#) Topics: [risk management](#), [compliance](#)

Summary: The Risk Management Association recently published the results of its latest regulatory survey. We provide you with a summary of the findings.

When it comes to weird facts for you to know, we always try to be a good source to liven up your discussions at the bank. For example, did you know it is physically impossible for you to lick your elbow, a jiffy is 1/100th of a second, and a sneeze exits your mouth at 100mph? Well, now you do, so have fun today.

One area in banking that is necessary, but no one would call fun is regulation. Sure, it is part of the business, but it creates a host of long-time and emerging issues for banks when one looks closer at risk management and regulations.

In late March, the Risk Management Association (RMA) published the results of its recent regulatory survey. It aimed at identifying trends and issues in risk management affecting mid-size and large banks. While community banks did not participate in the survey, the results are applicable for all banks.

The survey focused on six categories, including: enterprise risk management; compliance; examinations; accounting issues; lending and service products; directors' duties and responsibilities; and the regulatory environment.

While none of these concerns are particularly unusual or surprising, the upshot is that community banks should consider their approach to existing and emerging risks. We provide you with a summary of the findings.

Greatest risk management concerns. According to the survey, banks said their greatest challenges last year were in operational risk, including cyber- and third-party risk, as well as regulatory compliance and credit risk. It is noted that operational risk covers a breadth of organization-wide risks that banks face in doing business. Here, banks must stay on their game, by training staff on an ongoing basis, especially as new products and services are introduced.

Reducing regulatory compliance costs. More than 50% of respondents reported increases in expenditures for regulatory compliance last year. Bankers said those regulatory demands resulted in less product flexibility (32%) and slower response times to meet consumer requests (28%). Despite efforts to reduce regulatory burden, community banks still feel a disproportionate impact around regulatory compliance. Indeed 62% of respondents to the survey said the biggest challenge for bank directors is keeping up with the rapidly changing regulatory environment. Additionally, 79% said there are greater opportunities to reduce the regulatory burden even more.

Attracting and retaining talent. Community banks have long known that luring the best and brightest employees is an increasing challenge. There is plenty of competition and the market is tight overall. Indeed, survey respondents cited struggling with talent attraction and retention as the "greatest risk management challenge" this year. To address this issue, HR professionals recommend fine tuning and perhaps even retooling your approach to hiring to ensure you draw in and retain employees with risk and technology strengths.

ECONOMY & RATES

Rates As Of: 05/16/2019 10:58AM (PDT)

Treasury	Yields	MTD Chg	YTD Chg
3M	2.38	-0.03	0.03
6M	2.42	-0.03	-0.06
1Y	2.32	-0.05	-0.27
2Y	2.20	-0.07	-0.29
5Y	2.18	-0.10	-0.33
10Y	2.40	-0.10	-0.28
30Y	2.84	-0.09	-0.18
FF Market	FF Target	Fed Disc	
2.40	2.50	3.00	
SOFR	Prime	Unemp	
2.48	5.50	3.60	

[More Market Rates](#)

BANK NEWS

New Competition

The CEO of LendingClub said the online lending company is evaluating applying for a banking charter. He said doing so is a significant undertaking and a long road though, and indicated the evaluation will take time and involve some expense.

Fraud Behavior

[Research by the AFCE](#) on fraud finds 85% of fraudsters displayed at least one behavioral red flag of fraud and 50% displayed multiple red flags.

Branch Usage

Deloitte research on the acceleration of digital transformation in banking finds consumers say they are more likely to increase branch usage if the following features are offered: extended service hours through virtual remote services with a representative (36%); digital screen self-service, with representative help if needed (34%); ability to schedule a personal appointment for a virtual video meeting with a representative (31%) and a branch that resembles a caf? where you can plug in, hang out, and work (31%).

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