

REGULATORY SURVEILLANCE AND REGULATORY CHANGE MANAGEMENT

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In addition to the challenges associated with tracking and monitoring the constantly-evolving landscape of rules and regulations, financial institutions face steep challenges with translating the changes and understanding their implications. Oftentimes, the response is to increase the number of personnel tasked with tackling these issues; but this “solution” is commonly ineffective and may not resonate with regulators.

WHAT ARE THE FORCES THAT ARE SHAPING THE BANKING INDUSTRY TODAY?

Despite numerous high-profile cases of non-compliance with rules, regulations and laws, banks continue to ineffectively identify, measure, monitor and control risk exposures, due in large part to the volume and velocity of changes in the regulatory field.

In 2017, the level of non-compliance with rules and regulations resulted in a 35% increase YOY in government agency enforcement action fines, and coupled with restitution payments, totaled \$23 B.

HOW HAS THE INDUSTRY RESPONDED?

Banks are adding FTE resources in regulatory and compliance departments to manually track and monitor new or modified rules and regulations that dozens of federal and state government agencies issue. Information is either emailed to relevant stakeholders enterprise-wide for siloed follow-up or entered into a bank’s compliance management system (CMS). Resulting analysis of corresponding changes in requirements to the bank’s policies and procedures or customer-facing products or services may not be clear or fully understood.

WHY ARE BANKS ADOPTING FINTECH SOLUTIONS FOR REGULATORY SURVEILLANCE AND REGULATORY CHANGE MANAGEMENT?

The emergence of fintech has significantly impacted the banking industry in the areas of digital and mobile wallets, live chat customer service, branch operations, trading algorithms, real time payments and more.

Given the high levels of success for these new and innovative solutions for customer-facing products and services, banks are turning their attention to how these technologies can assist internal operations and processes, and specifically manage regulatory change. The scope of this includes:

- Automating current manual processes for tracking rules and regulations
- Identifying and interpreting applicable laws and regulations to remediate vulnerabilities and deviations
- Designing, testing, and implementing a regulatory change framework that fully captures the scope of the bank's business needs
- Demonstrating to regulators that not only does the firm embrace new technologies, but these technologies also make the institution more efficient and compliant

WHY CAPCO?

Capco is a global leader in the financial services industry, providing financial institutions with expertise and familiarity in industry leading business strategies, capabilities and solutions.

Capco's Center of Regulatory Intelligence (CRI) offers a unique combination of individuals with extensive knowledge and experience within the banking industry, and expertise specifically on the implications of various rules, regulations, and laws for banking clients. Clients can leverage CRI's domain knowledge, coupled with regulatory surveillance capabilities, to drive and effectively execute regulatory change across the financial services industry.

Capco CRI has supported numerous clients with regulatory surveillance and regulatory change management consulting solutions. These efforts result in a deeper understanding of the implications of rules and regulations applicable to the firm, and enterprise-wide CMS enhancements.

RECENT AND RELEVANT EXPERIENCE — LARGE REGIONAL BANK

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SITUATION

- Our client's personnel spent time on manual, high-volume monitoring and reporting activities for federal and state changes to laws and regulations needed for the bank's regulatory change management program.
- The bank struggled with maintaining a dynamic compliance program.
- Risk management and compliance teams were not identifying key foundational changes to laws and regulations, nor executing corresponding impact analyses and risk assessments.

APPROACH

- Capco fully defined the bank's legal and regulatory universe and designed, tested, and implemented an automated regulatory data feed per the bank's preferred taxonomy and CMS.
- Our consultants and SMEs regularly meet with the bank's compliance and risk management teams to review potential impacts of new or changing rules, regulations, and laws.
- These teams share the analysis with the bank's various business lines for further risk review and examination at a product/service level, as well as with the board of directors from a Governance, Risk, and Compliance perspective.

KEY BENEFITS

- The institution redeployed key personnel who were manually tracking regulatory changes to other areas in need.
- The changes demonstrated to regulators and examiners a set of significantly enhanced processes, enabled by fintech, to track regulatory developments and manage corresponding changes for the firm.
- The new system allows the institution to quickly act and react accordingly, either internally on policies or procedures or externally via government relations or lobbying firm.

CAPCO'S HIGH-LEVEL APPROACH



Review existing regulatory tracking and reporting processes



Jointly establish client's regulatory applicability matrix



Define scope of regulatory topics and preferred taxonomy



Build project plan to implement and fully manage the ongoing data feed



Track regulatory developments per client's control documentation



Deliver data feed reports electronically and securely



Consultatively review data feed reports and their implications



Periodically rereview the regulatory applicability matrix and quality of the reports

MORE INFO

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ABOUT CAPCO

Capco is a global business and technology consultancy dedicated to the financial services industry, plus a dedicated energy division. Capco delivers innovative solutions in banking and payments; capital markets; and wealth and asset management, designed to withstand market forces, continual regulatory change and increasing consumer demand.

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