

WHITE PAPER

The Imperative To Automate Regulatory Change Management for Compliance in Financial Services

Table of Contents

03	—	Introduction
04	—	A New Era for Compliance Management
05	—	Elements of Compliance Management
08	—	The Challenges with Spreadsheets and Manual Processes
09	—	The Shortcomings of Traditional Compliance Software
10	—	The Advent of RegTech
11	—	Evaluating Legacy Regulatory Compliance Products
14	—	Comparing Legacy Systems and RegTech
19	—	The Future of RegTech
21	—	The Philosophy of RegTech: A Lasting Impact
20	—	Modern RCM by Compliance.ai



Introduction

Compliance teams and regulators equally agree: the regulatory landscape is more complex now than ever. Many BFSI (banks, financial services, and insurance) companies today contend with increasing pressure and strain on resources as a result of ongoing regulatory changes, disruptive innovation in financial products and services, and quickly-evolving consumer demands. Given the complexity of the regulatory environment and the speed of change required to stay ahead of customer demand, the companies that continue to use spreadsheets and manual processes or outdated compliance software to track regulatory changes and compliance activities will not be able to keep up. Instead, those companies will see their competitive agility and market share deteriorate.

It is urgent and imperative for compliance teams to deploy an automated, proactive approach to managing regulatory change and the policies, procedures and training required to remain compliant. To that end, BFSI companies must seek out RegTech solutions that more effectively identify, monitor, and mitigate compliance risks so that they can better leverage existing resources, increase the agility of the company, and protect competitive edge. Ultimately, by automating change management using modern best practices, the compliance function transforms from a cost center into a cost saver that mitigates risks while also contributing to the competitive position of the company.

This paper examines the challenges that institutions face in adapting to the continuously changing regulatory environment. It also compares the effectiveness of the practices and tools that many compliance teams rely on today with modern RegTech solutions. RegTech that provides transparency into regulatory changes and compliance activities, filters out the noise from changes that are not applicable to the company, analyzes the impact of new obligations, automates task assignments, and accelerates audits.

A New Era for Compliance Management

The financial crisis of 2008 significantly altered the regulatory climate for BFSI companies: It led to the creation of new regulatory bodies and a significant increase in the volume and complexity of regulatory changes. It is estimated that the number of regulatory changes relevant to the financial services industry has more than tripled since 2011 to an average of 200 per day.⁽¹⁾

A variance in supervisory focus has also added challenges for regulatory compliance and risk teams. According to the Toronto Center, *"In addition to responding to pressure to increase regulatory and supervisory effectiveness, many regulatory authorities have also expanded their mandates to include responsibilities that some once considered conflicting with the stability mandate, such as consumer protection, competition and financial inclusion."*⁽²⁾

Along with extensive and frequent changes to rules and regulations, modern technological advances and shifting consumer demands have changed the way institutions do business. Financial technology, or FinTech, has encouraged innovation in added markets by both new entrants to the industry and traditional institutions. Products and services such as digital payments, online lending, robo-advisors and cryptocurrencies increased competition and changed consumer expectations throughout the financial domain. Furthermore, many financial institutions have significantly expanded the geographical areas in which they operate, multiplying the number of jurisdictions that must be monitored for regulatory updates.

While innovation in products and services seeks to provide enhanced benefits to consumers and the broader financial system, it also poses additional risk and regulatory uncertainty in areas without prior supervision or precedence under existing laws.⁽³⁾ The Government Accountability Office has found, **"Although regulators have been reluctant to act too quickly in light of related industry efforts, they could increase collaboration to address key issues..."** The lack of collaboration within a fragmented regulatory system has made it difficult for many firms to identify which regulations are applicable, which regulators oversee their activities, and which areas are receiving the most regulatory attention.

1. Boston Consulting Group, *Staying the Course In Banking*

http://image-src.bcg.com/Images/BCG-Staying-the-Course-in-Banking-Mar-2017_tcm30-146794.pdf, March 2017 2 Toronto Centre, FinTech, RegTech and

2. SupTech: What They Mean for Financial Supervision

<https://res.torontocentre.org/guidedocs/FinTech%20RegTech%20and%20SupTech%20-%20What%20They%20Mean%20for%20Financial%20Supervision.pdf>, August 2017

3. GAO, *Additional Steps by Regulators Could Better Protect Consumers and Aid Regulatory Oversight*

<https://www.gao.gov/assets/700/690803.pdf>, March 2018



Elements of Compliance Management

In response to the increasingly complex regulatory environment, regulators have noted that traditional compliance management systems are not evolving at the same pace as compliance risks for most organizations. In 2018, the OCC stated that compliance management systems remain challenged by,

“heightened attention to consumer protection, complex regulatory structures and uncertainty, merger and acquisition activities, new products and services, increasing reliance on third parties, and compliance talent challenges. Banks are expected to have compliance management systems commensurate with the risks in their products and services. In some banks, enhanced management attention to customer complaints, third-party risk management, and change management processes have identified challenges requiring corrective actions. Banks face increasing operational and compliance risk to implement changes to supporting operating systems and to manage existing compliance management systems.”⁽⁴⁾

Regulators have indicated that an effective Compliance Management System (CMS) includes adequate board and senior management oversight and a comprehensive compliance program that includes all applicable laws and regulations.⁽⁵⁾

The following elements are highlighted:

- ✓ **Oversight** of and a commitment to the bank’s CMS
- ✓ Effective **change management processes**, which include responding in a timely and satisfactory manner to any internal or external change to the institution
- ✓ Comprehension, identification, and **management of risks** arising from products, services, or activities
- ✓ **Self-identification** of compliance issues and timely correction of such issues

4. OCC Semiannual Risk Perspective

<https://occ.gov/publications/publications-by-type/semiannual-risk-perspective/pub-semiannual-risk-perspective-spring-2018.pdf>, Spring 2018

5. OCC Comptroller’s Handbook, Compliance Management Systems

<https://www.occ.treas.gov/publications/publications-by-type/comptrollers-handbook/compliance-mgmt-systems/pub-ch-compliance-management-systems.pdf>



Oversight

Effective oversight begins with the review of comprehensive data, including management information systems (MIS) reports and risk assessments to evaluate the effectiveness of the CMS. **Institutions must establish appropriate processes to continuously monitor risk, including those associated with all geographies, products and services, business units and legal entities of the institution.** Through accurate and comprehensive reporting, organizations can increase transparency of compliance activities with key stakeholders, improve resource planning and mitigate compliance risk.

Change Management

Regulators have communicated that **"an effective change management process detects new or amended rules and regulations, evaluates those rules, understands how the new requirements affect the bank's processes and makes modifications as appropriate."**⁽⁶⁾

Organizations must appropriately identify relevant regulatory changes, develop action plans with timelines, and assign roles and responsibilities to fulfill such plans. Post-implementation, management and the board should evaluate the effectiveness of changes made and establish repeatable processes going forward.

6. Allison Burns, Examiner, Federal Reserve Bank of Minneapolis, *Managing Change Effectively* <https://www.minneapolisfed.org/publications/banking-in-the-ninth/managing-change-effectively>, March 2016

Effective Change Management Processes

Identify Changes



Identify regulatory changes and business process changes through risk-monitoring practices

Create Action Items



Research the change and identify the impacts to your business
Update policies, procedures, software, vendors and internal controls, as needed
Communicate with and train staff

Establish Responsible Parties



Assign responsibility for action items to staff members
Appoint someone to monitor the entire change process from start to finish

Track Due Dates



Report progress to senior management and the board of directors

Evaluate Effectiveness of Changes



Post-implementation, verify that changes were effective using internal and external audits or targeted reviews

Establish Repeatable Processes



Use a similar process for future changes



Risk Management

The board and senior management should identify, measure, control, and monitor risk that may arise from new business initiatives. Monitoring is important to confirm that management's decisions are implemented for all geographies, products and services, and legal entities. Well-designed monitoring systems allow the board to hold management accountable for operating within established risk limits.

Self-Identification

Management should remediate and respond to violations of laws or regulations and deficient practices in a timely manner. Moreover, "self-identification and prompt correction of violations and deficient practices may reflect strengths in the bank's CMS and could indicate management's and the board's commitment to address responsibly underlying consumer compliance risk."⁽⁷⁾

The development of an effective compliance risk management program is multifaceted, further emphasizing the need for enhancements to existing systems to ensure adequate risk management practices are established.

7. OCC Comptroller's Handbook, Compliance Management Systems

<https://www.occ.treas.gov/publications/publications-by-type/comptrollers-handbook/compliance-mgmt-systems/pub-ch-compliance-management-systems.pdf>

Global financial services companies will pay \$180.9 billion in compliance costs in 2020. Furthermore, **worldwide, costs have increased by 7% annually in the past two years.** The global average split of compliance costs, according to the research, was 57% for labor costs and 40% technology, with 3% assigned to "other" factors.

The rising cost of financial compliance and other associated challenges can affect productivity and staff retention **due to the amount of time and effort required to meet all requirements.** In addition, the report found that compliance teams are stressed to a degree where managers worry about retaining skilled professionals – **67% of compliance decision-makers are concerned with job satisfaction within their workforce.**⁽¹⁰⁾



The Challenges with Spreadsheets and Manual Processes

Many financial institutions have been forced to react to the complexity and volume of change in the regulatory environment by hiring additional compliance personnel or consultants to try to keep up. With each new development in regulatory oversight, compliance staff is built up to manually track regulatory changes and analyze the risk and impact of new rules and recent enforcement action activity. Despite these efforts, financial institutions spent nearly \$321 billion on compliance enforcement actions on a global basis from 2008 to 2016. ⁽⁹⁾

In general, the compliance team at many firms:

1. Find regulatory changes by digging through the websites and documents issued by numerous federal, state and international agencies in various jurisdictions, news publications, whitepapers, executive orders, supervisory guidance and enforcement actions.
2. Transfer information about regulatory changes that may impact the firm into complex spreadsheets to be analyzed at a later time. This means that, although the compliance team has carefully reviewed multiple sources of regulatory change and guidance, they have **already wasted precious time finding and managing information that may not apply to the firm's operations.**
3. Read and assess regulatory documents line-by-line to identify obligations, rights, constraints and exceptions, and to make manual annotations throughout the documents.
4. Consult experts when guidance is ambiguous or to ensure that anticipated changes align with the approaches used by others in the industry. This step can be particularly time-consuming and expensive as the compliance team member may need to find a reliable resource that the company has not previously used and specialized expertise is very costly.
5. Determine whether the regulatory change results in required examinations or obligations for one or more lines of business.
6. Identify the line of business individuals responsible for making the required change and assign the change task along with a relevant deadline. Often, these tasks are assigned during meetings, email messages or through

other mechanisms that are not easily monitored or auditable.

7. Follow up with the task owners and track the changes task to completion. This multi-step process can be particularly prone to error or omission as the required change may be complex to implement and require a relatively long period of time to complete. During that time, there may be turnover in staff or the attention to other activities can result in forgotten follow up.
8. Conduct a manual review to ensure that the implemented changes are operating effectively.
9. Periodically report to management any exceptions or incomplete tasks.
10. Collect and **recheck** regulatory documents, meeting notes, spreadsheets, and emails to prepare evidence of compliance for audits and exams. ⁽⁸⁾

Given the error-prone and ad hoc nature of these typical activities, it's easy to understand how this approach increases compliance risk, raises the costs of the compliance function and – worst of all – leads to a great deal of uncertainty about the firm's compliance status. Executives that oversee compliance cannot easily identify compliance gaps hidden in spreadsheets and do not know with certainty that the required changes have been assessed or completed by the lines of business in a timely manner. Furthermore, although financial institutions have invested many people and hours in managing compliance activities and audit preparation, the institutions that use manual compliance processes are more likely to incur audit and exam findings, supervisory actions, and enforcement actions than peer companies with more automated processes.

8. Compliance.ai, Enforcement Actions: Monitoring Trends and Methods for Improving Compliance Risk Management Practices

<https://www.compliance.ai/enforcement-action-ebook-2019>, May 2019

9. Boston Consulting Group, Global Risk 2017, Staying the Course in Banking

<https://www.bcg.com/en-us/publications/2017/financial-institutions-growth-global-risk-2017-staying-course-banking.aspx>, 2017

10. Banking Exchange, April 2020, Cost of Compliance Expected to Hit

\$181bn <https://www.bankingexchange.com/bsa-aml/item/8202-cost-of-compliance-expected-to-hit-181bn>



The Shortcomings of Traditional Compliance Software

As an attempt to address the rising regulatory compliance demands stemming from the financial crisis, some financial institutions have implemented enterprise Governance, Risk, and Compliance (GRC) software products or other compliance management software. Most of these products were created at a time when SaaS technology had not yet been widely adopted by BFSI companies. As a result, those products most often use legacy / out-dated technologies that are costlier to deploy, manage and maintain, much more complex to use, requiring time & resource consuming installation and up-keep, and are not designed to work with today's digital computing environment and today's best practices for compliance. Most of these solutions require a great amount of IT involvement and planning before compliance teams can even begin to get any value from them.

Previously, many regulatory sources were not publishing their content in digital format and the technology that enabled rapid, automated, and accurate processing of legal documents was not available. That means that the regulatory documents available in those systems are manually collected, processed & finally reviewed – which raises the cost of the system for the customer – and increases delays in the updates that are published for their customers – which can cause compliance uncertainty, delays and missed obligations and examinations.

Moreover, legacy solutions were designed to do many tasks across multiple industries. These systems are not specialized to meet the evolving business and operational topics and needs specific to regulatory compliance management for BFSI companies, resulting in unnecessary complexity and cost for those specific functions.

Traditional GRC systems and other legacy compliance software are now attempting to retrofit their systems in response to modern challenges, such as reducing the amount of time to update databases with new content and offering cloud-based products, rather than offering solely on-premise models.

11. Thomson Reuters, The Cost of Compliance 2018
<https://legal.thomsonreuters.com/en/insights/reports/cost-of-compliance-2018>, 2018



It is estimated that compliance officers spend approximately **15%** of their time **solely tracking** and **analyzing** regulatory developments,⁽¹¹⁾ **a time savings in this area is a great advantage.**

The Advent of RegTech

In 2016, Deloitte identified four characteristics in RegTech solutions: ⁽¹³⁾

Agility

Decouple and organize intertwined assets

Speed

Generate and configure reports quickly using real-time data

Integration

Rapid deployment and the ability to share data with other systems

Analytics

Intelligently mine "big data" datasets to find patterns and make predictions

While the use of technology to address compliance risk challenges has existed for some time, only a few solutions have been successful in proactively undertaking the growing complexities and costs associated with regulatory compliance in the BFSI industry. Regulation technology, or RegTech, "is the use of technology to facilitate the delivery of regulatory requirements."⁽¹²⁾ RegTech aims to expand the capabilities of compliance teams when monitoring and collecting data for analysis and reporting by applying automation to improve the efficiency lacking in manual systems. RegTech applies technologies such as artificial intelligence (AI), cloud computing, mobile and analytics to collect, monitor, predict and report data.

RegTech has been proven to be very beneficial within Regulatory Change Management (RCM) functions. Modern RCM solutions specifically address and respond to internal or external regulatory changes affecting organizations and the resulting challenges related to compliance with applicable regulations and supervisory matters. RCM powered by RegTech brings capabilities beyond those achieved by simply moving traditional GRC systems to a cloud-based or a mobile-accessible platform.

12. Grant Thornton, Is RegTech the Future of Compliance?

<https://www.grantthornton.com/library/articles/financial-services/2018/BK/RegTech-future-compliance.aspx>, April 2019

13 Deloitte, RegTech is the New Fintech,

<https://www2.deloitte.com/lu/en/pages/investment-management/articles/regtech-is-the-new-fintech.html>, 2016

Evaluating Legacy Regulatory Compliance Products

Although many institutions understand the need for solutions that leverage today's technologies,⁽¹⁴⁾ legacy systems and manual home-grown solutions continue to be widely used. Rather than utilizing new technology to fully address present-day regulatory challenges, outdated products are modified to offer some additional features. However, when reviewed in contrast to the benefits provided by RegTech and modern RCM, legacy systems are unable to provide the ground-up agility and pace necessary to keep up with rapidly increasing regulatory changes. To adequately monitor, measure and control compliance risks related to regulatory changes, companies require **a)** a steady flow of up-to-date regulatory changes relevant to their business, **b)** the ability to collaboratively process these changes on a timely basis across their organization and **c)** the ability to report on their activity on an ongoing basis to internal stakeholders and auditors alike. Five companies are specifically evaluated in the following sections based on market share and prevalence within the BFSI industry.

14. Accenture, 2018 Compliance Risk Study, Comply and Demand
https://www.accenture.com/_acnmedia/PDF-74/Accenture-2018-Compliance-Risk-Study.pdf#zoom=50



Thomson Reuters

As a large multinational mass media and legal information firm, Thomson Reuters serves several industries beyond finance and banking, primarily with a global focus. After a costly and time-consuming deployment, users must use multiple disparate Thomson Reuters products to piecemeal a solution to manage risk and regulatory intelligence. Furthermore, because regulatory changes and insights are manually analyzed, various summaries, classifications and other useful analytical reports are not readily available to aid management in instantaneous decision-making and workflow planning. Also, due to the lack of comprehensive state-level content, this product is not all-inclusive for the majority of BFSI companies operating within the United States.

Bloomberg

While Bloomberg offers a product that has extensive financial market content, it does not provide an end-to-end compliance management solution focused on RCM. Although this company offers useful analytical tools, it isn't created specifically for compliance professionals, and results in a subpar experience for compliance teams seeking regulatory intelligence. Because Bloomberg has a costly seat license for each individual user, many organizations only purchase a single license. Assigning considerable compliance responsibility to one individual for reviewing system data can save money, yet BFSI companies may be left vulnerable to weakened internal controls and a lack of transparency and intelligence dissemination across the organization.

LexisNexis

LexisNexis was originally created as a reference library for legal research and designed for a legal audience, not particular to finance and banking. According to their website, this company offers 12 different products related to Regulations and Compliance, likely requiring users to combine several solutions to fit their individual needs. As with most legacy systems, these products are costly and are not easily integrated with most third-party systems. More importantly, due to the static and manual nature of its content and insights, there is a delay in time from when the information is delivered and users can only react, rather than proactively plan. As a result, there is a risk of inaccurate and inconsistent data combined with an inability to maintain flexibility and agility in a rapidly changing environment.

Wolters Kluwer

Wolters Kluwer has a full suite of software products and professional services across multiple industries and verticals. Its GRC-specific product line is one of the few legacy software that offer a single-integrated solution for RCM. However, it requires a significant investment to install, is difficult to integrate with other systems and is cost-prohibitive for broad use within majority financial institutions.

Manual (Web + Spreadsheets)

While web browsers are not traditional compliance products, many compliance officers rely on internet searches and alerts for regulatory intelligence. Oftentimes, an organization may have complex compliance software available, but teams still opt to use web browsers because they are very easy to use. Some BFSI companies may not have any GRC or CMS systems in place and rely on web browsers due to budget constraints. It is likely these institutions are understanding and calculating the true costs of the process; that is, the extensive time and resources consumed by manual searching, tracking, and reviewing. For example, web browser results are not synthesized into similar formats and it's very time consuming for one or more people to type and copy/paste information into a separate template. The amount of time and resources required, combined with the added risks associated with the potential of incorrect or missing information, makes using search engines an inefficient and tedious process with hidden costs.



Comparison Matrix

Rating Scale:

1: Unsatisfactory 3: Adequate
2: Needs Improvement N/A: Not Available

Legend:

● Not Offered ● Offered
● Partially Offered ● Not Applicable

	Thomson Reuters	Bloomberg	LexisNexis	Wolters Kluwer	Manual (Web + Spreadsheet)
Deployment and Onboarding	1	1	1	1	2
Instant Access	●	●	●	●	●
Easy To Use	●	●	●	●	●
Single Integrated Product	●	●	●	●	●
Integration Capabilities With Third Parties	●	●	●	●	●
Regulatory Documents and Content	2	1	2	3	1
Real-time	●	●	●	●	●
BFSI Industry Focus	●	●	●	●	●
State Content	●	●	●	●	●
Federal Content	●	●	●	●	●
International Content	●	●	●	●	●
Topic Content	● Sold Separately	● Sold Separately	● Sold Separately	● Sold Separately	●
Enforcement Actions	● Sold Separately	●	●	● Sold Separately	●
Access to Expertise	1	1	1	1	N/A
Online Access to Experts Embedded in Application	●	●	●	●	●
Premium Third Party Advisory Content	●	●	●	●	●
Analytical Tools	1	2	1	2	N/A
Automatic Topic Tagging	●	●	●	●	●
Automatic Mapping To Controls	●	●	●	●	●
Automatic Cross-jurisdiction Analysis	●	●	●	●	●
Version Tracking	●	●	●	●	●
Custom Trends And Insights	●	●	●	●	●
Personalized Alerts And Notifications	●	●	●	●	●
MIS and Reporting	1	1	1	2	1
Automatic Document Summarization	●	●	●	●	●
Custom Reports In Various Formats	●	●	●	●	●
Public Content Available For Distribution	●	●	●	●	●
Response Management	2	1	1	2	N/A
Automatic Task Delegation	●	●	●	●	●
End-to-end Workflow	● Sold Separately	●	● Sold Separately	● Sold Separately	●
Custom Workflow Rules	●	●	●	●	●
Automatic Obligation Extraction	●	●	●	●	●
Cost	1	1	1	1	N/A
Monthly Subscription (No Minimum Annual Contract)	●	●	●	●	●
All Jurisdictions Included In Base Subscription	●	●	●	●	●
All Topics Included In Base Subscription	●	●	●	●	●
Workflow Capabilities Included In Base Subscription	●	●	●	●	●



Comparing Legacy Systems and RegTech

Legacy products are unable to efficiently apply the elements needed for an effective CMS. Board and senior management oversight of compliance risk is lacking due to limited MIS capabilities and flawed risk monitoring and measurement tools. Change management processes do not provide for the timely identification of regulatory changes and do not adequately facilitate appropriate responses and action plans to address the impact of internal or external changes. Considering these weaknesses, board and senior management's comprehension and management of risks is compromised, lessening the ability to self-identify errors and potentially leaving the institution vulnerable to serious compliance deficiencies and supervisory action.

Deployment & On-boarding

Legacy Systems

Deployment and on-boarding of most legacy products needs improvement. Most are installed onsite and take months to onboard across an enterprise. Due to the complexity and lack of specialization, many organizations argue that these systems are not easy to use or intuitive. While most allow for some integration among other products within their own company offerings, they limit the capability to integrate with third parties such as content management systems, identity and access management or GRCs. Features and new capabilities are added infrequently, and require a significant amount of IT involvement.

Present-day RegTech Solutions

Modern RCM solutions frequently offer application programming interface (API) access or other integration capabilities, enabling it to be deployed in a variety of ways, such as an existing enterprise software solution. Because there is little or no on-premise integration or setup, users get immediate access to a product that is easy to use and does not require extensive training or IT resources. By using an API to share data with other systems, specialized applications can be combined into one platform. Using a building-block approach, modern RCM creates a nimble and custom-built, yet streamlined solution tailored to meet the specific needs of each organization. The interoperability of RegTech delivers a superior solution that can be seamlessly integrated based on size, complexity and risk profile of an institution. New features and functions are added on a rapid and ongoing basis, with zero IT involvement or down-time.

Regulatory Documents and Content

Legacy Systems

Overall, the legacy vendors' ability to provide adequate content is unsatisfactory. While they offer databases of regulatory content for Federal and some state-level content, it is not in real time, meaning it is not updated within 3 hours from when initially published. Only one of the companies profiled fully focus on the BFSI industry and there are only two that include RCM as a core competency. Content related to enforcement actions is minimal.

Present-day RegTech Solutions

Replacing the need for manual research, modern RCM solutions allow for the curation and analysis of comprehensive financial and regulatory content to fully automate the regulatory intelligence process. Users can meet specific compliance needs by consolidating information from various direct sources in real time, such as state, federal and international regulatory agencies, content sources and news publications. Features such as advanced searching and filters create prioritized reading lists, reducing the amount of resources needed for manual data research and review. Modern RCM allows compliance teams to focus on responding to identified areas of weakness rather than mining information.

Analytical Tools

Legacy Systems

The use of analytical tools within these products is generally unsatisfactory. While most systems allow for some alerts and notifications based on a narrow selection of criteria, features such as document comparison and the ability to map to organizational controls do not exist. Some of these companies offer products that compare documents on a high level, yet do not automatically compare regulatory content across jurisdictions to indicate variances by supervisory topic. One key feature missing from these products is the ability to show trends and insights that are specifically relevant to the user in real time.

Present-day RegTech Solutions

Modern RCM solutions deliver personalized summaries, trend analyses and key document interaction to allow management to efficiently review data, make informed decisions and develop action plans. These solutions automatically tag topics, map required actions to controls and produce comprehensive reports identifying useful trends such as agency activity by frequency or topic, and enforcement action violations and penalty amounts. Furthermore, automated document comparison permits users to review specific changes made to documents as they apply to previous versions or between various jurisdictions, to compare metrics and restrictions as they apply across state lines and clarify the relationship between changes as they occur. With the use of real-time data and trend analysis, modern RCM systems can provide compliance teams with tools to evaluate risk exposures based on the current pace, volume and velocity of regulation changes. As a result, management is able to proactively identify those areas that require immediate attention and predict potential areas of weakness going forward.



MIS and Reporting

Legacy Systems

Management Information Systems and reporting tools are unsatisfactory for most vendors. Because legacy solutions were developed during a time when compliance and risk departments traditionally operated in silos, these products weren't designed with the understanding that organizational-wide transparency, achieved through comprehensive reporting, is an important way to proactively detect risk, mitigate exposure and communicate issues.

All but two companies lack any capacity to automatically summarize documents or extract key information, which helps reduce the amount of time it takes to identify relevance and priority. While most systems allow for reports in selected formats, such as PDF and PowerPoint, others don't facilitate data exporting in CSV or XML formats. Moreover, only Google offers content publicly available for distribution among non-users, making it difficult for compliance teams to share information regarding critical topics among all key stakeholders as needed.

Present-day RegTech Solutions

With a digest of summarized information across multiple sources and filtered by relevance, compliance teams benefit from personalized information on relevant regulatory updates, approaching deadlines and recent enforcement actions within the industry in a concise, reportable and actionable format. Modern RCM systems can quickly disseminate accurate and comprehensive reports to key internal stakeholders across the organization to ensure adequate transparency and oversight of compliance activities.

Response Management

Legacy Systems

The ability of these companies to adequately track organizational level responses to required actions is unsatisfactory. Compliance resources are inefficiently spent on reviewing content to analyze how to respond to regulatory changes with the absence of automatic, real-time obligation extraction. If any obligation extraction is provided through the legacy systems, it is only available through costly legal services. While most of these systems have been upgraded to include some automatic task delegation and follow-up tools, they do not provide end-to-end, intelligent workflows and



likely still require the need for manual spreadsheets to track assignments and deadlines.

Present-day RegTech Solutions

Modern RCM systems can analyze selected documents to rapidly evaluate whether actions are required by management, as well as provide a list of necessary responses for each selected document. As a result, compliance teams have the ability to quickly react using one platform that provides both relevant data and a summary of required actions. With the use of intelligent workflows, shared folders and automatic task assignments based on new regulatory changes and deadlines, users can simplify and streamline complex processes. Collaboration tools can assist teams working together with features that monitor updates, delegate tasks and record team responses throughout the implementation process. Additionally, custom alerts allow users to be reminded of critical dates, developments and deadlines. With a system that aids in managing workflow and team activities, compliance teams can more efficiently implement necessary changes without relying on the time-intensive, error-prone and manual tracking methods.

Cost

Legacy Systems

Legacy systems are inherently costly due to a consultant-driven approach and complicated packaging. For example, customers of legacy systems must not only purchase separate modules for content and workflow capabilities, but also separate packages for each topic and jurisdiction that are important to their business.

As noted, the manual approach has indirect costs associated with time-consuming and tedious manual processes to monitor, filter and track content and record findings, and workflow and reporting capabilities.

Present-day RegTech Solutions

Modern RCM platforms are comprehensive solutions that are intrinsically cost efficient. As technology advances, costs will continue to decline. Users can select among those features and content offerings that best benefit their organizations, without unnecessary additions. With the use of technology and automation to gather and analyze data, rather than a consultative approach, cost savings are perpetually recognized. Furthermore, scalability allows users to modify selections as organizational needs change or growth occurs.





The Future of RegTech

As the BFSI industry and technology continue to evolve, RegTech will remain responsive to a changing environment and new market demands, highlighting an agility that is inherent to technology-first solutions. While legacy systems are re-evaluating existing business models to integrate more features, it is unlikely that a media or consulting agency has the ability to truly compete with focused RegTech solutions on its own, with its core foundation built on technology. RegTech solutions will continue to make technological advances to aid the modern regulatory management process. A number of changes are predicted to enhance the future of RegTech products.

— Increased Agility

RegTech has matured quickly to become very agile and systems are quickly incorporating new content as it becomes available, allowing organizations to efficiently and effectively adapt to current needs and trends. This agility will enable compliance teams to become much more effective in their work, which will help them become an integral part of their organization's growth.

— Advanced Risk Analysis

As user confidence grows in RegTech, prior risk assessments, historical data and patterns previously used within an organization will assist systems in predictive analysis and improved data modelling. Once RCM priorities are established within systems, automated decision-making can be used to analyze risks and guide strategic planning going forward.

— Expansion to Other Legal Capacities

While RegTech currently focuses on regulatory changes, solutions are likely to be developed to include all legally-binding agreements such as customer disclosures, contracts and third-party agreements. RegTech solutions will have the ability to review and compare content in other legal documents to identify changes in periodic updates or requirements among jurisdictions.

— Best of Breed Business Solutions

Organizations will continue seeking and adopting technologies that offer focused best-of-breed business solutions rather than monolithic one-size fits all, IT centric applications. They will continue to demand interoperability across compliance building blocks, to enable them to pick-and-choose compliance solutions that best meet their business requirements.

— The Emergence of SupTech

The processes of disseminating information will move toward a more collaborative process with partnerships between institutions and regulatory bodies with the development of Supervision Technology (SupTech). SupTech can enhance the aggregation and collection of data used by supervisory agencies to improve analysis and reporting across the industry using automated approaches. Agencies such as the Financial Conduct Authority (UK) and the Monetary Authority of Singapore have already begun to implement SupTech in various applications.⁽¹⁵⁾ Other innovations in this area include real-time supervision with automated checks, algorithmic regulation of various products and services, and the use of machine-readable regulations that interact with RCM solutions to send alerts about required reporting and responses from management.

15. Finance Stability Institute, *Innovative Technology in Financial Supervision (SupTech), The experience of early users*, <https://www.bis.org/fsi/publ/insights9.pdf>, July 2018

The Philosophy of RegTech: A Lasting Impact

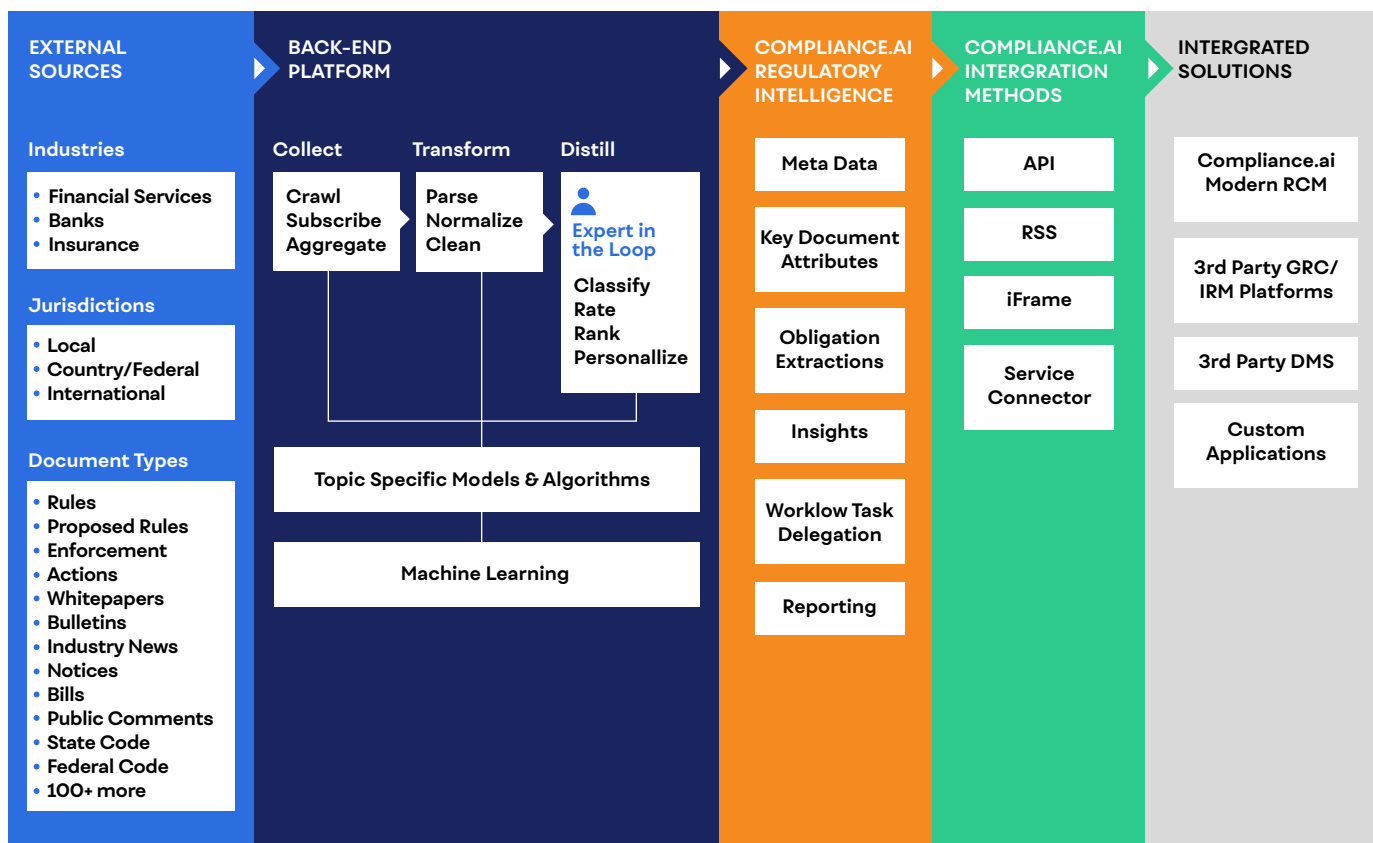
Going forward, regulatory changes are likely to remain complex and increasingly burdensome. Organizations that continue to use outdated legacy systems will experience an increase in compliance risk. By moving to RegTech promptly, BFSI companies will be poised to take advantage of new technology as it advances. The fundamental goal of RegTech is to provide regulatory focus, by funnelling the number of supervisory matters, regulatory changes and enforcement actions that need review & assessment, within regulated industries while lowering overall compliance risk and saving organizations time, resources and money. While the decision to upgrade existing compliance management practices may seem difficult, the advantages of doing so will continue to compound over time.

Modern RCM by Compliance.ai

Compliance.ai's RegTech Regulatory Change Management enterprise solution automatically monitors and analyzes regulatory changes, and enables compliance teams across various business units to swiftly take action and report on relevant regulatory changes and updates, in a timely and cost-effective manner. With a holistic view on regulatory compliance risk for the BFSI industry, it is a platform that is optimized for cross-functional collaboration and reporting that increases transparency and removes traditional compliance silos.

Whether through its front-end SaaS platform or through API integration, Compliance.ai detects relevant regulatory updates, provides value-added content—such as a summary of obligations, version tracking and document relationships—which can trigger custom workflows and enable mapping changes to internal policies and controls. Enterprise level delegated administration, roles-based access, and reporting capabilities enable larger BFSI organizations to use the solution across different business units and teams. As an award winning⁽¹⁶⁾ and industry recognized⁽¹⁷⁾ regulatory compliance product, its modern RCM platform combines comprehensive regulatory intelligence with automated collaboration and reporting, in an all-in-one RegTech solution.

Compliance.ai Technology Architecture



16. American Business Awards, Silver Stevie Award, Governance, Risk and Compliance 2019
<https://www.compliance.ai/blog/stevie-award-press-release-2019>

17. 2019 SIIA CODiE Awards Finalist in the Compliance Solution
<https://www.compliance.ai/blog/codie-award-press-release-2019/>



Gain Transparency

- RCM Command Center
- Personalized Dashboards
- Real-time content feed
- Custom Alerts
- Weekly email summaries
- Central source for all relevant regulatory activity
- Easily share reports internally

Filter Out Noise

- AI/NLP-Powered Filtering
- Monitor Regulatory Changes
- Real-Time Content
- Enriched Documents
- Trend analysis and key document Insights
- Document version tracking and comparison

Analyze Impact

- Personalized Insights
- AI-Powered Intelligence
- Jurisdiction Analysis by Regulatory Topic
- Obligation Analysis and Summarized List of Obligations
- Third-Party Expert Guidance
- Resource Planning and Calendar of upcoming deadlines
- Document Annotation

Automate Processes

- Repeatable Change Management Processes
- Automated task delegation, workflow, and follow-ups
- Cross-functional and team collaboration tools
- Seamless integration with third-party solutions using a platform API

Speed Audits & Improve Planning

- Certified Audit Reports
- Easily Distribute Reports
- Team Activity Reports
- Custom Enforcement Tracker

Manually responding to and mitigating regulatory compliance risk is tedious, time-consuming and error-prone. The consequences of noncompliance are significant, resulting in expensive enforcement penalties, business reputation damage and even personal liability. Managing and reporting on regulatory requirements traditionally is so cumbersome that compliance has become viewed as a resource intensive business unit.

The lack of cost-effective and specialized solutions for regulatory change management has led to firms adopting homegrown and non-scalable methods to address regulatory compliance risk. To avoid violations and disruptions to their business, BFSI companies must keep informed on the current regulatory environment, consider shifts in trends and apply that intelligence to ensure resilience across all business lines and jurisdictions.



— Unique Approach

Through proprietary Expert-in-the-Loop (EITL) automation, Compliance.ai delivers trustworthy insights, analysis, summarization and obligation detection in real time, setting it vastly apart in speed and cost from other products that rely on manual analysis.

Compliance.ai's EITL machine learning methodology lends additional insight using subject matter experts to improve on purpose-built machine learning models. Similar to how a human can apply new information to improve decisions, supervised machine learning applies human intervention to continuously yield results with increased accuracy and reliability.⁽¹⁸⁾

Compliance.ai applies EITL methodology to continuously rate, rank and classify regulatory content from disparate sources and document types into a consistent format. The platform not only hosts a vast inventory of pre-existing rules, regulations and actions at an international level, but also provides added value for each regulatory document processed by automatically extracting key information, similarities and requirements and synthesizing it in a summary format. Thus, substantially reducing the amount of time needed to organize, review and evaluate new regulatory requirements. The solutions integrated and automated work-flow and task management capabilities ensure a cohesive and easily trackable approach to change management. Automating these critical steps in the compliance management process enables teams to keep up and scale with the ever growing pace of regulatory publications, and more accurately process the large number of incoming documents, while reducing risks associated with human error.

The platform's technology is scalable and adapts with the evolving regulatory compliance landscape, which is critical for a market environment that is in flux. Compliance.ai is one of the few companies specialized solely in regulatory change management for the BFSI industry.

18. Goode Intelligence, Getting Regulation Under Control with Compliance AI, 2017

Additional Resources:

[Enforcement Action eBook](#)

[Regulatory Activity Reports](#)

About Compliance.ai

Compliance.ai is transforming the way highly regulated organizations address compliance risk. Its Modern Regulatory Change Management solution empowers banks, financial services and insurance companies to proactively manage the growing volume and velocity of regulatory changes as they occur and makes it simple to implement the correct steps to remain in compliance. Modern RCM by Compliance.ai delivers relevant content with personalized insights, obligation analysis and risk monitoring. With **Compliance.ai**, organizations can intelligently assess and mitigate compliance risk, avoid supervisory actions and safeguard their corporate reputations without increasing headcount.

An Analysis of Compliance.ai's "**Financial Enforcement Action Survey**"

For Inquiries Contact: info@compliance.ai

To Learn More: www.compliance.ai

October 2020