



Inquiry & Insight: Compliance, AI, Strategic Initiatives

by [Steve Brown](#) Topics: [compliance](#), [technology](#), [strategic planning](#)

Summary: Our readers asked us about compliance management systems, AI to improve customer experience, and re-evaluating strategic initiatives. Today, we provide our insight.

Q: Which is the most curious letter? **A:** Y? Ok, so that joke was a little goofy, but we wanted to get you into the mood for our latest Inquiry & Insight issue. This monthly issue allows us to address questions from our readers and provide you with some possible points of discussion as you begin your day.

Q: We're considering a new compliance management system. What are some of the considerations?

A: A good first step is to understand how much you're spending on compliance. To help in this effort, banks could consider [a tool developed by ABA](#) to help measure their regulatory compliance time and cost. Next, identify the areas where your current system is lacking, so you know your requirements for a new system. As you begin to investigate other systems, features will vary by system, as does cost, so be sure to look at several market offerings. Consider networking with similarly-sized financial institutions to see what they use and what features work, and don't work for them. Be sure to ask providers whether an off-the-shelf product can be customized to your needs, and at what additional cost, if any. Also ask whether you can pick and choose among capabilities and decide whether this makes sense from a cost, risk, and efficiency perspective. Make sure to familiarize yourself with a provider's information and security practices. Finally, keep in mind that cost shouldn't be the only deciding factor.

Q: We know the use of artificial intelligence (AI) to improve the customer experience has increased significantly as a result of COVID-19. But what are some ways we can make sure customers remain satisfied?

A: Research suggests that customers prefer AI-only interactions when they are researching products or trolling for information. But when it comes to more complicated, higher-level interactions, they prefer to be more engaged. This means providing, at a minimum, human-like contact. It's possible to use AI to provide this type of experience, but it requires the use of customer data to improve AI predictions and create contextual, customer-specific dialogues. As always, humans should be available for customers who want to engage directly with someone.

Q: We had to pull back some of our initiatives due to the pandemic, but now we're starting to think about moving forward. What are some considerations as we decide how to prioritize?

A: Many community financial institutions (CFI) are having these conversations. Especially with coronavirus cases rising across the country, priorities for many CFIs may need to shift to align with the constantly changing reality. So, first conduct a careful review of these strategic goals and confirm that: 1) they are still reasonable and 2) they are still attainable -- or even desirable. Digital offerings are in high demand from customers, so you might consider prioritizing any initiative that offers digital engagement to a higher priority. Banks may have to develop plans under several sets of conditions and be nimble enough to shift gears quickly, as needed.

ECONOMY & RATES

Rates As Of: 08/03/2020 06:03AM (PDT)

Treasury	Yields	MTD Chg	YTD Chg
3M	0.09	0.00	-1.46
6M	0.10	0.01	-1.48
1Y	0.11	0.00	-1.46
2Y	0.11	0.01	-1.46
5Y	0.22	0.02	-1.47
10Y	0.56	0.03	-1.36
30Y	1.25	0.06	-1.14
FF Market	FF Target		Fed Disc
0.10	0.25		0.25
SOFR	Prime		Unemp
0.10	3.25		11.10

[More Market Rates](#)

BANK NEWS

Working Remote Benefits

Top [benefits of working remotely according to a OnePoll survey](#) of Americans included: Enjoying a more flexible schedule - 41%; Being able to enjoy more quality time with their family - 38%; Being more productive - 33%; Not having to commute - 29%; Not having to dress up - 29%.

OCC True Lender Proposal

[OCC issued its proposal](#) for a "clear test" to determine the "true lender" when a bank and third party partnership is involved. Under this OCC proposal, a bank makes a loan if, "as of the date of origination, it is named as the lender in the loan agreement or funds the loan." This provides regulatory clarity for banks to work with third parties.

Closed Businesses Continues

Oxford Information Technology Ltd predicts total business losses in 2020 will be higher than in the last recession, when 20%, or roughly 4.5MM businesses, shut down in just over a year. A July survey conducted by the National Federation of Independent Business, discovered that around 22% of PPP loan borrowers have laid off or anticipate having to lay off employees after using their loan.

HAVE A QUESTION FOR INQUIRY AND INSIGHT?

Send any questions to me at steve.brown@pcbb.com and I will try to address them in a future Inquiry & Insight issue. I look forward to hearing from you!

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