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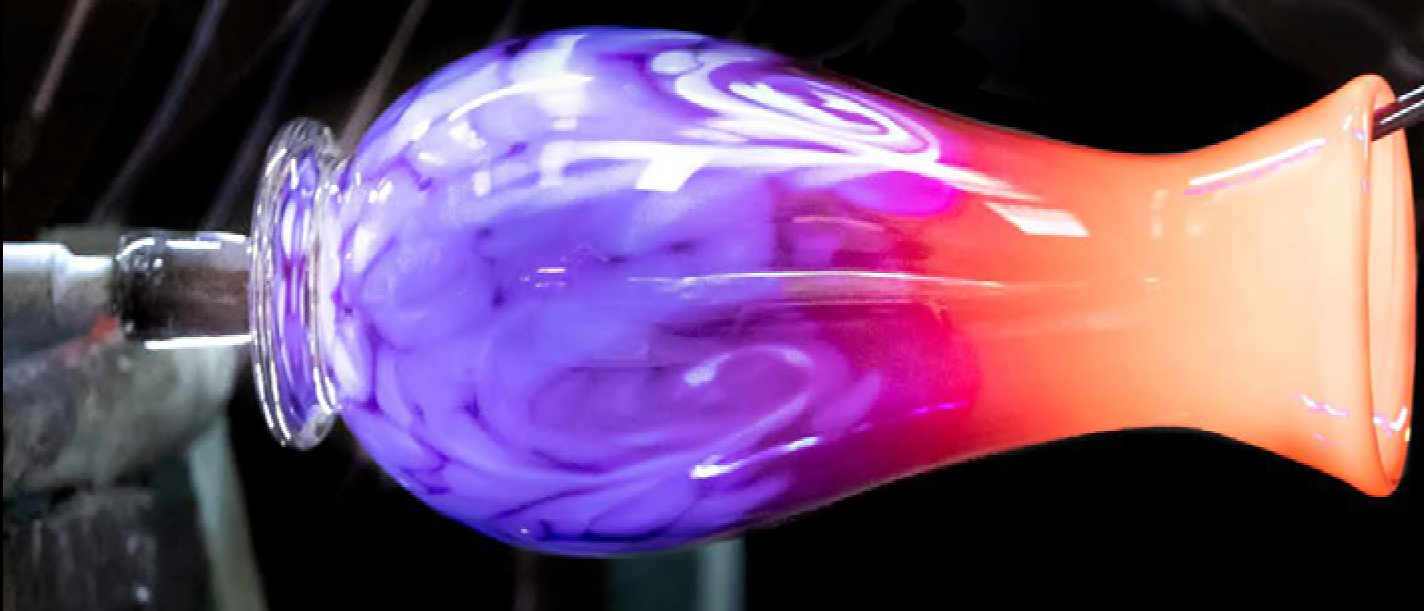
Compliance Risk Study 2019: Auf Druck folgt Klarheit

Banken wollen ihr Wachstum mit neuen Geschäftsmodellen vorantreiben. Klassische Compliance-Konzepte sind dafür nicht länger zukunftsfähig Und auch die Bewältigung externer regulatorischer Veränderungen verliert an Bedeutung.



INKLUSIVE DEUTSCHSPRACHIGER ZUSAMMENFASSUNG

2019 Compliance Risk Study

ZEIT, DIE WERTGENERIERUNG VON COMPLIANCE ZU ÜBERDENKEN.

Um den neuen Herausforderungen erfolgreich zu begegnen, müssen Compliance Manager ihre Funktion auf Compliance 2.0 umstellen. Sie müssen ihr Team mit Hilfe von neuen Technologien in die Lage versetzen, die Risiken des Informationszeitalters frühzeitig zu identifizieren, darauf zu reagieren und zu managen. Nur so wird es möglich, auch mit reduzierten Budgets mit dem rasanten technologischen Wandel Schritt zu halten und angestrebte Kostensenkungsziele zu erreichen.

AKTUELLE HERAUSFORDERUNGEN FÜR COMPLIANCE MANAGER:

- **84%** wollen den höheren technologischen Anforderungen mit der neu geschaffenen Rolle des Technology Compliance Officer begegnen.
- **72%** streben Kostensenkungen von über 10 Prozent in den nächsten drei Jahren an.
- **50%** sehen eine überdurchschnittlich hohe Fluktuation von Compliance-Führungskräften.
- **60%** sagen eine Verschiebung von Verantwortlichkeiten und Zuständigkeiten der Compliance-Funktion voraus.

SO KÖNNEN BANKEN, VERSICHERUNGEN UND FINANZDIENSTLEISTER DIE COMPLIANCE VERBESSERN:

- **Tempo erhöhen:** Compliance Manager müssen nicht nur traditionelle Ansätze, sondern auch ihre eigene Funktion modernisieren, um zukunftsfähig und relevant zu bleiben.
- **Ziele neu formulieren:** Das Compliance-Team kann sich auf risikoreichere Aufgaben konzentrieren, wenn das Compliance Modell neu gedacht, überarbeitet und das Front Office dadurch gestärkt wird.
- **Neues annehmen:** Compliance muss neue Technologien, wie künstliche Intelligenz (KI), Robotic (RPA) und Regulatory Technology (RegTech) nutzen, um Kosten zu senken und zukunftsfähig zu bleiben.
- **Entwickeln einer zukunftsfähigen Compliance-Funktion:** Es bedarf eines Aufbaus einer dynamischen, intelligenten Arbeitsumgebung, die Risikopotenziale frühzeitig aufzeigt.
- **Compliance 2.0 beschleunigen:** Eine klare und innovative Strategie ist die Grundlage für den erfolgreichen Einstieg in Compliance 2.0 und einer neuen Generation von Compliance Managern.

Accenture's 2019 Compliance Risk Study—based on a survey of 151 senior compliance executives at banking, capital markets and insurance institutions globally—calls for a new generation of compliance officer to lead functions fit for the information age. The study indicates that Compliance, facing quantitative budget cuts after an era of strong financial support post-crisis, should move boldly beyond the foundations of digital technologies and be an agile partner able to identify new risks and guide the business in the face of permanent disruption.

UPSETTING THE PACE

With financial institutions fueling growth with new business models, traditional approaches to Compliance seem to be no longer fit for the future. Our 2019 Compliance Risk Study respondents highlighted business growth as the largest driver of transformation in Compliance, for example the re-engineering of processes given the focus placed on client lifecycle management or understanding how to mitigate potential changes to compliance risk profiles due to the emergence of digital identity. Compliance should take steps to modernize its thinking to remain relevant as an advisor to business amidst the pace of the fourth industrial revolution.

RE-STATING "THE FIRST LINE OF DEFENSE"

Financial institutions are reshaping the compliance operating model, with the front office stepping up to its position as a true "first line of defense," and allowing Compliance functions to focus on the highest risk activities. Over half (60%) of our Compliance Risk Study respondents agree that responsibilities previously performed by Compliance in the second line are now shifting to the first line, in areas such as know your client (KYC), testing and surveillance. This shift is allowing Compliance to adjust its operations within a more integrated second line to manage new risks without disrupting the pace of business.

PIVOTING AND ADOPTING THE NEW

Having begun the pivot towards a technology-led approach to investment in recent years, Compliance is strongly encouraged to execute its strategy with speed in the face of quantifiable cost reduction targets, cited by 71% of Compliance Risk Study respondents. And though many financial institutions have experimented with emerging technologies, accelerating through this inflection point requires larger-scale transformation, using new and powerful capabilities and technologies such as artificial intelligence (AI), robotic process automation (RPA), and regtech to deliver a microservices-led architecture fit for the future, along with more industrialized collaboration with peer institutions to drive down "costs of ownership" in areas such as anti-money laundering and regulatory change.

EMPOWERING A NEW GENERATION OF COMPLIANCE OFFICER

Inspired by the mega growth stories and thinking emerging from Silicon Valley, financial institutions are replicating the business models of new entrants. This pivot in firms' go-to-market approaches necessitates Compliance to establish a more dynamic, higher touch work environment that identifies risk and connectivity to bad actors earlier in business transactions. Leading compliance programs also view timely exposure to new business as empowering a new generation of compliance officer, one that brings value at the outset to permit nimble yet controlled capture of new market opportunities.

ACCELERATING TO COMPLIANCE 2.0

True transformation requires bold leadership. Delivering a Compliance 2.0 state that can apply innovation at scale to support and empower a new generation of compliance officer requires a clear and inspiring strategy. This should be built on the fundamentals of a robust control framework and continued stature within the organization, as a function fit for the information age. Such a plan should bring together talent that is digitally fluent and able to be analytical and proactive in delivering risk insights, complemented by flexible technology and agile operations within a sustainable investment plan focused on delivering value to the business.

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UPSETTING THE PACE

As the pace of business accelerates in the information age with the pursuit of more tailored, personalized experiences for customers and clients, management of compliance risk demands fresh thinking. Open banking and transactions via blockchain, as well as inorganic growth from mergers and acquisitions, are examples of business growth, which Compliance Risk Study respondents consider as the primary driver of transformation in Compliance, seeing them as five times more important than managing external regulatory change.

As financial institutions place a premium on speed to market in launching new products, compliance colleagues are having to manage risk, either where regulatory rules and guidance are not always clear, or where a product falls between the scope of current regulations.

84% of 2019 Compliance Risk Study respondents say they have a technology compliance officer within their Compliance function.

The financial services ecosystem also continues to experience a surge of newer types of risks anchored in technology and data, such as cyber and privacy. Such risks are further compounded by the growing adoption of artificial intelligence in business processes, which presents additional ethical issues. Compliance officers may find themselves having to navigate these without the ability to foresee unintended consequences, while responding to evolving expectations from the business to operate using a more agile methodology that seeks review during the product development lifecycle. This environment is set to continue as financial institutions recognize that a seamless client experience is at the heart of how they do business; and therefore are looking to revamp their interactions to reflect growing client expectations to streamline interactions through technology.

Being responsive to client expectations is critical for financial institutions in an era focused on building trust-based relationships, many of which have been materially damaged in the fallout from the last financial crisis. The risks of failure in a high-change environment are significant, with trust being a rapidly perishable commodity with a value that cannot be overstated.[1] While trust can be quickly depleted, trust is also the only means by which firms can generate the speed, commitment, and inspiration necessary to effectively capture and retain customers—particularly profitable customers. Compliance organizations are recognizing the need to reinforce the control framework around a more technology-driven approach to business through the appointment of a technology compliance officer. The focus now is on equipping this new function with the tools to identify, monitor and manage the newer dimensions of risk emerging from the information age.

RE-STATING "THE FIRST LINE OF DEFENSE"

As compliance risk profiles continue to change in response to the pace of business, more focus is placed on the cost of compliance at an enterprise level and on accountability across the three lines of defense. KYC, testing and surveillance are three areas that are increasingly migrating to the first line of defense, permitting monitoring activity that is more relevant and precise for the institution's compliance risk profile. Over half (60%) of 2019 Compliance Risk Study respondents agree that responsibilities previously performed by Compliance in the second line of defense are now shifting to the first line as we reach what was termed as a "tipping point in compliance" by one compliance executive interviewed.

60% **of 2019 Compliance Risk Study respondents agree that responsibilities previously performed by Compliance in the second line of defense are now shifting to the first line.**

This migration supports Compliance functions in identifying opportunities to better integrate business process and controls across peer second line functions such as operational risk, and to present a connected approach between key areas such as risk assessment, testing and analytics. Re-shaping the compliance operating model to establish this connectivity is critical in an era where liaising with other control functions can absorb as much as 13% of a compliance officer's time.[2] Eliminating this friction is a key factor, not only for the financial institution in establishing a more holistic view of risk, but more specifically for Compliance, in freeing up talent to focus advisory and analytical skills to support the first line in executing its increased responsibility for mitigating the risks presented by the information age.

13% of a compliance officer's time can be spent liaising with other control functions.

The next stage of the transformation journey for Compliance is now centered upon re-confirming roles and responsibilities—between lines of defense and across the second line where appropriate—and their involvement in new organizational processes that require compliance advice and guidance. Continued clarity in these responsibilities is key to Compliance retaining the stature and "seat at the table" that it first earned post-crisis and should maintain amidst a new business environment.

PIVOTING AND ADOPTING THE NEW

Much as the operating model for Compliance is undergoing a metamorphosis to deliver a fit for future function, so should the function's deployment of technology. Eighty-seven percent of 2019 Compliance Risk Study respondents expect investment in Compliance to increase in the next two years, though seven in ten respondents also acknowledge they are facing quantitative cost reduction targets.

Such a dichotomy calls for incisive and bold thinking. Proofs of concept that showed a promising but uncharted path to a desired future, or that are no longer able to deliver the gains required, should give way to more industrialized deployment of new technologies that can provide a more flexible architecture able to drive risk management in the information age. Microservices that can inter-operate with foundational governance, risk and compliance (GRC) workflow provide a more nimble and responsive set of technologies than more traditional approaches that are no longer able to keep pace with business.

72% of 2019 Compliance Risk Study respondents with quantitative cost reduction goals are targeting reductions of more than 10% over three years.

Accelerating through a steep transformation curve can be uncertain, and leading financial institutions are recognizing the urgency to collaborate, not only to drive down costs of ownership, but also to validate strategies. Accessing thought leadership from other financial institutions was the primary driver of pursuing collaboration opportunity among our Compliance Risk Study respondents. The sharing of resources has this past year motivated compliance leaders, who also benefitted from greater regulatory support, for example in managing anti-money laundering obligations.[3]

EMPOWERING A NEW GENERATION OF COMPLIANCE OFFICER

This transformed vision of what a Compliance function "in the New" looks like requires a similar digital transformation for its compliance officers. With half (50%) of our Compliance Risk Study respondents facing a level of unmanaged employee attrition that is above expectation, and broader industry reports depicting a profession that is pushing employees to exhaustion,[4] the importance of equipping compliance talent with the skills to sustainably deliver its responsibilities has never been greater. This is echoed by one head of Compliance at an emerging fintech financial services firm, who highlighted one of their biggest risks as not evolving at a pace fast enough to attract the right level of talent.

50% of 2019 Compliance Risk Study respondents face a level of unmanaged employee attrition that is above expectation.

Inspired by the innovative growth stories from Silicon Valley, leading financial institutions are looking to instill powerful technological capabilities that enhance employees' skillsets and knowledge, allowing officers to become what we refer to in our Technology Vision 2019 Report as "Human+".[5] For example, compliance officers are able to leverage artificial intelligence and natural language processing at scale in areas such as anti-money laundering and regulatory tracking to perform existing roles more efficiently. These technologies can allow compliance officers to re-invest time in higher-value advisory support for the business and keep pace with emerging risks and a more liquid form of business change activity.

Productivity gains for Compliance functions is only part of the story. Integrating these technologies into the workplace allows compliance officers to meet growing expectations of regulators and to enhance their understanding of data flow and transformation, to better understand available insight and, therefore, better guide the business in areas such as privacy and third-party regulation. Furthermore, empowering a new generation of talent with such capability provides a platform for Compliance functions to build the compelling career proposition that attracts a new generation of multi-skilled and change-ready workers. As one head of Compliance noted, compliance in the information age is a relatively new career proposition, with leadership in position today to shape the perception of careers in compliance for future generations.

ACCELERATING TO COMPLIANCE 2.0

The risks of the information age not only present new threats today, they also compound more established risks such as anti-money laundering and therefore challenge the progress we have tracked over the last five editions of this study. The time for maintaining the status quo or remaining watchful and taking incremental steps in the face of industry disruption has passed and should be replaced with the bold thinking that can deliver Compliance 2.0.

Executing this strategy requires focus on three key factors:

Developing a new generation of compliance officer that is digitally fluent, analytical and proactive in delivering risk insights relevant for the information age.

Establishing new roles and responsibilities as part of a re-shaped operating model that allows the business to better manage risk and retains Compliance's stature and "seat at the table."

Industrializing the use of new technologies that can identify risks and bad actors earlier in business transactions while delivering the "table stakes" of greater automation of controls.

Delivering these factors while facing budget cuts requires clarity of thought and decisive leadership, though such action should not be taken in a vacuum. Leveraging a blend of build, buy and subscribe investment strategies—as first highlighted in our 2018 Compliance Risk Study[6]—remains a key facilitator for infusing thought leadership from peers and broader industry expertise. Establishing this rhythm of collaboration is critical to the bolder strategies required to deliver a Compliance function that is truly fit for the information age.

ABOUT THE AUTHORS

Samantha Regan

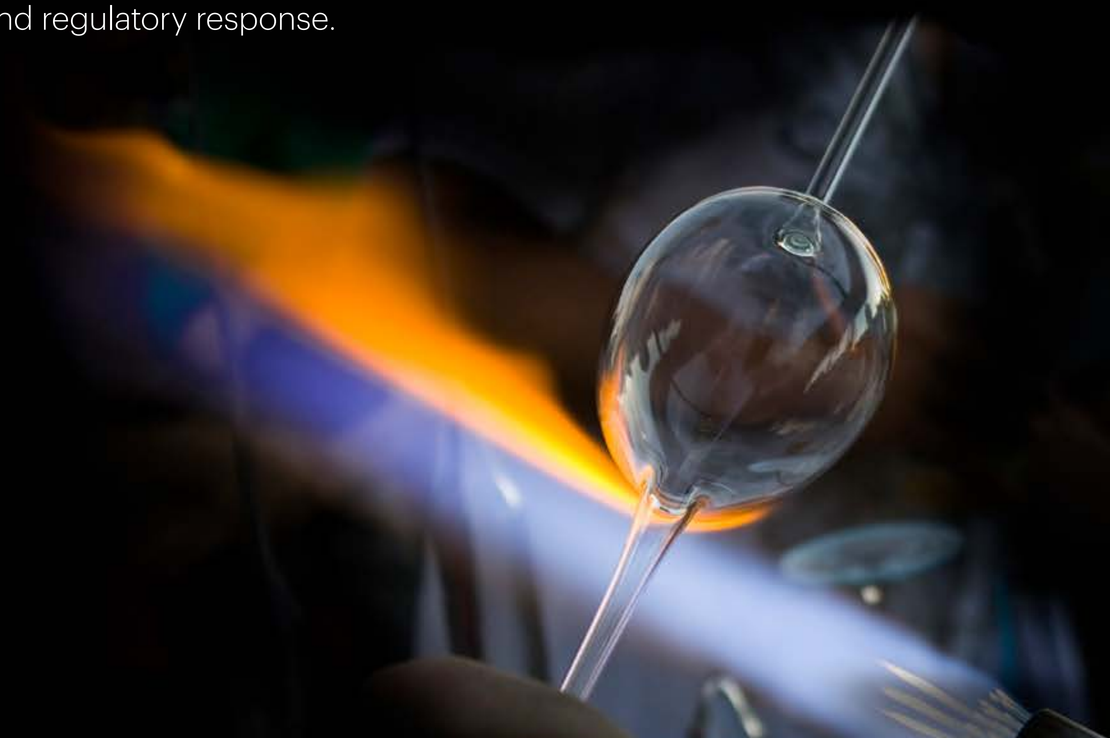
Samantha is a Managing Director and is the Global Lead for the Regulatory Remediation and Compliance Transformation group within Accenture's Finance & Risk practice. Based in New York, she has 20 years of global experience working with C-suite executives and their businesses in compliance and regulatory initiatives.

Ben Shorten

Ben is a Senior Manager with Accenture Finance & Risk. Based in New York, Ben serves as the Compliance Transformation Offering Lead for Accenture in North America. Ben has extensive experience working with investment banks, retail banks and insurance providers in North America, the UK, and continental Europe to define compliance strategy in response to regulatory and government mandates and ongoing changes in the financial services ecosystem.

Nesrine Besbes

Nesrine is a Senior Manager with Accenture Finance & Risk. After 10 years in our Paris and Zurich offices, Nesrine now serves as the Finance & Risk Lead in Luxembourg. Her experience is mainly with banking and capital markets clients, covering topics such as compliance transformation, fraud and financial crime, and regulatory response.



Rafael Gomes

Rafael is a Managing Director with Accenture Finance & Risk. Based in London, he is the Regulation and Compliance Lead for Financial Services Consulting in the UK and Ireland. Rafael's client engagements cover regulatory response, conduct and ethics, and behavioral analytics in banking and capital markets. He is a recognized thought leader in compliance and a former recipient of the Robin Cosgrove Global Prize for Ethics in Finance for work based on his PhD in conduct risk and regulatory relations.

Anne Godbold

Anne is a Senior Manager with Accenture Finance & Risk. Based in London, she is the Compliance Transformation Lead. She focuses on providing solutions including strategic design to technology implementation to her clients. Anne takes a keen interest in how new technology capabilities and innovations across artificial intelligence, analytics and blockchain can support clients and address the risks they pose to organizations.

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Kontakt

Hanjo Seibert
Accenture Managing Director
Leitung des Bereichs Governance und Compliance für Financial Services

Accenture Banking Blog

Accenture Finanzdienstleistungen DACH auf LinkedIn

Accenture Finanzdienstleistungen DACH auf XING

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