

# MODERNIZING THE COMPLIANCE FUNCTION

Benefits Extend Beyond Process Efficiencies  
and Cost Savings



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# INTRODUCTION

Businesses across industry lines, including financial services firms, have undergone or are strongly evaluating the merits of digital transformation. The primary focus in many such organizations is on transforming the sales, operations, and other client-facing departments to create efficiencies and stay competitive. Forward-looking firms are also modernizing their compliance departments

by implementing RegTech solutions designed to create efficiencies and mitigate risk.

Compliance modernization offers firms the tools and information compliance officers and their teams need to lower risk and identify strategic opportunities, to operate proactively to head off problems rather than simply reacting to them.

## UNDERSTANDING COMPLIANCE MODERNIZATION

Modernizing the compliance function in a financial services firm involves more than merely replacing spreadsheets, paper documents, and manual processes with technology. By the same token, modernization does not mean completely overhauling the way compliance is monitored.

Instead, effective modernization involves using RegTech to enhance existing oversight and supervision efforts. Companies that benefit the

most from modernization leverage automated workflows that streamline steps and actions and adopt tools offering mobile “work anywhere” functionality. Rather than compliance and risk management being siloed functions in firms, as was historically the case, modernization facilitates the integration of the compliance department with other areas of the firm. Ultimately, this strengthens the entire firm.

## WHY MODERNIZE COMPLIANCE?

A modernized compliance function provides the means to see both risks and opportunities more clearly and precisely, facilitating oversight that is

simultaneously broader and more targeted. Firms who modernize their compliance function usually do so for some or all of the following reasons:

- » **Keep up with the regulators.**  
Regulators are already leveraging technology to help identify patterns, outliers, and potential rule violations. Implementing a RegTech solution can help firms self-identify and address issues quickly, staying one step ahead of the SEC, FINRA, and other regulatory bodies.
- » **Be prepared for growth.**  
Modernizing your compliance department also means implementing a solution that is scalable, one that can grow along with your firm without the need to add additional personnel.
- » **See risks and opportunities.**  
When firms implement compliance technology, they have a wealth of information at their fingertips. This information keeps the firm's senior leaders more informed, helping them more easily identify potential risks and opportunities.
- » **Be prepared for audits.**  
With regular and ad hoc reporting capabilities and a complete audit trail built into their compliance platform, firms that embrace compliance modernization have an advantage over those that have not done so when it comes to preparing for internal or regulatory audits.
- » **Use data more effectively.**  
Implementing compliance technology makes it easier for firms to identify potential issues while also streamlining the way firms act on information learned. Automated workflows mean flagged issues are routed to the correct reviewers and decision-makers immediately. This, in turn, lowers the firm's risk.
- » **Lower costs.**  
Modernizing compliance comes with its own expenses, but the cost savings can be measurable and long-lasting. Firms with effective RegTech solutions can eliminate much, if not all, of the costs associated with maintaining paper records of supervision and oversight activities and are also often able to lower personnel expenses.
- » **Enhance security.**  
In today's digital environment, firms need to safeguard client, employee, and firm proprietary information more than ever. RegTech can enhance and complement firms' data security efforts, putting firms in control of access rights and controls.
- » **Enable staff to work "smarter."**  
Modernizing your compliance department frees up your compliance team's time, eliminating time-consuming and often ineffective task-based oversight. Using parameters and processes your firm defines ahead of time, compliance technology provides compliance team members with the output, reviewing vast amounts of information in a fraction of the time. This means supervisors and compliance personnel can focus their time on what to do with the information gleaned, rather than on the information-gathering process.

# NURTURE A FORWARD-THINKING MINDSET

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Compliance modernization is about more than driving down risks and costs for your organization. Effective compliance modernization shifts the compliance mindset from a reactive approach to one that is proactive, giving CCOs the capability to more accurately analyze risks and predict potential issues.

Modernizing the compliance department makes it easier for users across the organization to do their jobs. In turn, this facilitates a stronger bond between compliance and business units while increasing compliance with firm and industry rules, at every level of the firm.



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