

INSIGHT

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REGULATORY AUTOMATION

AUTOMATING THE REGULATORY CHANGE PROCESS



Introduction

Two (2) key challenges have been identified as the major impediments that must be overcome within the regulatory compliance space.

The first challenge is the explosive growth of regulations. In 2016, there were

- 201 average daily regulatory alerts
- 750 global regulatory bodies
- 2500 compliance rule books
- 52506 total regulatory alerts

The second challenge is the lack of regulatory compliance improvement in regulatory change process. The current regulatory process entails too much governance causing operational inefficiency, various parties sourcing the same information resulting in duplication of work, multiple parties approaching the same person for updates, records not updated, lack of resources to maintain the list manually, numerous creations of manual registers and lastly difficult to report management information.

Our Solution

We are approaching a new regulatory paradigm, where technology supports regulatory compliance and the business. Successful integration of technology to existing processes will differentiate banks of the future. Our solution automates the process within regulatory compliance. Leverage on Sia Partner's R-Watch and BPM to enhance efficiency within your regulatory compliance teams. It covers the end-end compliance automation over five (5) steps.

1. Detection of regulatory updates using the R-Watch bot

- R-watch Bot can flag/collect the latest regulatory updates from the regulators and other authorities (i.e. HKMA, SFC)
- R-Watch Bot can tag the relevant subjects and authorities according to different hash categories

2. Internal Assessment using the R-Watch bot

- Tag mapping is made with the relevant regulatory inventory against the R-watch Bot (periodic review)
- RPA Bot can highlight the area of required change in the regulatory inventory (based on analysis of the tagging mechanisms)

- Compliance Officer conducts an impact assessment on the regulatory update

3. Communication with relevant parties via Business Process Management (BPM)

- BPM tool can trigger a case in the system upon a regulatory update circular automatically
- Compliance team logs the impact assessment in the BPM system and sends it to the affected parties
- BPM tool can notify the affected parties and issue reminders for actions or deadlines
- BPM tool can also categorize and archive all email exchanges relating to a regulatory change for future reference

4. Management Information via Business Process Management (BPM)

- BPM tool can track the status of the case and report the management information

5. Update of Regulatory Inventory

- Once all affected parties sign-off/complete the BPM case, the R-Watch Bot will update the regulatory inventory

Our Approach

It starts small with high-level technical requirements to demonstrate feasibility. The key success criteria for a PoC will drive the business and technology requirements. Lastly, after testing and making iterative improvements, the production model can go-live.

- i. **Proof of concept** - demonstrates feasibility of a solution within 1 week (timeline dependent on depth and scope of analysis)

Key Activities: Define basic process requirements such as key process functionality, key technology functionality, user requirements and demonstrate viability

- ii. **Pilot** - showcase benefits, gain stakeholder buy-in and identify potential blocking points (technical, human) within 2+ months (timeline dependent on scope and complexity of pilots)

Key Activities: Map the as-is and to-be processes (detailed walkthrough), benchmark the possible solutions and build a business case for each, manage the interactions with external

vendors, build and test the solution and manage change: training, controls and procedures, resource redeployment plan.

- iii. **Production** - aim to be compliant with internal requirements and achieve pre-defined project objectives within two months (timeline dependent on scope and complexity of requirements)

Key Activities: Identify and comply with all internal requirements - IT, audit, legal, procurement, etc, close all priority 1 and 2 issues, train and communicate changes to users

- iv. **Scale** - apply to other business areas and processes to unlock the full benefit potential and return on investment within 6+ months (timeline dependent on scope and complexity of the project)

Key Activities: Define and prioritise the scope factoring lessons from prior phases, define the target operating model and governance, create a roadmap and strategic guidance for deployment, project manage the deployment and manage change: training, controls and procedures, resource redeployment plan

Technology behind R-Watch

Collection of publications: A web robot collects all the documents published daily on more than 40 sites related to regulation using the data capture technology.

Document storage: Items collected (articles, pdf, etc.) are stored in a dedicated NoSQL base.

Natural Language Processing: Machine learning algorithms analyse documents and enriches them; some examples include identification of topics, targeting relevant interlocutors and automatic synthesis

Web business application: An ecosystem of web-services dedicated to the operational staff plugged on the database such as dedicated search engine, targeted mailing and alerts, a dashboard tracking the regulatory activity

Sia Partners' Proprietary R-Watch Bot



- <http://regwatch.sia-partners.com/>

Besides being able to identify the latest updates and feed it to BPM case, the R-Watch bot can also consolidate daily/weekly updates into a mail and subsequently send it out to different parties.

We can define and set the different sources for the R-Watch covering different subscriptions from regulatory bodies and associations.

Access Right

We can also define the access right for the respective parties, here are some suggestions:

- i. **Super-user level:** Able to access right granting, assign case, edit, review, approve and delete
- ii. **Compliance Manager Level:** Able to assign case, edit, review, approve and delete
- iii. **Compliance Operator Level:** Able to edit, review and submit
- iv. **Business user Level:** Able to edit, review and submit

With increasing regulatory requirements, access to growing customer data and focus on compliance, financial institutions need to transition from a manual operating model to a more strategic model with a focus on automating processes. A lot of work needs to be done to make this transition in which Sia Partners can play an integral role in defining a roadmap for your organization's regulatory compliance journey and tailor the approach to your needs.

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ABOUT SIA PARTNERS

Sia Partners is a next generation consulting firm focused on delivering superior value and tangible results to its clients as they navigate the digital revolution. With over 1,400 consultants in 16 countries, we will generate an annual turnover of USD 280 million for the current fiscal year. Our global footprint and our expertise in more than 30 sectors and services allow us to enhance our clients' businesses worldwide. We guide their projects and initiatives in strategy, business transformation, IT & digital strategy, and Data Science. As the pioneer of Consulting 4.0, we develop consulting bots and integrate AI in our solutions.



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