NCONTRACTS

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NAVIGATING CHANGE:

A Comprehensive Guide to Effective Change Management in Financial Institutions

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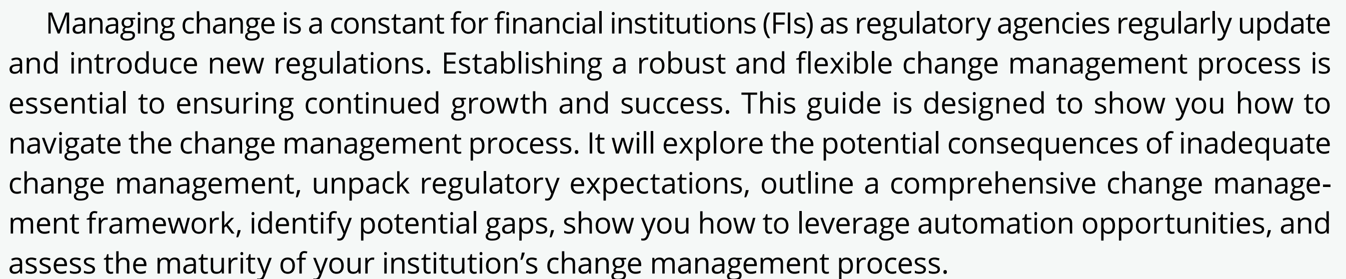
EXECUTIVE SUMMARY



Managing change is a constant for financial institutions (FIs) as regulatory agencies regularly update and introduce new regulations. Establishing a robust and flexible change management process is essential to ensuring continued growth and success. This guide is designed to show you how to navigate the change management process. It will explore the potential consequences of inadequate change management, unpack regulatory expectations, outline a comprehensive change management framework, identify potential gaps, show you how to leverage automation opportunities, and assess the maturity of your institution's change management process.

INTRODUCTION

Managing change is a constant for financial institutions (FIs). Regulatory agencies regularly update and introduce new regulations. Financial institutions evolve, launching new products and services, merging with and acquiring other institutions, and growing in complexity and size – which can trigger additional regulatory obligations. Establishing a robust and flexible change management process is essential to ensuring continued growth and success. Any one of these changes can increase a financial institution's risk exposure. And these changes aren't asynchronous. They often happen at the same time, making managing change an even more complex exercise.

As FIs navigate a dynamic environment marked by regulatory change, rapid technological advancements, evolving consumer expectations, and increased reliance on third-party partnerships (including fintechs), the ability to effectively manage change becomes a critical determinant of a financial institution's overall resilience and competitiveness.

This guide is designed to show you how to navigate the change management process. In it, we will:

- Explore the potential consequences of inadequate change management
- Unpack the regulatory expectations
- Outline a comprehensive change management framework
- Identify potential gaps
- Learn how to leverage automation opportunities

Whether your institution already has a change management process or needs to establish one, this guide will serve as a valuable resource to help you create an optimized, repeatable playbook for managing change.

Armed with the knowledge and tools necessary to navigate change effectively, your institution will be better equipped to minimize risk exposure, maintain operational efficiency, and capitalize on emerging opportunities.

THE FAST & THE FURIOUS

Managing regulatory change is painful. Has it always been this way, or is it getting worse?

Evidence suggests it's getting worse. Thousands of compliance officers reported that frequent changes are one of their top challenges, making it harder to stay compliant and do their jobs, according to a

2022 industry study.

It's easy to see why. Around 300 million regulatory documents have been published globally since 2020. These documents are full of dense, confusing text with vague details that makes it difficult to definitively interpret regulatory obligations. The volume of regulatory change since 2021 is like what we saw following the 2008 financial crisis when a tsunami of new and revamped laws and regulations.

Financial institutions must also contend with agencies and regulators. There's the prudential federal banking regulators (ex: Office of the Comptroller of the Currency (OCC), Federal Reserve Board (FRB), Federal Deposit Insurance Corporation (FDIC), and National Credit Union Administration (NCUA)) and state regulators as well as other agencies such as the Consumer Financial Protection Bureau (CFPB), the Financial Crimes Enforcement Network (FinCEN), Office of Foreign Assets Control (OFAC), U.S. Department of Urban Housing and Development (HUD), and the Department of Justice (DOJ).

Change is not always external. Change also stems from internal business decisions, such as going from a state charter to a federal or national charter, choosing to offer a new product or service, growing the institution's asset size, or increasing loan volume. All these activities could expose the institution to additional regulatory obligations.

Change is inevitable, and stagnant institutions don't survive. Change management is about responding to regulatory change while evaluating internal business decisions and strategies to understand how changes might shift compliance responsibilities.

Avalanche of Change

2023 has been a year of substantive regulatory changes. These heavy lifts include:

- The CFPB released its final rule implementing section 1071 of the Dodd-Frank at the end of March 2023. It's more than 800 pages detailing small business lending data collection.
- A new rule modernizing the Community Reinvestment Act (CRA) rule is expected towards the end of 2023.
- In February 2023, NCUA issued its cyber incident notification rule, which affects federally insured credit unions, casting a wide net in scope and impact.
- The California Consumer Privacy Act (CCPA) and the California Privacy Rights Act (CPRA) continue to complicate the privacy landscape in California. While the CPRA became effective on January 1, 2023, the industry is awaiting final regulations.
- Changes to when and how an institution may access beneficial ownership information reported to FinCEN to comply with FinCEN's Customer Due Diligence rule are on the horizon. The same rule most financial institutions finished implementing at their institutions in 2018 is about to change.

In the meantime, many smaller, less substantive changes at both the federal and state level are coming, adding to the workload.

INNEFFECTIVE CHANGE MANAGEMENT

Compliance officers know that managing change is essential. They know what can and does go wrong when institutions don't develop effective change management processes.

Mismanaging change opens financial institutions to all kinds of risk, including:

- Compliance risk
- Reputation risk
- Operational risk

Compliance Risk

Failing to implement a required change results in noncompliance. That can include outdated customer-facing disclosures, risk assessments, and other important documents and processes, making them ineffective at managing compliance risk.

Noncompliance leads to examination issues. Exams are already time consuming. Errors and outdated information give examiners a reason to scrutinize your institution more deeply. Compliance-related findings tie up the time and attention of some of your most valuable staff, including management and subject-matter experts across the institution.

Meanwhile, compliance deficiencies expose institutions to civil monetary penalties and litigation.

Reputation Risk

It's hard to come back from media reports when an institution is sued or in trouble for causing consumer harm. One institution in New York was the subject of unflattering media coverage when it failed to implement servicemember protections after a major regulatory change. The institution learned about the article after it was too late to respond. Its only option was crisis management and damage control. It's much better to be proactive in private than reactive in public.

Operational Risk

Ineffective change management often leads to staff doing the wrong kind of work. One institution combined two disclosures, something permitted by regulations. However, it didn't follow a good

change management process, which led to a vendor sending out an older disclosure while a new vendor sent out a new combined disclosure – an expensive mistake that also confused customers.

Another issue with an undefined change management process is the inefficiency of rethinking and re-litigating your process every time when you could be following the same workflow. This wastes time and effort.

Guidance & Expectations

Not only does strong and effective change management make business sense, but it is also something that regulators and examiners expect. These expectations stem from the agencies' adoption of the FFIEC's Compliance Management System (CMS) framework, which the FFIEC updated in 2016. This update to the CMS guidance transformed compliance program and system expectations from rules-based to principle-based.

Agency examination manuals pertaining to compliance management systems and compliance risk cover change management expectations. Federal regulators (ex: FDIC, OCC, FRB, NCUA, and CFPB) and state regulators incorporated the FFIEC's guidance into their examination procedures.

No matter who regulates your institution, each agency shares a common idea: "Change management should be a structured and disciplined process that is repeatable since change can always be expected." Regulators want to see your institution repeatedly leverage a thoughtful process.

Examiners will ask senior compliance personnel and management questions about your institution's CMS and processes, including planning, resources devoted to compliance efforts, and responses to changes in consumer protection laws and regulations.

They also expect your program to scale depending on the institution's size, structure, and complexity. For example, institutions offering many products and services or operating nationwide should have a more sophisticated program capable of handling frequent changes and managing increased compliance risk.

Finally, we can't focus only on internal or external issues. Institutions must do both—or face the consequences. Institutions that struggle to keep up with changing regulations often have similar challenges. One common one: failing to involve compliance in the creation of new products or services.

This isn't theoretical. When googling banking advertisements, I've been surprised by how many non-compliant products and services I've found. For example, I googled "loan repayment required through preauthorized electronic transfers" and found several institutions offering new loan products that required preauthorized EFT repayment, something that Regulation E prohibits. When I contacted the compliance officer at an affected institution, the compliance officer told me they had not been made aware of this loan product.

Instances like these are why institutions must create a change management process that is repeatable, implemented across the institution, and looks at change initiated both internally and externally.

A CHANGE MANAGEMENT FRAMEWORK

Now that you know the consequences of ineffective change management, let's look at how to improve the process. The following framework serves as a starting point that can be incorporated at your institution, modified, and made your own. It can apply to both external and internal changes.

Step 1: Change Identification

The framework begins with identifying changes. This event triggers the rest of the steps. While change identification seems obvious and straightforward, there are many challenges associated with early change identification.

If a change is initiated internally by adding a new product, reaching an asset-size milestone, or increasing a loan-volume threshold, compliance either needs to be notified by the department making the change, or there needs to be a meaningful report that provides this information. Someone who understands the impact of these changes must monitor them.

One of the biggest changes an institution experiences is reaching $10 billion in assets managed and preparing for CFPB supervision. Other changes, such as reaching the threshold to become a Home Mortgage Disclosure Act (HMDA) filer, mean hundreds of hours preparing with the right vendors and technology. Sometimes there's even a comination of internal and external changes, such as when the CFPB was sued for increasing its HMDA filing threshold and lost. Institutions were immediately responsible for adjusting to a volume threshold change for closed-end loans from 100 to 25. Those who were suddenly required to comply had to attempt to comply as quickly as possible with a massive regulation that most institutions took two years to implement.

That's why the most effective program can anticipate change.

Legislative & Regulatory Change

Change comes from many sources, including the legislative branch (i.e., Congress). Congress is known for writing lengthy and confusing rules. Over the years, the number of new laws passed by Congress has decreased while bill length has increased.

Meanwhile, we've had a highly divided Congress over the last few years. To pass laws, members have resorted to grouping minor laws into more significant bills. The National Defense Authorization Act (NDAA) is a great example. Usually, Congress passes this bill every year to set the annual budget and expenditure of the U.S. Department of Defense. Because it will pass, members of Congress add in

other unrelated provisions, such as a law affecting FinCEN. This makes identifying applicable changes even more complex for financial institutions.

That's not the only challenge with tracking legislative changes. Sometimes federal and state bills sit with no activity for months. Then one day, they are quickly signed and passed without an electronic alert, so institutions must wait until the legislature issues a monthly update of all changes. What's pertinent to financial institutions is jumbled together with irrelevant changes, and compliance officers end up with less time to analyze the impact of the change.

After a law is passed or signed into law, an institution must consider whether it is a self-implementing law, meaning they can start implementing and observing as it is, or if they must wait for the implementing regulation.

Regulators come at regulation from two different places:

- Regulators can initiate a regulatory change to implement a law, which is how the CFPB implemented 1071 of the Dodd-Frank Act. The bureau had to propose to modify Regulation B.
- Regulators can also amend their regulations within permissible boundaries, such as when NCUA chooses to modify its model bylaws or the FDIC, FRB, and OCC make threshold adjustments to their Community Reinvestment Act regulations.

We don't always need legislative change to spark regulatory change.

We also have guidance, which is released far more often than in the past. Some regulators, including the prudential banking regulators, would issue guidance that sounded like new requirements were being imposed on financial institutions. They would write up institutions during examinations, citing guidance as the reason something was permissible or impermissible. Because of industry concern, the federal regulators released an interagency statement stating that supervisory guidance does not have the same force and effect as a law or regulation. That means that regulators can't be sneaky and introduce additional requirements or prohibitions in their guidance. They must go through the rulemaking process. Lately, this seems to have gone out the window.

There have been speeches and guidance about junk fees and their relationship to the UDAAP framework. Several regulators have been advising that certain types of overdraft products are deceptive. The CFPB also stated that authorized positive, settled negative overdrafts are unfair. Multimillion-dollar enforcement actions for overdraft fees were issued against banks based on this guidance.

Actively tracking and analyzing guidance, speeches, and government blogs can allow institutions to glimpse the latest areas of regulatory scrutiny and understand what regulators and the current presidential administration are prioritizing.

Unfortunately, change identification gets muddier as institutions must also pay attention to litigation

to understand how thousands of courts around the country are deciding and interpreting laws and regulations. Court cases play a huge role in the enforcement direction agencies take. For example, the CFBP faced a devastating loss in the Illinois Circuit Court, which found that Regulation B does not apply to prospective applicants. The decision hinders the bureau's ability to prosecute institutions for redlining violations under the Equal Credit Opportunity Act (ECOA). But judicial decisions have limited impact and case law is ever-growing. Learning to track this information is a helpful way to target your change management efforts.

The last area that might trigger a significant change is self-regulatory organizations (SROs). These are non-governmental organizations that have the power to create and enforce industry standards and rules such as the National Automated Clearing House Association (NACHA) and payments networks like VISA and Mastercard. Every time these organizations change their standards, they trigger an institution's change management process. These organizations can be active, making the tracking efforts of institutions challenging.

An institution may want to ask these questions:

- What tools or processes do we have to identify change?
- Are these tools/processes giving us enough time to engage in a comprehensive understanding of the change?
- How are we tracking the ebb and flow of the compliance risk landscape?
- How are we tracking changes to SROs' standards?
- Do we have a method to centralize all changes or are we still handling the tracking process in an ad hoc manner? (Ad hoc may work for smaller, less complex financial institutions, but this method rarely works for more complex organizations, especially as the landscape becomes more complicated.)

4 TIPS FOR CHANGE IDENTIFICATION

1. Keep a list of keywords or phrases to make identifying applicable changes easier.
2. Look at statutes to see if they are self-implementing or require an agency to act.
3. Even if there is an implementing regulation, sometimes the regulation does not implement the entire statute. For example, parts of the Fair Credit Reporting Act (FCRA) are implemented in Regulation V, while others remain solely within the act.

4 TIPS FOR CHANGE IDENTIFICATION (CONT.)

4. Some regulations do not include the civil monetary penalties for violating the regulation so you may have to go up a level to find that information. A good example is the TILA RESPA Integrated Disclosure (TRID) rule, which did not include the cost of civil monetary penalties that could be imposed should an institution violate the rule's requirements.

Step 2: Impact Analysis & Alerting

Once you identify a change that could affect your institution, you must understand the scope of the change.

Begin by asking:

- Does it affect our institution because of our institution type (ex: bank vs. credit union) or charter (federal vs. state)?

This can be tricky because many regulations and laws are written with the term "bank" or "financial institution," and these terms are defined differently in almost every law and regulation. Sometimes they apply to all depository institutions, sometimes only to specific types of banks, and other times they include mortgage companies. During the scoping phase, institutions must review key definitions to ensure they are not implementing something inapplicable or missing something important.

Other questions to ask include:

- Does this affect a specific product or service?
- Which department(s) could be affected by this change?
- Does the change affect a regulation that applies to my institution?

As mentioned earlier, don't forget to check whether the change requires regulator implementation or if it is a self-implementing statute.

Not all regulatory changes require change. The best example of this is a proposed rule. Unless you are actively writing a comment letter, a proposed rule will not require immediate action (although tracking proposed rules will allow your program to remain proactive and understand what might be coming).

A good tip here is to make advanced decisions about what your institution cares about. Decide if

someone will be involved with advanced notices of proposed rulemaking (ANPRs) or proposals or if it's just too much information. Prioritize your efforts, especially in 2023.

Alert Affected Business Unit(s) of the Change

An essential facet of change management is reporting regulatory changes to management, the change management committee, and/or the affected business units. Before alerting or informing a business unit, a designated person or department should understand the change and perform a preliminary impact analysis.

The initial change management report should include:

- Title of the change. This usually comes directly from the regulatory change. If the change is internally driven, it is a good idea to give the change a descriptive name so that it's not confused with other change items.
- Source. Describe what triggered the change. Which regulator(s) issued the change, or is this an internal shift?
- Summary. The report should include enough information for management to understand the change and its impact on the institution. You shouldn't drown management with details in the initial stage. The initial report can be followed up with a more comprehensive analysis document.
- Designated owner. Identify the person who will be primarily responsible for implementing the change. This will not be the only person working on the change. Effective change management requires a village.
- Change type: Highlight whether the change requires action or if it's just something to keep an eye on. Be selective when deciding what to report, as some items like ANPRs can sit in limbo for years before the regulator issues a proposal or scraps it entirely. If an ANPR or proposal has the potential to create a major impact, such as a proposal to reduce credit card fees by almost a third, it should be elevated to management.
- Important dates. Note when the change was published, the effective date, and whether the effective date differs from the mandatory compliance deadline.
- Estimated impact. Use the research and analysis performed in the earlier steps and consider:
    - Which systems are tied to the affected products and services? For example, if you have a loan-originating system (LOS) tied to your loan products, and there is a change to loan operations or disclosures, you may need to work with vendors.

- Determine which disclosures, rate sheets, marketing materials, and websites are tied to the product that may be affected.
- Which departments/people support the P&S?
- Will you need a new vendor to support the change? (Ex: a document provider or law firm to draft new disclosures.)

HOW TO ESTIMATE COSTS

Tip: Consider whether the change will turn your world upside down the way TRID did several years ago or if it's a small change, such as when the regulators update their civil monetary penalties and other thresholds for inflation. Give the change an impact score if you want to be objective and consistent, or you can use your judgment.

- Estimated cost. Estimate the cost to the FI, depending on how extensive the change is. Cost information does not always have to be quantitative data. To estimate the cost, you could use a scale of one-to-three-dollar signs, with three being the most expensive and one being the least expensive. Estimates do not have to be perfect. They help you learn and make better decisions, especially if you document and review this information after the dust settles.

INDUSTRY COST ESTIMATES

Tip: Federal regulators tend to include an analysis of estimated effort and cost in their proposed and final rules. Most of the time, the industry argues (with reason) that these estimates are conservative, so you may want to treat that information with some skepticism.

- **Estimated timeline.** Something else you may want to include is a time estimate to help you visualize what else the institution is committed to doing in the weeks and months ahead (such as an examination or audit) and determine the best course of action. This is especially important if you have limited resources and many people wearing different hats.
- **Compulsory or optional?** Knowing how long it takes to implement a change is also a great way to plan for the resources needed. Not all changes are required, and this gives management a better idea of the resource constraints faced by different departments, which can help it reconsider whether it is the right time to go down a specific strategic path. Some changes originate from within the institution, such as when it offers a new innovative product like crypto services, partners with a fintech, or engages in M&A activity.
- **Action plan.** If your FI has already taken action, it's a good idea to show management some high-level aspects of the plan to get feedback and ensure nothing is missed.

Step 3: Responsible Parties

Every financial institution should have a change management committee staffed with knowledgeable representatives from each functional area. Initial meetings should include everyone. If departments aren't represented, you are bound to miss something because you don't know what you don't know. Once you have a better idea of who needs to be involved with a specific change, you can winnow involvement to only those who need to be there.

Delegating a change to an entire committee does not usually yield results. Name a designated owner in the initial report to shepherd the change and keep everyone aligned. Larger, more complex financial institutions often choose the project management department. If that's not where your institution is, make the change owner the primary department impacted. The department that faces the most risk can also be the change owner.

There are pros and cons to compliance leading change management efforts. It's hard enough for compliance to convince departments to do required things like training promptly. Convincing people to let you change their process when you are not their manager is even harder.

Successful change management requires collaboration among all the functions that have a role in implementing the change. The designated owner should be the one delegating responsibilities. They should explain the why of the change, set expectations and deadlines, and follow up.

CHANGE MANAGEMENT COLLABORATION

Tips:

- Identify departments, people, or vendors that need to be involved before the change can be fully implemented.
- People respond to change differently. Consider people's strengths and weaknesses when selecting the designated owner and responsible parties.

Step 4: Create an Action Plan

Time to roll up your sleeves and create a plan of action. Action steps should have due dates to promote accountability and set expectations. As the saying goes, "a goal without a deadline is just a dream." Consider important dates for company-wide initiatives to help identify potential conflicts or resource shortages. An easy way to do this is to have a company-wide calendar where critical dates that affect the institution and personnel's bandwidth are shared.

As the institution undergoes changes, it should begin to create a library of potential actions it may need to take. Changes tend to require:

- Researching the change (beyond any strategic factors already considered)
- Evaluating its impact on specific processes (including software and vendors)
- Creating new tools for staff (such as checklists or tip sheets)
- Updating policies and procedures as needed
- Training staff
- Monitoring to ensure correct implementation
- Testing before going live
- Testing after going live, which could include dummy transactions or internal test subjects. (This step is crucial when a change involves technology. You need to ensure that functionality and disclosures correctly capture the institution's practices and related regulatory requirements.).

ACTION PLAN TIP

Tip: As action items are created, documenting the party responsible for each item will help avoid gaps. Having an action plan also allows management to understand the needed resources and develop and approve a budget for implementing the change.

Step 5: Ongoing Communication

For more extensive changes spanning months or even years, like the implementation of section 1071, an FI must engage in ongoing communication far beyond the initial report. When it comes to important changes, it's better to overcommunicate than under-communicate.

Here are some recommended items to include in your regular reporting to management, the board, or your change management committee so they remain aligned on essential changes and maintain appropriate governance and oversight:

- **Summary.** Management and the board have a million things going on. They need to quickly understand what the change is and why it matters. Draft an initial summary and update it as your understanding of the change's impact matures.
- **Action plan progress.** This is where you want to cover major deadlines and highlight if a deadline was missed, the team is having a hard time getting someone to complete an important task, or a vendor is falling behind on deliverables. These are obstacles your management team needs to know about. They can help put pressure on internal staff and help you troubleshoot external issues. No one in management wants to be surprised about a project falling off track when it's too late to help.
- **Challenges/Issues.** As with any new or unexpected roadblocks, you need to surface challenges.
- **Budget.** Is the anticipated cost on track/off track?

Step 6: Determine Change Management Effectiveness

After a change has been implemented, there is additional work to do, including conducting targeted testing.

Targeted testing can include:

- Auditing transactions or processes to ensure they deliver the intended results
- Actively reviewing customer/member complaints associated with the product or service that changed

- Mystery shopping to ensure your staff is responding to scenarios correctly
- Reviewing customer-facing documentation and systems like your website to ensure there is no mention of any legacy products, services, fees, etc.

BRING SOLUTIONS, NOT JUST PROBLEMS

Tip: If you are going to present challenges/issues to management, brainstorm some solutions ahead of time. They are likely to ask for your opinion as the person with boots on the ground, so don't come empty-handed if you can prevent it.

SHOW YOUR WORK

Other reporting tips:

- Good reporting also helps demonstrate effective change management and implementation to your examiners. Save your point-in-time reporting (ex: what was done and when) so you can go back a year or two from when the change was implemented.
- You may also want to document decisions such as management choosing not to implement/adopt a change or when your institution determines a change is not applicable (remember to document the why of a decision).

Post-Implementation Review

Another important step is keeping your eyes and ears open and proactively soliciting feedback from employees, customers, management, and the board. Also, keep track of industry news.

During and after implementation, many institutions grumble that some items in the final rule are unclear. For example, TRID had the black box issue, beneficial ownership initially lacked clarity on how to treat specific associations, and the Military Lending Act was vague on the applicability of refinancing transactions. Monitoring and tracking a change before, during, and after implementation is vital because the regulators will respond with clarifications that may affect your process and trigger additional action steps.

Step 7: Refine Process

In product management, the process of soliciting feedback is called a post-mortem. This is an amazing process because your framework may work, but there are always things that need to be analyzed and tweaked, from the cadence of reporting to the tasks and deadlines assigned, to how certain vendors and departments reacted to the change. Always working to improve your process will pay dividends in the long term.

The key to a post-mortem is figuring out what went well, what didn't, and what lessons were learned. Appoint someone to take notes (preferably someone who doesn't have a horse in the race so they can focus on transcribing rather than participating) and highlight actionable takeaways. Without a plan of action, post-mortems will quickly become contentious and unproductive discussions. Choose a moderator who can solicit the right input and follow up on action items.

AUTOMATING CHANGE MANAGEMENT

Many financial institutions rely on Excel to manage regulatory change. While Excel can initially help, there are limits to how far it can take an institution.

The most effective financial institutions transform their change management programs with automation.

Benefits of Automation

In a busy period of regulatory change, when the economic environment is not the best and the second line may not be getting additional people resources, automation can be a game changer. Automation can be the difference between consistently following your framework and leaving important steps out of the process.

A big reason we automate is to make jobs easier for people. Automation should be capable of handling tasks that are:

- Repetitive
- Time-consuming
- Require minimal judgment.

If you identify these areas and automate them, you will save a lot of time, minimize errors like forgetting to complete a task that holds back the entire process, and ensure uniform processes.

Determining the Institution's Change Management Maturity

Before you can leverage technology, you should determine the maturity of the institution's change management framework. It will fall into one of these following three stages:

- **Reactive.** There is no formal process. Every new change requires a new process. Reactive institutions can't leverage automation well because they are still trying to develop a change management program.

  Automation is not a magic pill. It takes time and effort to mature your framework so the institution can leverage automation. First, establish repeatable processes that work at your institution. Then choose one area to automate at a time. You may also wish to find a partner to develop your change management framework or support your automation efforts.
- **Developing.** There's an established change management process, but it's not always followed consistently, or improvements haven't been made in a while. This is an excellent place to be in. The institution can start automating some of the repeatable items in its program. You should have tweaked along the way and know what works, what doesn't, and what timelines are and aren't realistic.
- **Advanced.** Change doesn't find you. You actively seek change. If you are in this stage, you likely already have some automation because you need technology, experienced staff, or both to reach the proactive stage.

Your institution's change management maturity stage depends on your opportunities for automation. That's why establishing a foundation is critical to scaling your efforts.

What Can You Automate?

Some items can be implemented by anyone (including those in the beginner and developing stages), while others are better left for those in the developing to advanced stages.

Automation for Any Maturity Level:

Centralized regulatory library. Nothing prevents you from starting a library of regulations that apply to your institution where you note how the regulation applies to your institution and which departments, products, and/or services are affected by the regulations. This will save you time and effort when you identify a regulatory change.

You can also extract specific requirements, prohibitions, risks, and required controls mentioned under each regulation to make it easier to visualize what is changing and which department currently handles or is responsible for the regulatory activity. This step makes it easier to connect your library to risk assessments, policies, procedures, training, and complaints, allowing the institution to quickly identify which program elements and documents need to be updated once a regulatory change occurs.

Change Alerts. I once worked as a compliance officer at a smaller institution. Our tracking efforts were highly manual. I would subscribe to dozens of web pages. I would also visit several other web pages that did not have subscriptions and read for hours a week. This is the first area I pushed for automating at my institution because I was a team of one. Instead of recreating the wheel, I found a system that would send me alerts on regulations in my library, saving me tons of time.

Task Management. Another area ripe for automation is the task management element. Most institutions have task assignment software. Add this software to your change management framework to automate reminders, follow-ups, and centralize all activity for a specific change. This will save you from wasting time engaging in administrative duties and make time for high-judgment tasks like analyzing the change's impact.

DOCUMENTATION TIP FOR EXCEL & ACCESS USERS

Tip: If you start your library in a manual system like Excel or Access, make sure you are consistent in your approach, limit the data you enter in each field, and plan for how this may be digested in the future. Don't use Microsoft Word or a similar text-based solution to create your database, as this is not easily transferable to any automated system.

CONCLUSION

Effective change management is essential for financial institutions to stay compliant and manage risks, including compliance and reputation risks. Financial institutions face many changes and regulatory obligations, making it challenging to keep up. Mismanaging change can result in examination issues, civil monetary penalties, litigation, and a damaged reputation.

Financial institutions must develop an effective change management framework. This includes monitoring both regulatory expectations and internal business decisions and strategies that may shift compliance responsibilities, analyzing the impact and alerting those who need to be involved, creating an action plan, maintaining ongoing communication, determining the effectiveness of the change management process, and then making any needed adjustments. This is the only way institutions can mitigate risks and ensure smooth operations during times of change – and the only way to reap the time-saving benefits of automation.

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Stephanie Lyon, Ncontracts Vice President, Compliance and Regulatory Content Strategy, is a dynamic force in risk and compliance management, leading Ncontracts' team of attorneys and compliance, risk, and audit professionals in developing products, including model content. Named one of the Most Powerful Women in Fintech by PROGRESS in Lending, Ms. Lyon is known for her thought-provoking webinars, podcasts, and articles for financial institutions covering everything from regulatory compliance and risk management to third-party risk management. A former senior compliance counsel at NAFCU, where she advised hundreds of financial institutions on compliance-related topics, she is also a faculty member for Compliance, Risk and Bank Secrecy schools and seminars around the country. Vice Chair of the George Washington University Credit Union Initiative, Ms. Lyon received her J.D. at the George Washington University Law School.

ABOUT NCONTRACTS

Ncontracts provides comprehensive vendor, compliance, risk management, and lending compliance solutions to a rapidly expanding customer base of over 4,000 financial institutions in the United States. We help financial institutions achieve their compliance and risk management goals with a powerful combination of user-friendly, cloud-based software and expert services. Our solution suite encompasses the complete lifecycle of risk, including vendor management, enterprise risk management, business continuity, compliance, audit and findings management, and cybersecurity. The company was named to the Inc. 5000 fastest-growing private companies in America for the fourth consecutive year.

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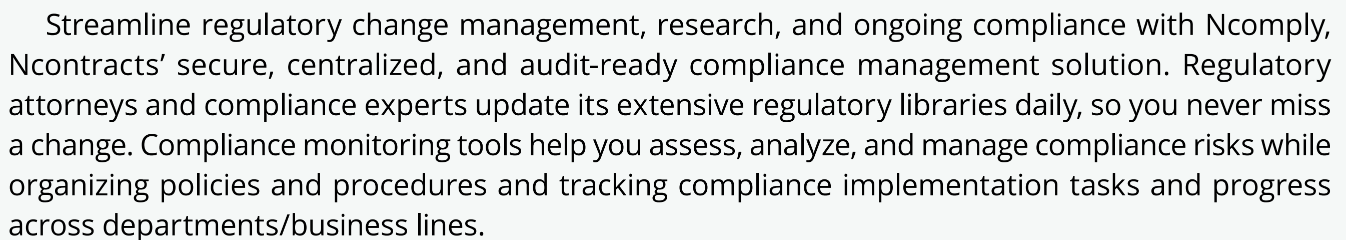

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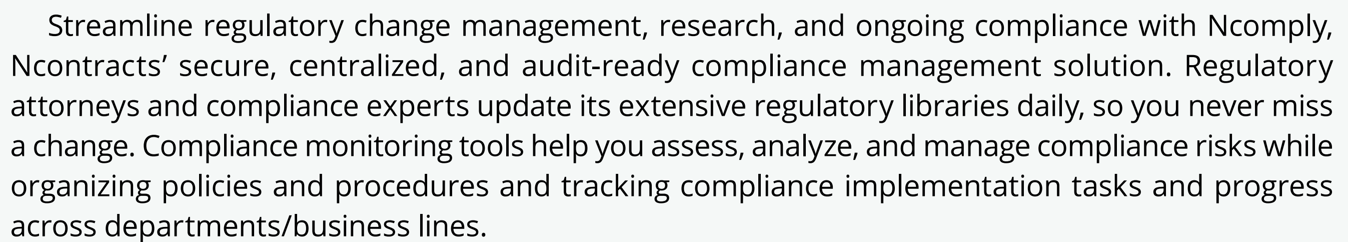

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