

# DIGITALLY TRANSFORM YOUR COMPLIANCE TEAM

Leverage Technology to Keep Up with the  
Speed of Business



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# INTRODUCTION

Financial services compliance officers and their teams are continuously challenged to do more with less. Despite the fact that most firms are in growth mode, many senior leaders are often tempted to trim budgets in compliance departments and don't recognize the value a strong compliance program provides. At the same time, an ever-changing regulatory landscape means compliance professionals must be vigilant and nimble, ready to adapt to new rules, and prepared to provide compliance oversight for new or expanded business lines.

Embracing digital transformation and adopting regulatory technology (RegTech) solutions can provide significant advantages to compliance leaders, giving them increased agility and a scalable platform which allows them to continue to keep up with the speed of business.

## FIRMS MUST NAVIGATE A COMPLEX REGULATORY LANDSCAPE

Whether your firm is regulated by the SEC, FINRA, the OCC, or another regulatory agency, and whether you primarily serve institutional or retail customers, the business is ultimately subject to an array of regulations designed to protect investors.

Unfortunately, these regulations are often complex and nuanced. In fact, as KPMG noted in its list of the top ten regulatory challenges for 2019, this is becoming a growing problem for firms – particularly for those subject to multi-jurisdictional oversight.

“**As federal deregulation fosters recalibration and tailoring of existing regulations, financial services providers are facing an increasingly fragmented landscape.**”<sup>1</sup>

Firms nevertheless need to ensure their compliance programs and supervisory structures are designed to meet these various compliance obligations. Turning to compliance technology can dispel much of the confusion, automating processes and integrating compliance into the business.

# REGULATORS ARE LEVERAGING TECHNOLOGY – EVEN IF FIRMS ARE NOT

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It is not just firms that stand to benefit from regulatory technology solutions. In their quest to help enforce their rules and to keep markets orderly and safeguard the investing public, regulators are increasingly turning to technology themselves.

At the same time they are increasing reliance on technology to aid in the investigative process, regulators are also keenly interested in how firms use technology for both operations and compliance purposes. A FINRA report released in September 2018 found that, while there are still challenges for firms to consider, “RegTech tools may facilitate the ability of firms to strengthen their compliance programs, which in turn has the potential to create safer markets and benefit investors.”<sup>ii</sup>

## BEYOND REGULATIONS, COMPLIANCE TEAMS MUST KEEP UP WITH THE BUSINESS

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Meeting regulatory requirements is important, but it’s far from the only reason firms need to be creative and proactive about their compliance programs. Firms also need to be cognizant of, and find ways to stay abreast of, the changing needs of the business itself. In a business landscape that is increasingly competitive and that is, itself, changing quickly because of technological changes, compliance leaders must become – and remain – agile.

■ ■ ***A large challenge facing established financial services firms is their inherent inability to move quickly. Many financial sector organizations have stringent regulations and compliance requirements, and ‘breaking things’ is unacceptable. These companies can ride the next wave of growth successfully, but they must learn to move faster.”*** <sup>iii</sup>

Agile firms have learned to move at the speed of the business, but agility is more than simply moving quickly. One definition of enterprise agility states that it is the way in which organizations “adjust business, development, and operations workstreams to survive and thrive.”<sup>iv</sup>

Forbes identified several qualities that are common to agile businesses, including: <sup>v</sup>

- » A focus on continuous improvement
- » An obsession with the customer experience
- » They move quickly and responsively
- » They keep their eye on their company’s vision and mission

While speed and responsiveness play key roles, firms that want to become more agile cannot become faster at the expense of accuracy or the organization’s or department’s underlying mandates.

## FIRMS CANNOT BECOME MORE AGILE BY SIMPLY HIRING MORE STAFF

Some firms recognize that their current compliance teams are ill equipped to grow with the business, however the first inclination is to hire more compliance personnel, rather than turning to technology.

The reality is that investing in human resources alone is not enough. “[increasing the number of compliance staff is] not completely effective to meet the challenges posed by a constantly-evolving regulatory framework. The inconsistency and fragmentation of data management – coupled with legacy systems reliant on manual processing – adversely impact data aggregation and the accuracy – and quality – of the output.” <sup>vi</sup>

**Without an effective technology platform underlying compliance processes and efforts, the mere idea of providing regulatory support and oversight to a growing and changing business can be overwhelming.**

Firms relying on outdated systems or manual processes know all too well that their compliance departments’ effectiveness is limited without scalable solutions.

Adopting RegTech allows compliance teams to find ways to support new products or services, effectively oversee mergers and acquisitions, and provide consistent oversight as the business grows in size and scope.

# THE ROLE OF REGTECH IN DIGITAL TRANSFORMATION

Digital transformation, or the modernizing of the way businesses use technologies, will likely be a discussion point in your firm's boardroom or senior leadership meetings in the very near future, if the topic has not yet come up. According to Chief Executive magazine, 77 percent of businesses surveyed identified digital transformation as their primary strategic priority.<sup>vii</sup> And, as it relates specifically to compliance technology, a Refinitiv poll found that 74.3 percent of responders "believe new technologies can be a game changer for compliance."<sup>viii</sup>

Digital transformation for compliance teams means implementing a RegTech solution designed with the firm's specific compliance requirements and processes. It does not necessarily mean overhauling your entire department or eliminating staff. Rather, implementing RegTech as part of your firm's digital transformation strategy should be more about identifying ways you can use technology to improve existing processes and strengthen compliance controls.

For example, in firms that mandate pre-clearance of employees' personal trading, implementing a RegTech solution can vastly improve the compliance department's effectiveness and avoid potential conflicts of interest or prohibited transactions. RegTech can help compliance teams in countless other ways, providing an automated tool for capturing periodic certifications and attestations, a mechanism for employees to report – and compliance to oversee – gifts and entertainment or [political contributions](#), and much more. Ultimately, your firm's RegTech solution should be customizable, creating and fostering agility in a way that provides the utmost benefit to your firm.

## PRIORITIZING TECHNOLOGY SOLUTIONS

**77%**

Businesses identified digital transformation as primary strategic priority

**74.3%**

Believe new technologies as game changers for compliance

## CHOOSING A REGTECH PROVIDER

With a growing number of software providers entering the FinTech and RegTech spaces, it can be difficult to evaluate providers effectively. Ultimately, your firm's choice should be a provider that understands the regulatory compliance space well. Many firms intentionally choose a solution

offered by a company that focuses exclusively on financial services firms rather than catering to organizations in disparate industries.

## “Choosing the right technology is critical to managing the complexity of regulatory compliance and ultimately driving down both risk and cost.”<sup>ix</sup>

There is too much at stake from a regulatory standpoint to find out when it's too late that the firm is facing regulatory scrutiny or worse because of shortcomings in your compliance platform. A KPMG paper summarized this well, stating: “With the recognition that resources and funding are limited, compliance leaders need to allocate funding to the technology enhancements that will yield the greatest benefit to their compliance program.”<sup>x</sup>

## CONCLUSIONS

Keeping up with the demands of the business while continuing to meet regulatory obligations requires an objective look at your compliance program's effectiveness. It's not always easy to step back and evaluate your compliance program through this lens, especially in firms with well-established processes and long-tenured personnel. However, if your compliance team intends to continue providing meaningful support to your firm and its key stakeholders as the business grows, you need to find ways to become more agile. An investment in RegTech can provide that agility, and much more.

## “RegTech provides senior executives with an opportunity to introduce new capabilities that are designed to leverage existing systems and data to produce regulatory data and reporting in a cost-effective, flexible, and timely manner...”<sup>xi</sup>

A final caution: Be aware that adapting and adjusting your compliance program through digital transformation must be more than a singular effort; it should be a continual transformation.<sup>xii</sup> Business' needs can and do evolve quickly; firms that aren't prepared to keep up will soon find themselves back at square one.



ComplySci is a leading provider of technology solutions that help compliance organizations identify, monitor, manage and report on conflicts of interest arising from employee activities, including personal trading, gifts and entertainment, political contributions, outside business affiliations, and other code of ethics violations. Founded in 2003 by early pioneers in the development of automated compliance management solutions, ComplySci is now trusted by over 1,100 customers, including some of the world's largest financial institutions. Compliance Officers rely on ComplySci's scalable and sophisticated platform to stay ahead of risk.

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visit us at [complysci.com](https://complysci.com)**



# RESOURCES

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