

Automating Compliance: Before You Press Go

Many financial services firms are successfully exiting the regulatory consent orders they have been operating under for the most of the past decade, and starting to shift their attention to how they can preserve or enhance the *effectiveness* of their compliance programs, while at the same time making compliance activities dramatically more *efficient*. Automating aspects of your compliance program using RegTech solutions can help to achieve these efficiencies, add value to the business, and create a better overall consumer experience. However, it is vital to remember that new technologies come with their own set of risks. Before you “press go” on a new technology solution, we’ve outlined key considerations to take into account as you continue your journey towards compliance digitization.



Assessment – Identify the processes that are leading to inefficiencies. Work to identify the key areas that can be optimized by implementing new digital solutions. Build a holistic business case and share with the primary project sponsors. In particular, ensure that the business process that you’re seeking to automate is properly designed. We’ve seen many technology implementation efforts struggle or fail because the technology solution itself couldn’t fix a fundamentally broken process. Engage Compliance and IT to evaluate the impact of proposed technology solutions on compliance and operations to ensure that all critical aspects are accounted and unintended consequences (risks) are avoided.



Data Governance - Before even selecting – much less implementing – a RegTech solution, it’s critical to have a complete understanding of all of the data elements that are generated by or associated with the process to be automated. From there, determine which data elements will be necessary to “feed” the RegTech solution, and of those, which ones are currently captured systemically, preserved in a consistent format, subject to data integrity validation, and accessible to the right stakeholders. You might find that a RegTech solution will only improve your processes if you first start to capture additional data elements – or improve the accuracy and consistency of the data elements you capture today.

Ask yourself: Does the organization have the data quality and governance standards required to achieve the desired result? Does the organization have the necessary data and technology

resources available to support the effort? What dependencies exist across systems where the data is stored, maintained, and updated that would be impacted by the effort?



Pilot Approach – Test the RegTech solution by starting small. Once the proof of concept is understood, adoption for a larger scale implementation will encounter less obstacles and risks will be better understood by stakeholders. These should be evaluated during the pilot.

Ask yourself: Can the RegTech solution easily align to or replace legacy systems? Is a sandbox environment available where the solution could be proven in a responsible, controlled manner?



Develop a Parallel Run and Exit Strategy – Implementing a new technology does come with risks. While the solution can solve various problems and bring efficiencies, moving forward with a particular third party may not fit within your organization’s risk appetite from a vendor due diligence perspective. It’s also important to evaluate the viability of the RegTech solution from a forward-looking perspective.

Ask yourself: Is the third party funded to sustain themselves? Are they prepared to scale? Are other peer institutions using the technology? And is there a period of time over which we can preserve our legacy process while testing the RegTech-enabled process in “champion vs. challenger” mode? This helps to ensure the intended benefits of the RegTech approach actually can be realized before fully committing to it, and reduces the risk that compliance gaps will occur during the implementation period while you’re still getting configuring and tuning the RegTech solution.



Consider Resources and Sustainability – Although one of the goals of many RegTech implementations is to reduce manual workloads, many firms are surprised to find that additional resources – or at least resources with different skill sets – are required to successfully operate RegTech solutions after they are implemented, even if net headcount needs are reduced overall. In building the business case to add RegTech capabilities, stakeholders should carefully consider the time and expertise required both to implement and configure the platform, as well as operate it on an ongoing basis.

Ask yourself: If, for example, we’re considering implementing an automated exception monitoring tool, what volume of alerts or exceptions is the tool likely to produce relative to our current manual processes, how much time will it take to disposition each alert, and do we have the necessary level of staffing in place to manage that output without creating a backlog?



Evaluate Implementation Success and Future Changes – Be prepared to monitor and test for intended outcomes and recognize that there are many RegTech providers to choose from with varying use cases, there will be new and evolving regulations (e.g. GDPR) that will need to be considered when deciding to implement a new system.

Ask yourself: Is the solution being offered adaptable for future regulation and regulatory change?

Protiviti and PerformLine

Regtech solutions leader PerformLine and global consulting firm Protiviti have formed an alliance to deliver an automated SaaS solution for compliance monitoring. This combination of PerformLine's technology and Protiviti's risk management and compliance expertise enables companies in financial services as well as other regulated industries to deploy automated first-line-of-defense marketing and sales compliance surveillance over their digital, voice, e-mail, chat and social media interactions with consumers to mitigate regulatory risk and fines, and ensure brand safety.

Contacts

Michael Brauneis
Managing Director, Protiviti
+1.312.476.6327
Michael.Brauneis@protiviti.com

Michael Polavieja
Chief Customer Officer, PerformLine
+1.973.590.2299
Mike@performline.com

Shelley Metz-Galloway
Managing Director, Protiviti
+1.571.382.7279
Shelley.Metz.Galloway@protiviti.com