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## Compliance Costs Grow Faster Than Net Income

**Compliance costs are eating up more and more net income, growing from 2.83 percent of net income in 2002 to 3.69 percent in 2006.**

By Cory Levine  
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Much has been said about the rising cost of compliance, and new research reveals that the concern is merited. According to New York-based Deloitte & Touche's Deloitte Center for Banking Solutions, which surveyed chief compliance officers, chief risk officers and other senior executives at 20 of the top 50 financial institutions in the United States, compliance spending is growing faster than respondents' net income.

Compliance costs are eating up more and more of firms' net

income, growing from 2.83 percent of net income in 2002 to 3.69 percent in 2006, Deloitte reports. Since there are no tangible ways to measure the cost savings or risk avoidance that regulation provides for institutions, this increase in spending is a tough pill to swallow, the firm adds.

One of the primary reasons for the increase in costs, according to Deloitte, is that institutions are responding to regulation by applying human resources to monitor compliance, rather than investing in scalable tech-

nology resources to manage the effort. The research report shows that 60 percent of respondents' compliance-related spending in 2006 was on compensation, while only 19 percent of spending was on consultants and vendors; 18 percent went to capital expenses, including systems, hardware and software.

Firms must find ways to implement technology alongside business process improvement to break the trend and realize efficiencies in their compliance centers, Deloitte asserts.