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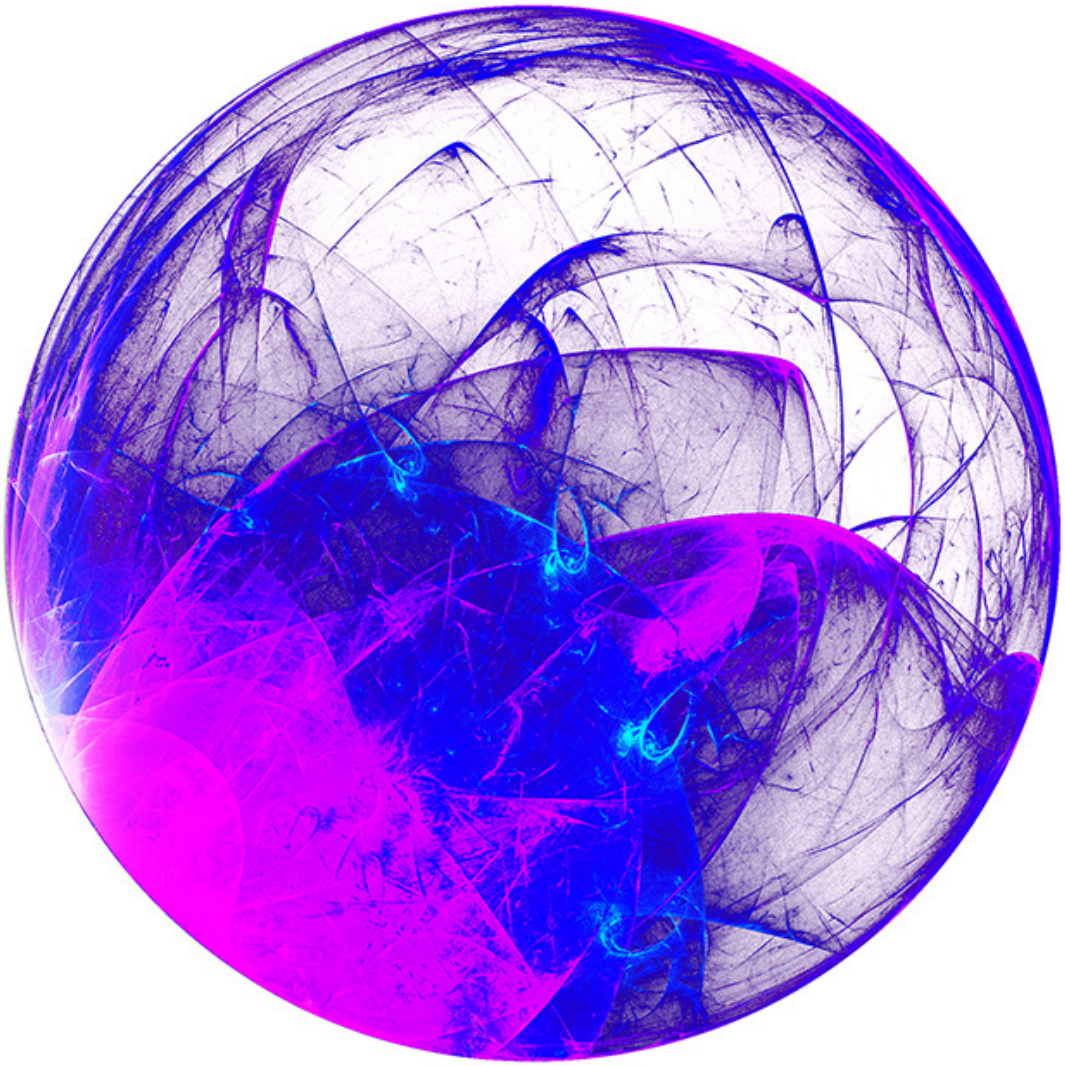

2021 banking regulatory outlook

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Contents

Introduction

Extreme volatility, uncertainty, and complexity are accelerating the pace of regulatory change in the banking sector.

To describe 2020 as a difficult and challenging year is to state the obvious. However, like a tsunami after an earthquake, it is often the less obvious ripple effects from a crisis that have the biggest, most enduring impacts. COVID-19 affected every person, company, and industry to some degree. But its full long-term impact on the global economy, banking organizations (banks), and other organizations looking to formally enter the banking system—and on how people in the future will live and work—is still being determined. Similarly, after a contentious election season, the United States still finds itself with many more questions than answers.

Against this backdrop of ongoing turbulence and uncertainty, we present the 2021 version of our annual report on regulatory trends in the US banking sector (which, as of this date of issuance, is subject to change given the expected changes in regulatory agency heads over the near-to-medium term).

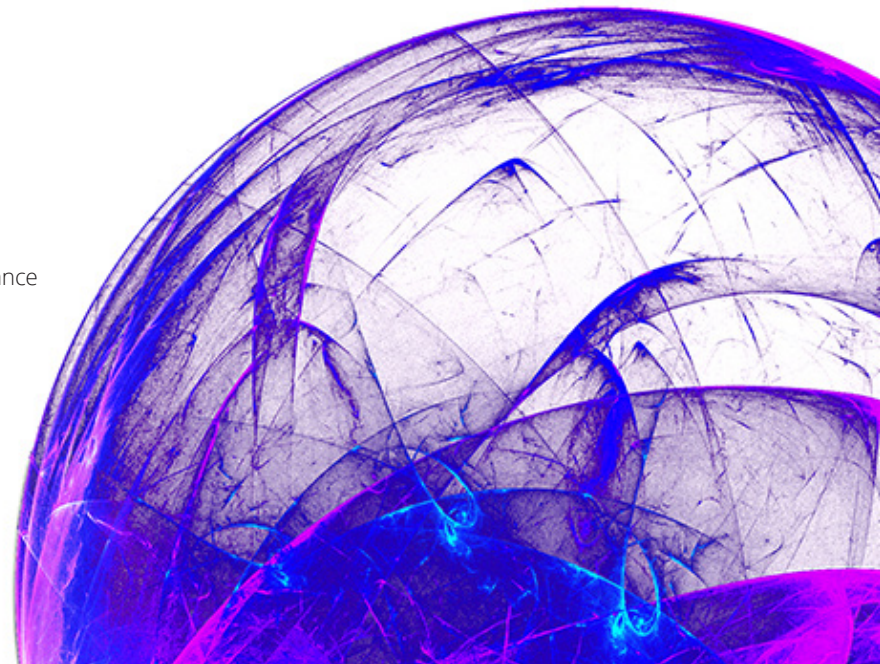
This year's report highlights several areas where important regulatory changes are emerging or accelerating in the wake of 2020 and beyond.

- Evolving oversight of digital transformation and technological innovation
- Heightened focus on operational resilience
- Governance and control of workforce transformation
- Financial resilience in an uncertain regulatory environment
- Regulatory divergence creates new challenges
- Bank Secrecy Act and anti-money laundering (BSA/AML) compliance
- US regulators address climate risk
- Renewed push for consumer protection
- Business model optimization and structural reform
- Creating a more dynamic data environment

Regulators continue to refine existing regulations implemented in the wake of the financial crisis (global financial crisis) and are now focusing their attention on existing policy areas such as climate risk, digital currencies, technology, and innovation. Meanwhile, they are reviewing their own supervisory processes and reinforcing the core banking supervisory pillars of governance, risk management, capital adequacy and planning, liquidity management, and compliance with laws and regulations.

Recent enforcement actions send a clear message that existing laws and regulations will be enforced and that banking regulators, rather than easing up on their expectations, are demanding higher levels of accountability from boards of directors (boards) and senior management for the laws and regulations that are currently in place. At the same time, regulators are paying close attention to economic trends and forecasts and are carefully monitoring the financial strength of the banking industry, both in the United States and globally.

All these regulatory trends could have a major impact on the banking sector over the next 12 months and will likely require significant attention and action from leadership.



Evolving oversight of digital transformation and technological innovation

The impacts of COVID-19 exposed the legacy technology and process deficiencies in banks and the need to improve their customer experiences at scale. Digital transformation was quickly becoming a strategic imperative for the industry before the pandemic hit, but was put on hold in the early stages of the crisis, when day-to-day operations were the priority. However, as widespread vaccination starts to occur and the world starts to bounce back from COVID-19, digital transformation continues to remain top of mind and is further accelerating on many fronts, including:

- Financial technology (fintech) companies' growth and entry into the banking sector;
- Incumbent financial institutions (FIs) partnering with or buying new technologies or forming alliances;
- Large-scale technology providers (Big Tech companies) playing a role in transforming banks' data and architecture models; and
- Regulatory technology (RegTech) companies helping businesses comply with regulations efficiently and less expensively. In turn, regulators have also been looking at technology to make their own regulatory and supervisory processes more efficient, reliable, and innovative.

Although digital transformation is taking different forms in different sub-sectors of financial services, the banking-as-a-service (BaaS) construct is gaining momentum. Fintech companies and banks are innovating to engage their customers in deeper and more meaningful ways and, ultimately, to transform how banking is done. However, they are approaching the opportunity from different angles and driving value from different vantage points. While fintech companies are leveraging their technology strength and brand recognition to engage a broader base of customers (many of whom did not use banks in the past), traditional banks are using digital experience platforms, mobile banking, and new payment methods such as peer-to-peer payment to engage the existing customer base more deeply.

Traditional banks face increasing competitive pressure to leverage their balance sheets—as well as their risk and regulatory compliance disciplines—to deconstruct their core banking stack and position their offerings "as a service," with Big Tech and fintech companies owning the customer experience (and possibly the entire customer relationship).

The trend of forging new relationships between companies native to the digital world and traditional financial services giants had been gaining traction before the pandemic and will likely resume in 2021. Regulators are keen to understand this emerging ecosystem and its implications. Conscious of being seen as barriers to innovation, regulators are proactively creating new avenues to engage with banks and fintech companies in order to better understand the evolving landscape featuring new financial product offerings. They are establishing relationships with technology companies of all sizes. As regulators' understanding of the ecosystem's interplay and interdependencies matures, the risk implications and regulatory considerations will become even clearer to the marketplace.

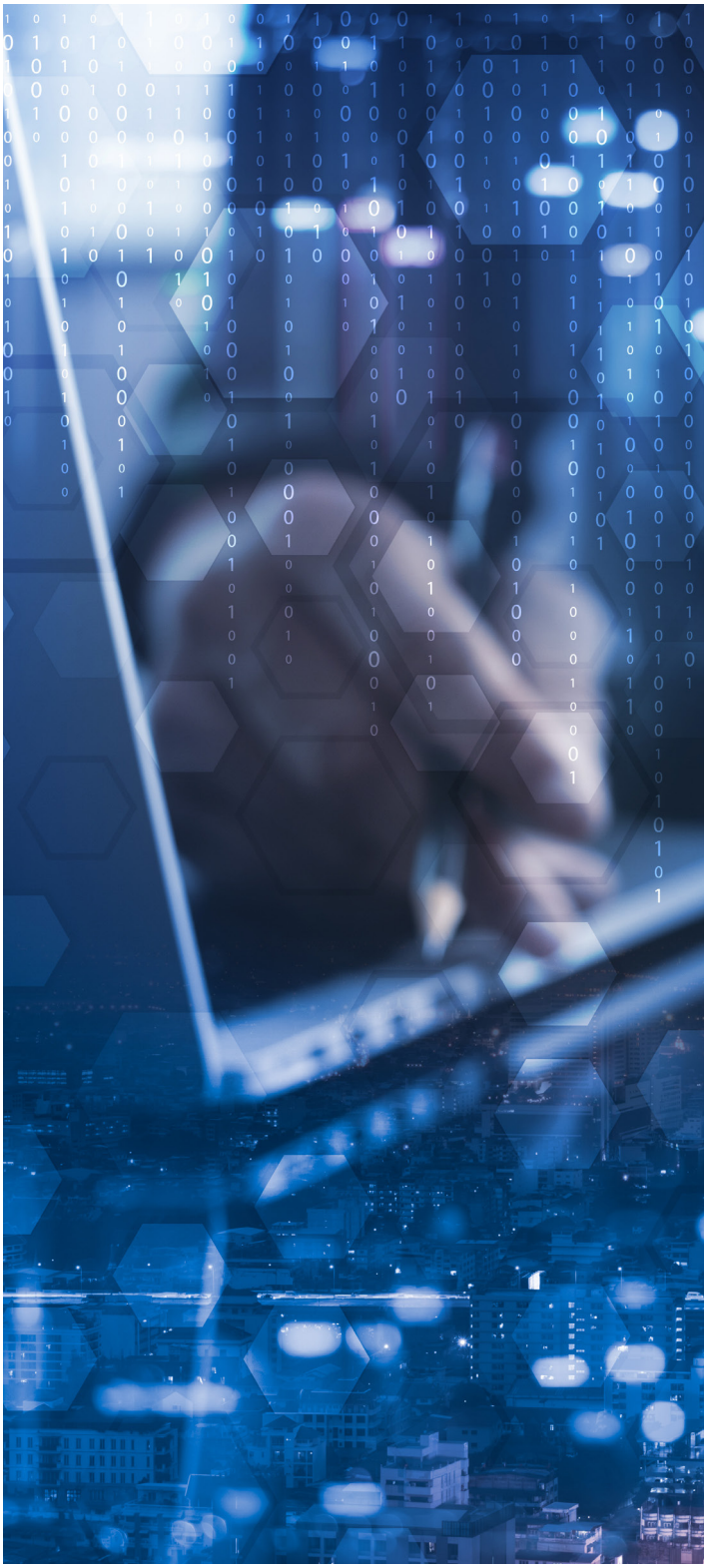
For example, 2020 was active with issuances on sound practices for cloud computing and computer incident notification proposed regulation:

- On April 30, 2020, the Federal Financial Institutions Examination Council (FFIEC)[1] issued a statement addressing the use of cloud computing services and security risk management principles in the financial services sector. Although the statement does not contain new regulatory expectations, it highlights examples of risk management practices for safe and sound use of cloud computing services to protect customers' sensitive information.[2]
- On December 15, 2020, the Board of Governors of the Federal Reserve System (FRB), Office of the Comptroller of the Currency (OCC), and Federal Deposit Insurance Corporation (FDIC) issued a proposed rule that would require a banking organization to provide its primary federal regulator with prompt notification of any computer-security incident that rises to the level of a "Notification Incident."[3]

When focusing on **digital transformation and technological innovation**, banks can consider the following actions:

- **Prepare for digital transformation to receive more attention in the coming year** by adopting lessons learned about customer engagement, scalability, and resilience in a digital environment (including the use of emerging technologies such as artificial intelligence (AI))
- **Embrace agile banking** and formulate a technology strategy to deconstruct the core information technology (IT) banking stack to support BaaS
- **Engage with regulators** to develop a shared understanding of the evolving digital and technology transformation landscape and to exert influence that can help build awareness and reduce friction in the broader financial system, potentially reducing risk and associated costs while enhancing public-private perspectives on risks, mitigation techniques, etc.
- **Review risk management framework and skills, and recalibrate risk appetite** to accommodate the new role of digital strategies, technology innovations, and use of fintech and/or Big Tech companies in evaluation of operating model changes

Looking ahead, 2021 will continue to present a distributed operating environment, with different client interaction models and counterparty engagement. Market volatility will likely remain the norm. In this environment, it will be critical for banks to maintain their ability to operate, mitigate processing and settlement risks and failures, and ensure that clients can conduct transactions.



Heightened focus on operational resilience

2020 was one of the most turbulent years in recent history, with COVID-19 disrupting the entire global economy and testing the resilience of individual firms and the financial market infrastructure. The market's resilience—and the fact that most banks were able to successfully pivot to a remote work model—was not simply luck, but instead was a direct result of the emphasis firms and regulators have placed on operational resilience in recent years.

Operational resilience is an increasingly important and urgent priority for financial services regulators and is gaining prominence on the strategic agenda for boards and senior management teams. Banks are gaining an increased understanding of the demands these emerging regulatory requirements will place on them and the implications for their strategies and business models.

For many regulators, the pandemic has accelerated the shift toward asking firms to identify their most important business services, consider vulnerabilities that are broader than cyberattacks and IT failures, and then assume severe systemwide threats will occur that lead to failure of those services.

International standards and guidelines for operational resilience in financial services are emerging, particularly with the Basel Committee on Banking Supervision's (BCBS) consultation *Principles for Operational Resilience*, released in August 2020.[4] International standards that exist or are being consulted on today are relatively high-level and give jurisdictional regulators considerable flexibility to develop their own distinct approaches.

Significant regulatory policy development on operational resilience is now occurring at the national or jurisdictional level. In October 2020, US regulators FRB, OCC, and FDIC issued an interagency paper entitled *Sound Practices to Strengthen Operational Resilience* (SR 20-24), which outlines key practices for addressing unforeseen challenges.[5]

Business continuity management (BCM) and IT disaster recovery (DR) have expanded to integrate a number of risk management approaches into more holistic operational resilience programs that focus on strengthening technology infrastructures and information security, addressing cyberthreats, protecting data, enhancing end-to-end operational processes, mitigating the impact of third parties and vendors, and reducing dependence on manual processes.

US banking regulators combined a traditional focus on preventing and recovering from disruption at the individual bank level with a new focus on evaluating and limiting impacts from disruption to the broader financial sector. These regulators have brought together several silos under the operational resilience framework, communicating their expectation that institutions leverage work performed for resolution planning, cyber resilience, and existing business continuity and disaster recovery programs in order to bring an aggregated view of operational resilience for their organization. Reexamination of governance and roles and accountabilities for the board and senior management is also expected.

Management of operational resilience will continue to evolve, with 2021 expected to bring significant changes in financial services. Many banks and FIs are adopting a hybrid remote work model in which employees spend some of their time in the office and some of their time in other locations. This necessitates stronger controls frameworks and technology enablement.

Banks and regulators are now at a critical point in developing approaches to operational resilience. Globally, and in the United States, recent issuances have proposed practices, approaches, and a regulatory framework for operational resilience to continue to evolve, and the outcome of those proposals will guide regulatory action in financial services for the foreseeable future.[6] Building on the experience gained from the impacts of COVID-19 and resulting activity restrictions, operational resilience is rising up the strategic agenda for boards and senior management teams. Today's decisions to invest in resilience capabilities will aid in determining how effectively firms can navigate future regulatory expectations and scrutiny in this area.

When focusing on operational resilience, banks can consider the following actions:

- **Broaden your mindset**. Look enterprisewide at resilience activities, and identify interconnections across various domains. This can support efforts to conduct an initial diagnostic of operational resilience capabilities to 1) identify where capabilities exist and what can be leveraged and 2) perform analysis to identify gaps between the existing maturity level and US sound practices. Operational resilience requires a mindset and cultural change and should consider strategic, reputational, and operational risks and an understanding of human behavior.
- **Establish a common vision and governance for your operational resilience journey**. Develop key themes, principles, and communications that will be used consistently and broadly to start shifting your culture from one that focuses on annual continuity tasks that must be completed to one that embeds resilience into daily management decisions at every level of operations. Consider the role of both the first and second line as you design your governance model, and be deliberate about identifying roles and responsibilities with clear ownership and accountability across the operational resilience framework and firmwide response, including both senior management and the board.
- **Establish a clear focus on the highest-priority business services**. Understand and identify the most critical business services, then redirect priorities for existing programs and processes related to BCM and resolution planning.
- **Create a single view of criticality across the enterprise**. Use an end-to-end view to understand critical business services and then identify the critical path for functions, teams, and systems. Focus on business services that are customer- and outcome-based, risk-aligned, and business-led and/or approved. Create accountability for the established priorities.

Governance and control of workforce transformation

As banks continue to operate under a remote work model, workforce resilience becomes a critical issue. Although banks were able to pivot quickly to alternative working locations, over time, employees can suffer from the constant stress of online meetings, limited access to the tools and information they need to do their jobs, as well as lack of in-person contact with their colleagues. To address such issues, many firms are looking at enhanced communication mechanisms to facilitate teaming, including workflow-based activities that support nonlinear work. Banks are also looking at redesigning work to consider increased use of automation, AI, and other technology enablers to reduce manual, repetitive processes and redeploy their workforce for value-add activities.

At the same time, remote work is likely to continue well into 2021 for a significant part of the workforce, creating unique challenges not only in terms of oversight, accountability, monitoring, and adherence to laws and regulations, but also in terms of serving customers, counterparties, investors, and stakeholders. Banks are expected to continue developing enhanced capabilities that allow them to effectively monitor their control environment, both through preventative and detective controls. Banks will also increase their due diligence for spotting bad actors trying to take advantage of the remote work model.

Recognizing the tremendous strain firms were under in coping with the pandemic, banking regulators provided regulatory relief across several domains. However, as remote work became the norm, there was a shift in regulatory focus, particularly around operational and oversight-related risks. Of particular note are increased diligence by banks in maintaining compliance standards; increased focus on fraud, cybersecurity, and resilience; and continued focus on conflicts of interest and fiduciary and market responsibilities.

Looking ahead, banks should not expect continued lenience from regulators due to the pandemic, and monitoring and testing of the control environment will likely be table stakes. In their *Interagency Examiner Guidance for Assessing Safety and Soundness Considering the Effect of the COVID-19 Pandemic on Institutions*, federal and state banking regulators advocated for strong governance and oversight by the board of directors and for active day-to-day management within a three-lines model.[7] Although regulators made temporary concessions in the early stages of the crisis, they have since stated that firms should take all steps necessary to prevent financial and operational risk impacts, especially in a business environment where the new normal will likely include a hybrid model.

Governance and controls are sure to remain a hot regulatory topic in 2021, with a number of high-profile enforcement actions and fines reminding boards and senior management that continued risk management is essential. Strong governance is required to deliver financial services in a safe and sound manner. As such, regulators continue to focus on governance frameworks during examinations. In particular, regulators often identify a breakdown in governance and controls as one of the root causes when things go wrong. All levels of the organization are being scrutinized, from the board and senior management to business lines, independent risk management, and audit functions.

Supervisors are increasingly determined to hold senior management accountable for its actions, even in jurisdictions without formal accountability regimes. The regulatory and supervisory focus on individual accountability also continues to grow. Boards and senior management should make sure they operate within both the spirit and the letter of regulations. This includes ensuring their decisions achieve demonstrably fair outcomes for their customers, employees, and markets served and that robust controls are in place to monitor activities and outcomes.

In the aftermath of the global financial crisis, US regulators reinforced the requirements and expectations for banks to demonstrate effective and sustainable risk management. They have done this through new regulations, changes to rating systems, and additional issuances of supervisory guidance. Yet, despite these enhanced efforts over the past 12 years, regulatory feedback indicates banks have not done enough to operationalize core risk management frameworks, principles, and requirements within their operating models and cultures.

Recent public enforcement actions signal a watershed moment for the industry. Boards and senior management have an imperative and responsibility to take action or else risk regulatory scrutiny and reputational damage for not institutionalizing the basic building blocks of sound risk management in their organizations. Executive management, subject to board oversight, should understand the regulatory guidance on governance that applies to the firm, then identify and resolve any gaps.

Common challenges include:

- Weaknesses in accountability and oversight across the three lines
- Siloed remediation efforts that fail to address root causes in a sustainable way
- Processes and controls not implemented and operationalized end to end in the first line
- Controls not linked to core regulatory requirements for safety and soundness
- Infrastructure and controls that are overly complex and ineffective, with persistent data quality issues

Levers for change:

- Boards holding senior management accountable
- Three-lines operating model (first line: implementation; second line: effective challenge; third line: validation)
- Comprehensive view of risks across products and processes
- Balance of preventative and detective controls; digitized controls, where feasible
- Comprehensive data governance strategy, implementation, measurement, and testing
- Demonstration of outcomes-based, sustainable results

When focusing on **workforce transformation, governance, and accountability**, banks should consider the following actions:

- **Update risk assessments to align with current conditions**. Identify gaps and deficiencies in the control environment; set priorities in supervision and compliance road maps; work to understand the long-term impacts of the new normal on working practices, people, and culture.
- **Continue to ensure the board is not just focused on day-to-day operation of the bank**. Governance and oversight should include setting strategy and establishing accountability; properly defining roles and responsibilities at all levels of the organization; holding the business lines accountable for managing the risks they create; and honestly assessing the soundness of the firm's culture and taking positive steps to improve it.
- **Monitor related regulatory proposals that are outstanding**. At the time of this writing, the FRB[8] had not yet finalized its proposals outlining supervisory expectations for the board of directors, senior management, business line management, and independent risk management and controls[9] In addition, on October 18, 2019, the FDIC and FRB[10] solicited comments on the Uniform Financial Institutions Rating System (UFIRS).[11]
- **Accept the industry call to action to ensure foundational risk management and governance expectations are implemented and operational**. In many respects, this is getting back to basics. Urgency of actions should be calibrated to the size and complexity of the organization. Effective change requires a three-lines model that drives self-awareness and self-improvement. The board, senior management, lines of business, independent risk management, and internal audit functions need to show, not just tell. This call to action should happen now, and a cultural shift should occur based on changes in structures, actions, and organizational commitment.
- **Evaluate impact of the call to action with this fundamental question**: *Is the three-lines model operating effectively?* Most banks would likely say "yes." However, key components might be missing or not operating as intended, which can lead to governance, risk management, and internal control challenges. Banks should pause and self-evaluate their ability to govern and manage themselves horizontally and vertically across businesses, legal entities, products, and jurisdictions.

Financial resilience in an uncertain economic environment

Banks face constant risk from a variety of angles (e.g., capital, liquidity, credit, and counterparty) that are increasingly interrelated and correlated in terms of regulatory expectations. The regulatory environment surrounding these areas will require additional focus in 2021 as regulators attempt to drive greater accountability and enforcement on multiple fronts. In addition to addressing emerging risks such as climate change, regulators may aggressively focus on and penalize institutions that have failed to make progress on a regulatory agenda rooted in the global financial crisis that is now entering a new phase (under a new administration and related regulatory appointments).

In 2021, banks face another challenging year, with balance sheets and earnings under stress as a result of credit risk and a flat and unpredictable yield curve putting a squeeze on earning capabilities. Regulators' focus on accountability and enforcement will only add to the challenges. When focusing on **financial resilience**, banks should consider the following actions:

- **Assess existing programs**. Proactively assess existing programs in all the above areas against industry leading practices and lessons learned from 2020 public regulatory actions.
- **Address capability gaps**. Having a well-defined, long-term target state and execution plan that addresses self-identified gaps in financial resilience capabilities will help in regulatory examinations.
- **Set priorities**. Given competing demands, it will be important for institutions to prioritize key elements (especially data and infrastructure management, since that cuts across all financial risk areas and is foundational for successful programs).

Capital management

Capital will remain a focus for regulators in the United States for the foreseeable future. Last year, US regulators asked Comprehensive Capital Adequacy Review (CCAR) banks to resubmit stress-testing results based on updated economic scenarios; however, every institution—even those not participating in CCAR—should be prepared for the possibility of regulators making more such requests as events continue to unfold.[12] Overall, the results published by the FRB indicate they are attempting to find equilibrium between the results of the most recent analysis and the broader lack of clarity on the path of the pandemic and its impact on the overall economy. This is occurring against a backdrop of recent regulatory actions that suggest a continued focus on ensuring foundational risk management and governance expectations are effectively implemented and operational.

Also, while long delayed, banking regulators are due to address updates to the Basel III capital adequacy requirements (commonly referred to as "Basel IV") requirements, which have been steadily advancing in other jurisdictions both from a rulemaking and implementation perspective.[13] Until now, this has been addressed in the United States in piecemeal fashion, with updates on the standardized approach for measuring counterparty credit risk (SA-CCR), for example.[14] However, in 2021, we expect a renewed focus and greater clarity on how things will ultimately look for the industry, with bank impacts likely to vary depending on the rule and nature of US adoption.

Overall, the focus on capital will likely increase, along with expectations about operational integrity and the availability and quality of capital metrics.

Liquidity risk management

Liquidity risk will also remain a priority for regulatory focus, including exams on the FR 2052a (Complex Institution Liquidity Monitoring Report), which have already started and are planned by the FRB for the remainder of 2021 and into 2022. These exams will focus on data lineage, data governance, and the report production process through the execution of detailed transaction testing. Issues with data accuracy, completeness, quality, alignment to regulatory requirements, and consistency in use throughout liquidity reporting will be viewed by regulators as an indicator of systemic weaknesses within the organization, especially given the level of engagement with similarly complex reports, such as the Capital Assessments and Stress Testing information collection (FR Y-14).[15]

With federal bank regulatory agencies issuing the final rule on the net stable funding ratio (NSFR) and subsequent proposed related changes to the FR 2052a, regulators have rounded out the framework on supervising liquidity risk and strengthening the resilience of large banks by requiring them to maintain a minimum level of stable funding over a one-year period.[16]

Also expected to continue are review and assessment of the impacts on bank liquidity management—including stress testing, forecasting, and reporting—that occurred during the COVID-19–related volatility of early 2020.

Credit risk

With the impacts of COVID-19 being felt across the economy, credit risk management will remain a priority focus area for regulators in 2021. The OCC's 2021 Supervisory Plan and Semiannual Risk Perspective for Fall 2020, as well as the FRB's November 2020 Supervision and Regulation Report, identify credit risk as a 2021 supervisory priority due to weak economic conditions.[17]

The Interagency Guidance on Credit Review Systems underscores the increasing focus on commercial and consumer credit.[18] Attention is expected on credit risk control functions, including portfolio administration and risk management, timely risk identification, independent loan review, risk rating accuracy, policy exception tracking, collateral valuation, stress testing, and collections and workout management. Residential and commercial real estate portfolios, particularly for sectors hit hardest by the pandemic, will continue to be scrutinized for concentration risk.

As we move toward a postpandemic economy, financial institutions should remain vigilant about monitoring their exposure to emerging credit risks and recalibrate their risk scoring, pricing, and loss forecasting models, approaches, and assumptions for the new environment.

CECL implementation

After a challenging initial adoption year for SEC filers, bank current expected credit losses (CECL) programs will be a priority focus area for regulators in 2021.[19] The unprecedented volatility of certain macroeconomic variables in 2020 required many banks to employ model overlays (or qualitative adjustments) to their quantitative CECL estimates, some of which accounted for a sizable portion of the overall allowance.

Given the uncertain economic outlook, expected loss forecasting will continue to be a challenge for banks this year. However, as part of the Coronavirus Response and Relief Supplemental Appropriations Act (CARES 2.0), the date for compliance with the CECL accounting standards was delayed to January 1, 2022, for certain depository institutions, bank holding companies, and their affiliates. This extends the time by which banks are required to comply with the CECL standard, but does not require them to delay compliance.[20] Documentation and analysis to support key decisions, particularly regarding qualitative reserve levels and the use of model overlays or other judgmental adjustments, will be especially important in 2021 to withstand scrutiny from various stakeholder groups.

LIBOR transition

US FIs and regulators are preparing for the upcoming transition from the London Interbank Offered Rate (LIBOR) to alternative reference rates. The Alternative Reference Rates Committee (ARRC) held a virtual meeting in early December 2020 to address recent developments relevant to the LIBOR transition.[21] The meeting included discussions related to the recent announcements from the Intercontinental Exchange (ICE) Benchmark Administration (IBA), the United Kingdom's Financial Conduct Authority (FCA), and related supervisory guidance from US regulatory authorities in December 2020.[22] Following these announcements, IBA launched a consultation on its plans to cease publishing LIBOR rates.[23] Pending final confirmation of this consultation, these announcements jointly provide a clearer path for US dollar (USD) LIBOR cessation: a call for banks to stop issuing new USD LIBOR contracts as soon as possible and no later than end of 2021, as well as a concrete cessation date subject to the IBA consultation outcome.

In 2020, banking regulators made LIBOR transition a supervisory priority, as noted in their respective communications.[24] Regulators are expecting banks' operations and processes to reflect the size and complexity of each institution's LIBOR exposure and risks. As a result, banks should be prepared for increased information requests as ongoing monitoring into transition teams across businesses, functions, and legal entities across jurisdictions. Specifically, in 2021, banks can expect increased supervisory focus on the design and implementation of their LIBOR transition activities.[25]

Regulatory divergence creates challenges

Despite the common strategic and regulatory challenges facing banks worldwide, regulatory divergence is increasingly common as individual jurisdictions struggle with the diverse impacts of COVID-19. For many global banks—particularly those with cross-border activities in the United States, United Kingdom, European Union, and Asia Pacific (APAC)—coping with divergence is already business as usual. However, the pandemic is giving rise to new levels of divergence that could have major implications for global banks with significant operations in multiple jurisdictions.

Instead of being able to quickly put the pandemic behind them, affected banks could face higher compliance costs and greater regulatory uncertainty, as individual jurisdictions have protectionist views. Before COVID-19, many banks were looking for ways to manage the cost of regulatory compliance and make their compliance activities more efficient. They were also looking for ways to sustainably future-proof their business models against future commercial and regulatory challenges. Regulatory divergence will likely complicate these efforts as senior decision-makers grapple with having too many regulators to manage and lack the necessary resources and preparation to do so efficiently and effectively.

Ultimately, without increased investment in their regulatory change and strategy capabilities, some banks could suffer from strategic paralysis as diverging regulations collectively lead to a complex set of binding constraints that is hard to understand—and even harder to satisfy. As such, the pandemic is essentially serving as an ongoing stress test of the regulatory framework that arose from the global financial crisis.

In the United States, legislators and regulators will inevitably shift with the political landscape as they respond to changes made during the previous administration. They will also continue to deal with the challenges of the global pandemic. While legislators and regulators theoretically have an opportunity to avoid regulatory divergence through global coordination and increased public-private dialog, that prospect seems slim, particularly given that the rollback of temporary measures arising from COVID-19 will depend on local economic conditions and is thus likely to vary widely.

When focusing on **regulatory divergence**, banks can consider the following actions:

- **Form an agile central strategy group (or central regulatory change group)** that drives proactive analysis and evaluation of shifting and diverging regulatory impacts on business strategy and profitability, then proposes potential responses, both globally and for key regions.
- **Tailor global compliance, risk, and governance processes** to address regional variations in standards and expectations while retaining the ability to measure and aggregate risk and performance at the global level.
- **Align resources around global centers of excellence** for coordination and consistency while allowing regions to tailor solutions for local demands (i.e., a thin central layer of global subject-matter experts complemented with local support).
- **Establish advanced analytic capabilities** to detect and prevent regulatory noncompliance before significant issues emerge (e.g., understand the impact of the integration of technology across regulatory requirements and controls between first and second lines and across functions; enhance capabilities across the regulatory change life cycle in transparent ways that are linked to a holistic, end-to-end compliance framework).
- **Continue to simplify and rationalize risk and compliance systems**, shifting toward a sustainable run-the-bank approach with increased automation and controls and minimal handoffs.
- **Invest in technology and data** to support on-demand reporting and analysis capabilities and activities.

Bank Secrecy Act and anti-money laundering (BSA/AML) compliance

2021 may offer banks additional clarity on regulators' expectations for anti-money laundering (AML) programs. In December 2020, the Anti-Money Laundering Act of 2020 (AML Act) was included as an amendment to the National Defense Authorization Act for Fiscal Year 2021 (FY21 NDAA).[26] The AML Act reinforces and codifies in law a risk-based approach to AML and combating the financing of terrorism (CFT) programs. It also requires the Financial Crimes Enforcement Network (FinCEN) to establish Strategic AML Priorities ("Priorities") for FIs to incorporate into their AML programs and for regulators and examiners to incorporate these Priorities into their rules, guidance, and examinations. The Act is one result of a growing consensus among legislators, regulators, law enforcement, and industry that current industry practices and requirements are inefficient and do not serve the original purpose of the Bank Secrecy Act (BSA), which was to provide highly useful information to law enforcement to help deter and combat financial crime.

Among other things, the AML Act requires millions of business entities to reveal their owners to the federal government. This is intended to help deter criminals from using anonymous shell companies to evade AML rules. Also, the Act directs FinCEN to establish and maintain a national registry of beneficial ownership information that banks could rely on when complying with customer due diligence requirements.

The AML Act further advances the proposals contained in FinCEN's Advance Notice of Proposed Rulemaking (ANPRM) on AML program effectiveness, published in September 2020.[27] The ANPRM proposed introducing several new components to the US AML regime, including a definition of AML program effectiveness and the concept of Priorities.

In addition to the AML Act and ANPRM, regulators in 2020 provided clarity on the requirements and expectations for certain essential elements of a reasonably designed, risk-based AML program. Armed with regulator statements on requirements for customer due diligence (CDD) and politically exposed persons (PEPs), FIs now have a more precise understanding of previously vague requirements that often led them to go above what was required by law and guidance.[28]

As FinCEN and the regulatory community begin to issue new guidance and regulations, banks should be prepared to focus their attention on the following challenges:

- Aligning their AML programs to Priorities and enhancing outcomes for law enforcement;
- Refocusing resources on higher-value AML activities; and
- Rethinking AML monitoring, investigations, and information-sharing.

The goals of the AML Act and ANPRM will likely raise challenges and questions for FIs as they seek to pivot and enhance their programs toward the proposed definition of effectiveness. With a consistent, repeatable, and defensible approach to procedural changes across their programs, FIs may be better positioned to satisfy auditors and examiners alike while simultaneously shifting their resources to higher-value activities.

When tuning their **BSA/AML programs** toward these goals, FIs should consider the following actions:

- **Evaluate how risk assessment processes** might be modified to more deeply address expected priorities, and identify metrics and examples that could be used to demonstrate effectiveness;
- **Identify areas that add relatively low value for risk management** (in light of recent regulatory guidance) as potential candidates for reductions and/or reallocation of resources; and
- **Consider ways to further enrich, automate, and innovate** AML monitoring and investigations and to deliver more valuable information to law enforcement more efficiently and effectively.

If regulators continue to release targeted explanations of what is required of AML and sanctions programs, FIs can continue to tailor their AML programs away from inefficient and unnecessary practices. With regulators providing additional clarity and banks optimizing their programs accordingly, 2021 could be the start of a long-term journey that delivers significant benefits in efficiency and return on compliance spend.[29]

US regulators address climate risk

Although the COVID-19 pandemic took center stage in 2020, the world continues to face another global crisis that does not respect boundaries and that no individual nation, government, or industry can solve on its own: climate change.

For climate risk, a number of focus areas have emerged, including the need for better access to high-quality data, increased global coordination, and innovative public-private partnerships. Lessons learned from the world's response to COVID-19 could prove useful in tackling the challenges of global climate change. For banks in particular, climate risk-related regulations or supervisory guidance are expected to be the primary driver of change, while rising expectations from clients, investors, and stakeholders might add to the push for sustainability.

Climate risk has received significantly more attention from financial institutions and regulators outside the United States. However, US regulatory and supervisory activities have increased over the past several months to better prepare the financial system for managing climate risks.

In December 2020, the Federal Reserve Board (FRB) announced it had formally joined the Network of Central Banks and Supervisors for Greening the Financial System (NGFS), a global research and coordinative body, after highlighting the risks to the financial system posed by climate change for the first time in its Financial Stability Report, published in November 2020.[30] Together, these recent actions represent a potentially major shift towards global alignment on climate risks supervision.

Earlier, in October 2020, the New York Department of Financial Services (NYDFS) became the first US financial regulator to set forth climate-related expectations, addressing the topic in its Climate Risk Industry Guidance letter, which outlined the agency's expectations for New York–regulated financial institutions with regard to integrating climate-related financial risks into their governance frameworks, risk management processes, and business strategies.[31]

The NYDFS letter built on the foundation of a seminal report on managing climate risk published in September 2020 by the Climate-Related Market Risk Subcommittee of the Commodity Futures Trading Commission (CFTC).[32] The report called for strengthening regulators' capabilities, expertise, and data analytics to better monitor, analyze, and quantify climate-related risks. Also, the report found that existing legislation already provides US financial regulators with "wide-ranging and flexible authorities that could be used to start addressing financial climate-related risk now."

Managing the financial risks from climate change will require banks to make substantial investments in building the data and modeling infrastructure necessary to incorporate climate risks into their credit analysis, stress testing, and scenario planning.[33]

More broadly, banks can help reallocate capital in the overall economy toward activities that are net-positive to society, especially with the long-term transition to a low-carbon economy already underway. Banks can also help catalyze new behaviors among clients, counterparties, and other financial market participants.

Ironically, banks could find themselves caught in the middle as they try to satisfy societal expectations for diversifying and greening their portfolios while not intentionally disadvantaging certain markets or business segments. The OCC's paused finalization of a rule ensuring fair access to financial services is an example of this tension, underscoring the difficult position banks could face during this period of industry and regulatory maturation. "Pausing publication of the rule in the Federal Register will allow the next confirmed Comptroller of the Currency to review the final rule and the public comments the OCC received, as part of an orderly transition," the agency said in a press release.[34] The new Congress and administration have tools to freeze or undo this rule and others, such as the *Congressional Review Act*.[35]

When focusing on **climate risk**, banks should consider the following actions:

- **Enhance governance** to make environmental, social, and governance (ESG) factors part of the governance structure (e.g., establish climate risk executives, chief sustainability officers, and board-level decision-making).
- **Embed ESG into the enterprise risk management (ERM) framework** intentionally, explicitly, and globally.
- **Enhance modeling, quantification, and stress-testing capabilities**. Develop an understanding of climate science and climate risks, including physical and transition risk, transmission channels, and how climate risks manifest as traditional financial and nonfinancial risks.
- **Accelerate disclosure and reporting** adoption of the FSB's Task Force on Climate-related Financial Disclosures (TCFD) principles, with the expectation that the principles will become mandatory in the short-to-medium term. Improve reporting processes, determining what risks should be reported or escalated to the board and what performance benchmarks should be applied to those risks.
- **Focus on data, technology, and architecture**. Understand that focusing on data challenges is essential for enabling the internal transformation required to support these activities and for establishing a consistent and harmonized approach to measurement, stress testing, and other supervisory expectations, helping firms respond efficiently to the challenges ahead.

Financial regulators understand that all institutions are unique and can be affected by climate risks differently depending on their size, complexity, and geographic footprint. There is no one-size-fits-all approach for individual firms to address the inherent complexity and challenges that climate change poses. Still, there is increasing alignment globally on expectations, even as countries move at different speeds to incorporate climate risks into risk and governance frameworks. The pace of this global alignment is expected to accelerate with new US leadership.

Renewed push for consumer protection

We expect regulators to place an increased emphasis on consumer protection in a new administration, particularly in the context of providing consumers with increased access to credit and supporting racial justice. In preparation for heightened expectations and enforcement, banks, and fintech companies alike need to be aware of the incoming administration's priorities and those at the state level.

A shifting landscape

The new administration has signaled a desire to increase the focus on fair and responsible banking practices and roll back deregulatory measures taken during the previous administration. Housing is a priority area, with the stated goal of "ending redlining and other discriminatory and unfair practices in the housing market."[36] To achieve this objective, the new administration plans to leverage existing laws, such as the *Community Reinvestment Act* (CRA) and the *Home Mortgage Disclosure Act* (HMDA), as well as introducing new legislation and rulemaking (such as a law modeled after the California Homeowner Bill of Rights and rulemaking to establish national standards for fair appraisals). New leadership at the Consumer Financial Protection Bureau (CFPB) is also expected to reverse what it views as a "stripping" of the CFPB's Office of Fair Lending and Equal Opportunity, empowering the division to better protect consumers from discrimination.[37]

The CFPB's approach to enforcement changed in response to the COVID-19 pandemic. In 2020, the bureau shelved its traditional examination approach in favor of "Prioritized Assessments" to better understand the industry's response to pandemic-related challenges and to ensure consumers are protected during these difficult times.[38] The Prioritized Assessments, which were scheduled to conclude in December 2020, were high-level inquiries designed to obtain more timely information from institutions, enabling the bureau to assess pandemic-related impacts on consumer financial product markets and to identify potential risks to consumers. The CFPB reported results from the assessments on January 19, 2021. The special edition of the CFPB's *Supervisory Highlights* details the CFPB's Prioritized Assessments in mortgage, auto and student loan servicing, credit card account management, consumer reporting furnishing, debt collection, deposits, prepaid cards, and small business lending.[39] These assessments should help inform both the CFPB's overall supervisory risk focus in 2021, as well as the focus areas for examinations at specific institutions. As noted below, state regulators are becoming increasingly active in consumer protection and may join with a more active CFPB in the enforcement arena.

The intersection between the new administration's priorities and the CFPB's ability to put them into practice is noteworthy. We expect new regulators to increase the pace of enforcement (and associated consumer relief) to be more in line with enforcement activity during the Obama era.[40]

Potential areas of focus

In addition to the Prioritized Assessments and a potential for increased enforcement, there are several additional areas to watch closely in 2021.

Unfair, deceptive, or abusive acts or practices (UDAAPs). While not a novel concept, UDAAP as a practical matter may become front and center if enforcement activity increases.[41] In our experience, UDAAP violations have been one of the most frequent violations of law cited in public and nonpublic enforcement actions by the CFPB. These violations often result in some hefty fines and heightened reputational risk. Since UDAAP can arise in any aspect of a consumer-facing process or product and often manifests itself separately from the compliance requirements of other laws or regulations, institutions should be ever-vigilant when assessing their processes and practices for compliance.

Fair and responsible banking. In addition to nondiscriminatory practices and UDAAP, a number of other developments are expected to enter the regulatory landscape with the goal of promoting fair access to credit and other banking services (e.g., low-fee bank accounts and nonpunitive overdraft credit lines) and enhancing regulators' ability to protect consumers.
Data collection for the purposes of fair lending oversight is gaining

steam. The Biden administration has promised effective and rigorous enforcement of the HMDA, which provides regulators and the public with loan data used for fair lending analysis.[42] Separately, the CFPB is in the process of writing a rule to implement section 1071 of the *Dodd-Frank Wall Street Reform and Consumer Protection Act*, which requires financial institutions to collect and submit information concerning credit applications by women-owned, minority-owned, and small businesses.[43] The purpose of the rule will be to facilitate the enforcement of fair lending laws and enable stakeholders to identify community development needs and opportunities for these businesses.

Given the CFPB's cautionary notes at the onset of the pandemic and subsequent insights it gleaned during the Prioritized Assessments, FIs should expect retroactive focus regarding the fair lending treatment afforded small businesses participating in the Paycheck Protection Program (PPP), in accordance with the *Equal Credit Opportunity Act* (ECOA).[44] Financial institutions should consider assessing their PPP lending activity from a fair lending perspective and proactively identify any potential issues and corrective actions. With the latest COVID-19 stimulus package extending the PPP, this creates an opportunity to apply lessons learned and help mitigate future risks.[45]

Credit reporting data. The CFPB, along with the FRB, OCC, FDIC, and NCUA, are assessing credit reporting practices with respect to accurate data, as well as expanded access to credit through alternative data.[46] Due to economic stress from the pandemic, there continues to be a high volume of credit forbearance requests before financial institutions, including directed by provisions in the *Coronavirus Aid, Relief, and Economic Security Act* (CARES Act).[47] Further increasing the operational complexity, the CFPB has issued guidance on recent changes to credit reporting law that "generally requires furnishers to report as current certain credit obligations for which furnishers make payment accommodations to consumers affected by the pandemic and who have sought such accommodations from lenders."[48] Additionally, interest in the use of alternative data is expected to proliferate now that the Federal Housing Finance Agency (FHFA), which oversees government-sponsored enterprises (GSEs), has finalized a rule governing the validation and approval of credit scoring models used by those entities.[49] In effect, the rule opens the door for entities to use credit scoring models utilizing data types beyond those used by traditional models. Overall, the high degree of focus in this area suggests it will continue to be a priority during examinations and rulemaking in the future.

Community Reinvestment Act (CRA). The OCC issued a new CRA rule for the national banks and federal savings associations it supervises.[50] Although the rule does not become fully effective until January 2024, it creates a time-sensitive need for OCC-supervised institutions to begin (if they have not already started) the process of assessing and bridging the gaps created by the new rule and implementing important process and system changes, including regulatory reporting, in advance of the effective date. State banks are also encouraged to closely monitor developments by the FRB and FDIC as they advance their own or coordinated CRA rulemaking efforts.[51]

State regulators on the horizon

In 2020, California and New York expanded the stature, authority, and capacity of their consumer protection oversight and enforcement, with a focus on banks and nonbanking financial institutions (nonbanks), notably fintech companies. Both states indicated their expansion was in response to a perceived decrease in enforcement actions and consumer restitution at the federal level by the CFPB.[52] The states have since increased funding for the NYDFS and the newly renamed California Department of Financial Protection and Innovation (DFPI), enabling them to hire personnel, coordinate with other agencies, and increase their supervisory scrutiny. Additionally, the Conference of State Bank Supervisors (CSBS) is pursuing consistent supervisory processes across all states—"networked supervision"—to help oversee and support innovation.[53] This trend may encourage fintech companies to review their internal risk and control programs to ensure that legal, compliance, and reputational risks are successfully mitigated.

When focusing on consumer protection and compliance, FIs and (as applicable) nonbanks, including fintech companies, should consider the following levers as they update their business strategies:

- **Evaluate and update compliance management programs**, including risk assessments, to better account for the unique consumer protection risks that may result from pandemic-related changes to products and services, operations, and volumes. Fintech companies, money services businesses (MSBs), and other licensed nonbanks should also prepare for an expected increase in scrutiny from state regulators.
- **Commence or continue gap assessments of the new CRA rules**, identifying the people, process, and technology changes driven by the revised approach to qualifying activities, assessment areas, performance measurement, and reporting.
- **Stay current on supervisory guidance**, including the CFPB's quarterly and ad hoc *Supervisory Highlights*, which include, among other things, the risks and issues identified in recent Prioritized Assessments.[54]

Business model optimization and structural reform

The past decade has represented a complex period for the financial services industry, both domestically and abroad. Two of the most significant economic events in history, the financial crisis and the COVID-19 pandemic, as well as the resulting business pressures, have dramatically reshaped the financial services landscape and reframed market conditions. Disruptive forces (e.g., digitalization, technological innovation, and regulatory expectations) have fundamentally shifted the paradigm under which financial institutions operate and have forced organizations to adapt their business models and strategies or risk not being able to compete.

While presenting significant challenges for those unable to adapt, this period has also brought with it opportunities for banks to reposition themselves within the broader financial services landscape for the decade ahead as a result of an evolving regulatory landscape that has contemplated special charter types (e.g., OCC fintech and a potential payments charter) and applications leveraging the FDIC's industrial loan corporation (ILC) rule.[55] Fintech companies and other nonfinancial firms may be poised for further expansion if the new administration remains open to the prospect.

As an example, the OCC has also recently confirmed the authority of national banks and federal savings associations (FSAs) to provide cryptocurrency custody services for customers, including holding unique cryptographic keys associated with cryptocurrency, which allow banks and FSAs to diversify their product base for new and existing customers.[56] Certain states have been issuing charters to crypto-related companies or for crypto-related purposes. New York State and Wyoming have also began issuing cryptocurrency licenses and charters.[57]

These challenges are reflected in the complex decisions bank leaders make around product offerings, delivery mechanisms (such as digital), market positioning, legal entity structure, and booking model, both across the United States and globally. Further, this process is reflected in the way leaders execute strategic objectives (for example, merger, acquisition, or build), balancing customer and risk appetite considerations with legal entity, licensing, mergers and acquisitions (M&A), and de novo banking activity considerations.

Making these decisions and executing strategies are only possible if banks can satisfy the regulatory imperative of demonstrating the capability to manage their businesses, legal entities, and operations so that they are financially, operationally, and technologically resilient and "well managed."[58]

With so many competing interests, approaching business model strategy in a traditional or siloed fashion makes it far less likely that an organization will meet its competitive, regulatory, and stakeholder demands in a timely and effective manner. Instead, leaders should consider developing a new or adjusted management model, using three guiding principles to enable effective decision-making and speed to market.

When focusing on **business model optimization and structural reform**, banks should consider the following levers as they update their business strategies and take actions:

- **Evaluate legal entity and license setup**. The ability to enter, leverage the competitive landscape, or ensure resilience may require the establishment of a new legal entity or license. While the US regulatory environment is in transition regarding its stance on nonstandard business and banking models, the current market, technological disruption, and economic conditions (arising from the COVID-19 pandemic) have spotlighted the importance of business model resilience via access to deposit funding (for example, though banking deposits). However, each charter type comes with its own distinct set of advantages and potential drawbacks and needs to be considered within the context of an organization's overall long-term business model strategy and the overall regulatory environment around licensing and specialized charters.[59]

- **New business and products process**. Many organizations seek to achieve strategic objectives by accelerating growth via new product development; evaluating both organic and inorganic growth options; and prioritizing opportunities based on consumer trends, market attractiveness, and ability to win. This includes a significant focus on digitizing existing products (e.g., deposit products) when entering into new partnerships with fintech companies to deliver services. Banks that devote resources to creative product development as a response to new regulatory requirements can break into new customer segments and open new opportunities to cross-sell to their current base.
- **Align resolution planning and good governance principles for a simplified legal entity structure**. Legal entity optimization is not a new topic, but has received greater attention as M&A activity increased following the recession caused by the global financial crisis. The current industry landscape is characterized by a proliferation of entities and increased organizational complexity. In addition, regulatory arbitrage has led organizations to employ different tactics in different jurisdictions. As a result, executives should reassess their organization's current legal-entity footprint to realize the greatest benefits from changing rules and regulations, such as US tax reform and deregulation, which have opened new opportunities to expand and grow business in other markets. Merging with and/or acquiring other businesses is one means of achieving long-term strategic goals. However, the new administration may apply more scrutiny to both prudential standards and consumer protection when approving new licenses and M&A transactions.
- **Evaluate product, legal entity, regulatory, and financial considerations for a transparency booking model**. As an organization expands, faces new regulatory requirements, or changes its operating model, its legal entity and operational structures, as well as its booking models, become more complex and costly. An organization's booking model defines how and where it transacts and how the resulting risk is managed and governed. While often shaped by regulatory pressures and geopolitical circumstances, an organization's booking model is also a manifestation of its business strategy. Booking model objectives include structural simplification, reorganizing entities and businesses for more effective capital strategies, enhancing risk management through entity and risk realignment, and driving cost synergies by liquidating entities. In optimizing their booking models, executives should reevaluate and prioritize their financial, operational, and strategic goals while keeping in mind the current regulatory landscape, business needs, and competition.
- **Enhance digital capabilities to improve customer experience and resilient infrastructure**. Changes in customer engagement methods have been significantly affected in the "remote model," where employees cannot work from the office or have limited access to the institution's secured network. Financial organizations are leveraging the capabilities of their digital platforms to serve customers with the highest level of service, customer engagement, and personalization and minimize brand or reputation risk while also looking to expand into new products, such as small business lending as a result of the CARES Act.[60]

  Additionally, challenger banks (banks operating exclusively online without traditional physical branch networks) and nonbanks are rapidly gaining traction. Leveraging new digital solutions and business models, these players have established a digital-first model with increased ability to adjust and thrive in the changing environment as a result of the pandemic. Unencumbered by the constraints of legacy business models and core systems, these new entrants can provide reimagined products and the type of simple and insight-driven experiences that digitally savvy customers expect. At the same time, established organizations are seeking to harness new technologies and tailor their digital strategy to enter new markets, acquire new customers, and prepare for alternative growth scenarios.
- **Apply governance and risk management principles for technology innovation**. Riding the wave of the technological revolution, digitalization allows organizations to reduce costs, increase revenue, and attract new customer and market segments. It also allows organizations to meet the higher demands of today's consumer, who expects data-driven, user-friendly, contactless solutions with faster response times and a high-quality customer service experience. Organizations that find the right business model for the times and leverage tech and digital solutions to creatively and effectively meet consumer needs will likely be better aligned for success on the road ahead.

Creating a more dynamic data environment

Banks need to evaluate their capabilities and outcomes related to data management to be prepared to answer tough questions regulators are increasingly focusing on. This is especially critical in light of the sector's repeated challenges and failures to make meaningful and necessary changes in this area. Although many banks have made steady progress in establishing enterprise data programs, data management maturity varies widely across the industry. Problems can be found in almost all regulatory focus areas, including liquidity monitoring, capital stress testing, risk management, and financial reporting. The regulatory focus on data has become even more intense during the pandemic, since regulators are not conducting onsite activities and are therefore more reliant on bank data.

To be on the prudent side of the data trend, and to address these pervasive challenges, banks need to take a holistic, firmwide approach to both data and its supporting infrastructure. Such an approach will encompass the end-to-end flow of data, from origination to regulatory and critical management reporting, and across all three lines of defense. The goal is for firms to have a dynamic data environment where processes and infrastructure can quickly adapt to changing needs for financial, nonfinancial, and risk data, especially in times of stress. Banks will require flexibility to adjust their systems and processes quickly. The banking industry was quickly pulled into government relief programs such as PPP in 2020 after the enactment of the CARES Act. At least 13,600 loans valued at more than $4.3 billion were reported to be received by the SBA in the afternoon of the first day of the program, according to Jovita Carranza, SBA administrator.[61] Demand for the program affected customers, institutions, and government agencies alike.

We expect the data environment to become critically important as additional data requests (ad hoc and standardized), as well as more granular reporting requests, give primary regulators additional visibility into data issues, especially at the largest institutions. Regulators are already thinking about and planning the next generation of supervisory frameworks, which will rely heavily on data. RegTech and supervisory technology (SupTech) pilots and tech sprints are occurring globally and in the United States, and their outcomes will likely increase regulatory expectations about firms' data management capabilities. Also, with the expansion of AI and machine learning (ML) in emerging areas such as inclusive finance and climate risk, regulatory expectations about data management as a core competency will only increase.

When focusing on **data management and infrastructure**, banks should consider the following levers as they update their business strategies:

- **Implement effective accountability policies** by setting standards for data owners and process owners to follow. These policies apply to all three lines of defense and have a senior management and board component. To make accountability policies actionable, they need to provide incentives for compliance (e.g., direct impacts on compensation).
- **Engage the three-lines operating model** to establish a data-centric organizational culture. This requires clear support from the top that enterprise data is a core value and that data silos are not permitted. Controls on data quality exist in the first and second lines and are designed to ensure that effective data management occurs as a priority for the third line.
- **Ensure a comprehensive data governance structure** that defines the process for coordinating and controlling the organization's activities and actions related to data. This encompasses governance policies, procedures, and accountability. The structure provides governance and controls for protecting privacy and ensuring data integrity. Also, it establishes authorized data sources and features an enterprisewide data architecture that can support advanced analytic capabilities.

The road ahead

With 2020 in the rearview mirror, it is time to start mapping out a plan for 2021 and beyond. Now that a new administration is in the White House and COVID-19 vaccines are starting to become more widely available, there is recognition that change will continue to dominate the landscape, and banks and their regulators will need to remain vigilant and react with agility.

Significant changes are expected in 2021 as regulatory agencies get new leadership and as regulatory priorities continue to evolve, making it essential for bank leaders and decision-makers to stay informed.

Endnotes

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