

# Q1 2017 Industry Cost: \$61M

The Banking Compliance Index (BCI) is a quarterly tracking index published by the Regulatory Operations Center®. It measures the incremental cost burden on financial institutions to keep up with regulatory changes. The BCI data sources include: CFPB, FDIC, FinCEN, FRB, NCUA, OCC and OFAC. The BCI is calculated using an average size institution of \$350 million.

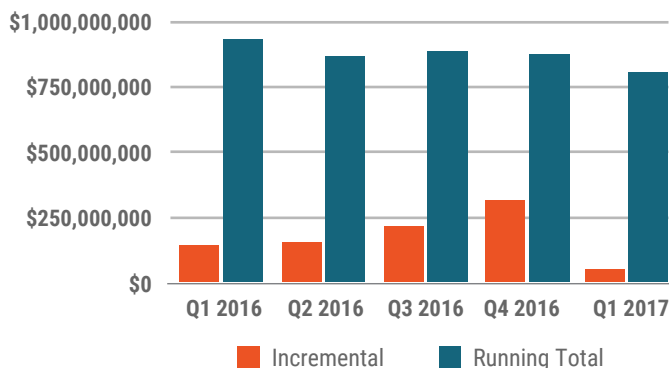
The Q1 2017 BCI marked the lowest FTE consumption score in the history of the Index. The average financial institution, for the first time ever, needed less than one full-time employee to handle the new regulatory burden. The score is down 63% from the previous quarter and 35% over the same time last year. Similarly, hours spent analyzing and implementing new regs declined 73% from the fourth quarter of 2016, totaling only 222 compared to Q4 2016's whopping 809-hour high. This resulted in costs of \$10,360, down more than \$43,000 from the prior quarter's figure. The dramatic decline in regulatory burden may in part stem from actions taken in Washington as new political leadership took office in the White House and Congress. There was also a slowdown in enforcement, with new enforcement actions across all agencies dropping to just 57. This 51% decline from the prior quarter left the overall rate of enforcement at 3.86%, the lowest rate since the Index was launched in 2013. Enforcement may have been less vigorous as various Federal agencies reconfigured their teams after the administrative changes in D.C. There remain as of this writing many unfilled key posts at three prudential regulators (OCC, Fed, FDIC) and the future of the CFPB has a degree of uncertainty given bills introduced to abolish or defund the Bureau, or reorganize its leadership.

	FTE* Consumption Score	FTE* Consumption % Change Quarterly	FTE* Consumption % Change Quarter on Quarter	Regulatory Changes	Hours to Comply/ Institution	% Change in Hours To Comply	% Change in Hours to Comply Quarter On Quarter	Incremental Cost Per Institution per Quarter	Regulatory Changes Page Count	Pages in Thousands	EAs**	EAs**/ 100's	% Change in EAs**	EA** Rate	Avg. # Items in an EA**
<b>Q1 2017</b>	<b>.79</b>	<b>-63%</b>	<b>-35%</b>	<b>47</b>	<b>222</b>	<b>-73%</b>	<b>-48%</b>	<b>\$10,360</b>	<b>1945</b>	<b>1.9</b>	<b>57</b>	<b>.57</b>	<b>-51%</b>	<b>3.86%</b>	<b>11</b>
Q4 2016	2.16	33%	-3%	115	809	88%	-16%	\$53,046	6057	6.0	116	1.16	17%	7.76%	9
Q3 2016	1.63	35%	33%	77	430	4%	12%	39,734	2727	2.7	99	0.99	-34%	6.54%	14
Q2 2016	1.21	0.8%	-30%	73	447	4%	-23%	\$29,732	2921	2.9	150	1.50	-13%	9.80%	4
Q1 2016	1.22	-45%	-10%	69	428	-56%	29%	\$29,021	1569	1.6	173	1.73	9%	11.19%	4

\* Full-Time Employee \*\* Enforcement Actions Data Sources: CFPB, FDIC, FinCEN, FRB, NCUA, OCC, OFAC © 2017 Continuity

Download the full Banking Compliance Index image at [BankingComplianceIndex.com](http://BankingComplianceIndex.com) »

Industry Burden (Trailing 12 Months)

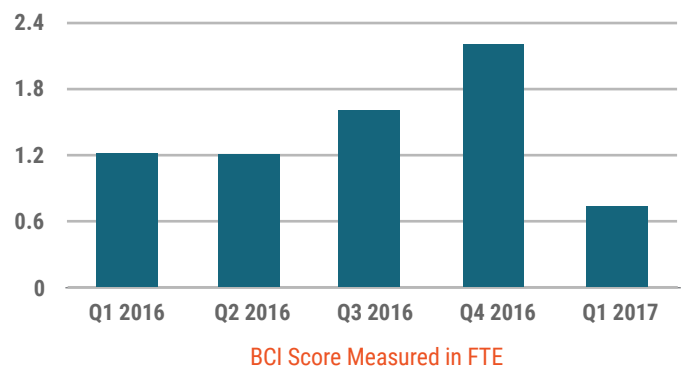


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Source: Banking Compliance Index

Full Time Employees per Institution

(\$350M in Asset Size)



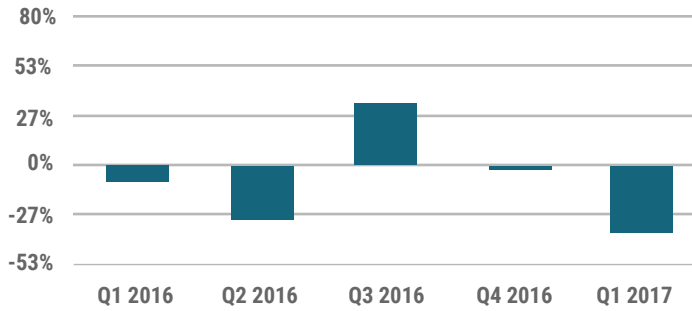
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### Percentage Change in BCI FTE (YOY)

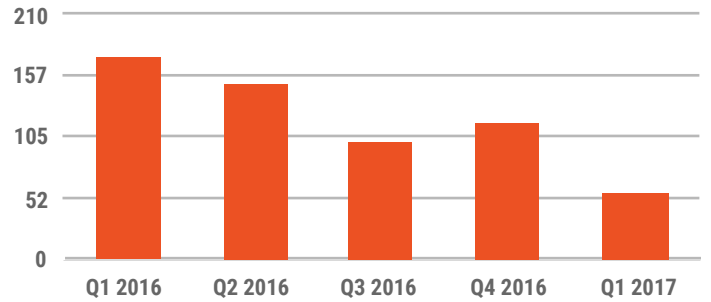
(trailing 12 months)



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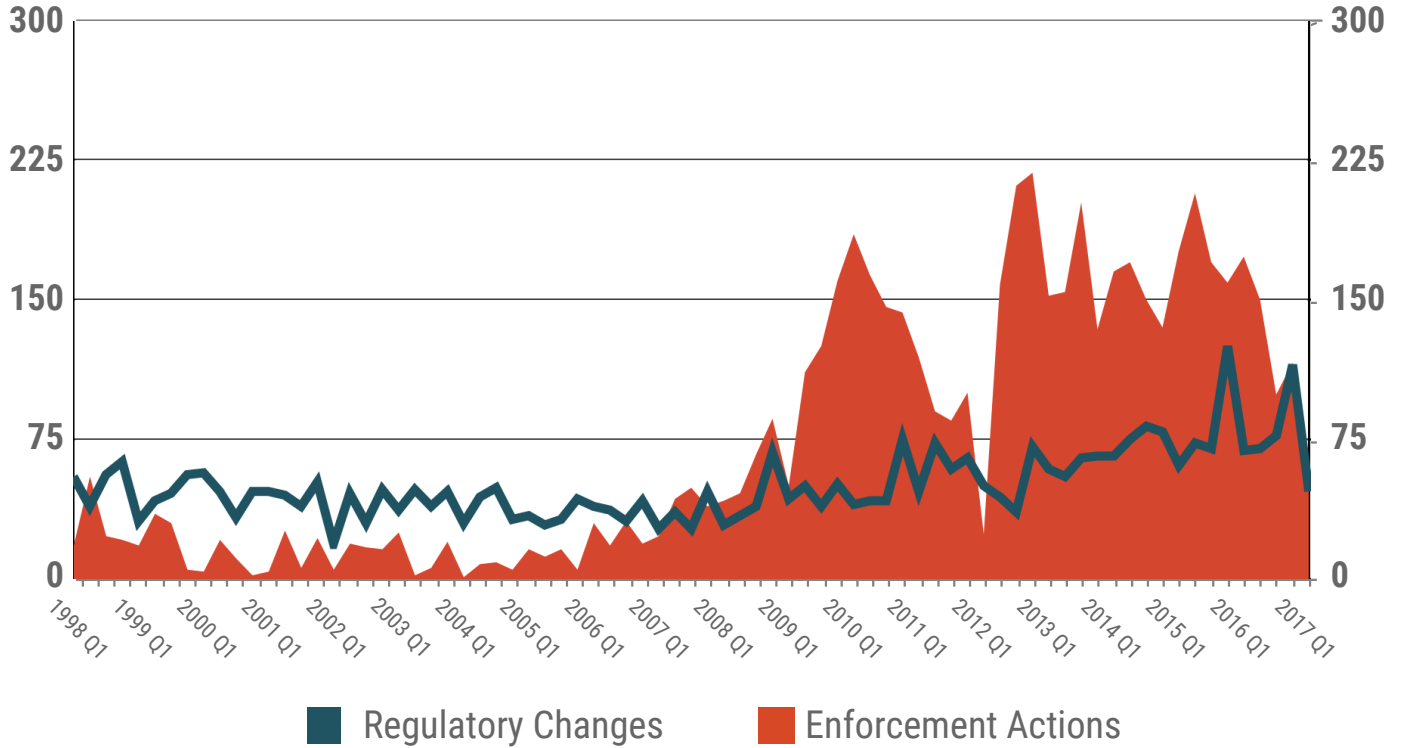
### Enforcement Actions/Quarter



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### Regulatory Changes / Enforcement Actions



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## What do the numbers mean?

The Banking Compliance Index (BCI) evaluates the incremental time and cost a typical financial institution will incur to comply with a quarter's new regulatory requirements and the compounding challenge of the enforcement environment.

### What is the FTE Score?

The FTE Score represents the number of full-time employees the typical institution needs just to keep up with this quarter's new regulations and enforcement climate. The score does not take into account the effort required to ensure compliance with the hundreds of other existing regulations - just this quarter's incremental burden.

### How are the Hours to Comply calculated?

Each regulatory change is analyzed in detail and assigned a workload value between 1 and 10. A typical institution will consume roughly two hours for a simple issuance, to more than 200 hours for a highly complex issuance. Values are then added across all issuances for the quarter to tabulate Hours to Comply.

Quarter	FTE* Consumption Score	FTE* Consumption % Change Quarterly	FTE* Consumption % Change Quarter on Quarter	Regulatory Changes	Hours to Comply/ Institution	% Change in Hours To Comply	% Change In Hours to Comply Quarter On Quarter	Incremental Cost Per Institution per Quarter	Regulatory Changes Page Count	Pages in Thousands	EAs**	EAs**/ 100's	% Change in EAs**	EA** Rate	Avg. # Items in an EA**
Q4 2014	1.35	7%	-20%	61	331	-11%	-31%	\$30,988	1605	1.6	176	1.76	30%	10.82%	7
Q3 2014	1.26	-32%	-22%	79	374	-43%	-17%	\$29,660	4109	4.1	135	1.35	-10%	8.20%	7
Q2 2014	1.86	26%	-21%	82	653	26%	-17%	\$45,262	3404	3.4	150	1.5	12%	9.01%	7
Q1 2014	1.48	-12%	-36%	75	517	-11%	-38%	\$34,755	2884	2.9	170	1.7	10%	10.10%	5
Q4 2013	1.69	5%	-28%	66	483	-11%	-61%	\$37,621	3284	3.2	165	1.65	23%	9.8%	8

\* Full-Time Employee \*\* Enforcement Actions Data Sources: CFPB, FDIC, FinCEN, OCC, OFAC

### How is the cost calculated?

The Incremental Cost per Institution per Quarter is the product of Hours to Comply times Average Hourly Wage. The average hourly wage figure is derived from the most recent aggregate Call Report data from the FDIC.

### Why do Enforcement Actions matter?

Enforcement actions and their complexity predict the industry impact of noncompliance with existing regulations. In a climate where there is more intense regulatory scrutiny, institutions must "up their game" to ensure they stay compliant. This information also reflects the additional impacts to those institutions that are the subject of EAs.