

April 2017

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Tricor Roots Consulting Sdn Bhd

The Business Enablers



InTOUCH

Tricor Roots InTouch Newsletter

Welcome to the April 2017 edition of Tricor Roots InTouch. This Newsletter is aimed to keeping our Clients, Partners & Associates updated on what is happening in the world of Performance, Governance, Risk & Compliance (GRC).

The maturity of Governance, Risk & Compliance frameworks around the region continues to escalate in 2017. As cost of compliance continues to rise, and Directors and Management continues to push GRC practitioners for ever greater contribution towards effective management and decision making, the process by which GRC are implementing GRC pieces, such as Enterprise Risk Management, Compliance Management,

Business Continuity Management and Performance Management continue to evolve. In this month's article, we discuss about some of the bold initiatives undertaken by Tricor Roots' clients and how the role of GRC Technology continues to play a role.

We hope you will enjoy reading this Newsletter and as always please do not hesitate to contact us should you have any queries. We would love to hear from you.

Your Trusted Consultant,

Tricor Roots Consulting Executive Team

1. The Role of Governance, Risk & Compliance Technology in today's highly dynamic Organisation: Doing More with Less!

As regulations globally continue to get more complex and onerous, Organisations, particularly those with global operations are facing an unprecedented avalanche of compliance demands. In addition, Heads of Risk Management & Compliance units are under increasingly pressure within Organisations to do more with less – ie to help the Organisation better manage risk, assist in effective decision making, and stay compliance to ever changing regulations with the same level of headcounts (and cost!).



To stay competitive and avoid compliance trip-ups which may lead to serious regulatory reprimand and penalties, Organisations need systems to provide a bird eye view of their global compliance status and the effectiveness of the control & compliance environment.

When compliance management is performed in a non-integrated and non-systematic way, several outcomes may arise:

- a. Lack of compliance visibility across the Organisation
- b. Inability to adapt to changing regulations
- c. Inability to view interdependencies
- d. Duplicated and inefficient, or even conflicting processes
- e. Exposure to penalties and reprimands

Historically, compliance processes were bogged down in documents and technology silos, which led to laborious and costly processes to gather information and report on compliance risk. Compliance departments over-relied on spreadsheets, documents, and email that lacked an audit trail, creating a legal disaster since organizations lack a defensible position when it cannot prove compliance. With no record, assessments can also be compromised or tampered with. What may seem like an insignificant risk in one source of information may have a different appearance when other relationships are factored in. Siloed documents and processes create inefficiency, out-of-sync controls, and corporate policies that are inadequate to manage risk and compliance. Organizations are encumbered by unnecessary complexity because they manage compliance within specific issues, without regard for an integrated framework and architecture, wasting time and resources in the process.

Integration of Risk Management

There is a growing body of risk practitioners, and increasingly being explored and adopted by Tricor Roots' clients that emphasis (and by default investments) should instead be given to embedding or integrating "risk" process, tools, practices etc into business processes as well as management reporting as this ties risk into management decision making more closely. Some of the examples of initiatives being explored and undertaken by clients include:

Industry	Nature of GRC technology being explored/ undertaken
Asset Management Company	<p>Development of a Regulatory & Investment Mandate Monitoring and Compliance Reporting module. This is to serve as Tracking of regulatory changes by regulators and historical archive of regulatory compliance activities.</p> <p>Semi-real time tracking of Investment & Regulatory Mandates through back-end integration with source data.</p> <p>Automate reporting templates for internal management and regulators.</p>
Financial Institution	Product evaluation and workflow process, which mandates key review and approval from all key stakeholders.
Power Generation & Distribution	Integration of Incident reporting and integration to Insurance Claims Management process to track claims process and optimise Insurance programs, whilst being broker independent.

The above list serves to provide some real examples on initiatives that are intended to closely integrate Risk Management principles into actual management processes, with the intended effect of maximising effectiveness of Governance, Risk & Compliance whilst maintaining the compliance budget. This is the clearest definition of doing more with less!

2. Critical Emerging Strategic Performance & Risk Issues

To better support our clients, we have outlined below recent global strategic performance and risk issues. The information contained is based on sources we believe to be reliable, but we do not guarantee its accuracy. Tricor Roots Consulting does not have any ownership over this information, nor does it represent our opinion.

Headline	Outline
<p>Bank Trimming Compliance Staff as \$321 Billion in Fines Abate</p> <p>By Richard Partington, Bloomberg</p> <p><i>Compliance</i></p> <p><i>January 2017</i></p>	<p>Global banks are paring back staff tasked with detecting wrongdoing for the first time since the financial crisis, ending a hiring boom that accompanied \$321 billion in fines, as technology replaces employees and penalties wane.</p> <p>Royal Bank of Scotland Group Plc is preparing to eliminate as many as 2,000 jobs checking new customers for suspicious traits as it digitizes the process. Other lenders are also replacing compliance staff with computers as they face pressure to cut costs, including UBS Group AG, according to a person familiar with the matter, who asked not to be identified because</p>

the matter is private.

“The overall number of people in compliance is absolutely reducing,” said Anne Murphy, head of U.K. financial services at executive-search firm Odgers Berndtson. “Banks are better able to deal with regulatory requirements. They’ll always need people to provide judgment, but a lot of monitoring and surveillance activity can be automated.”

Banks globally have paid \$321 billion in fines since 2008 for regulatory failings from money laundering to market manipulation and terrorist financing, according to data from Boston Consulting Group. The related hiring spree for compliance staff comes to a close as banks move past the worst of their misconduct charges and dwindling revenue necessitates the use of technology to control costs at departments once protected from cuts.

Keep Calm

“Panic mode is over now,” said Harry Chetwynd-Talbot, a consultant at headhunter Hedley May who specializes in compliance hiring. “It’s the only part that’s been immune to cost pressure since the crisis. Now organizations are looking at massively inflated risk, compliance, legal functions and thinking ‘we haven’t solved the issue yet, but the answer isn’t to just chuck more people at it.’”

RBS has about 2,000 staff running know-your-customer checks, and will be able to eventually automate that function and only keep a few people to handle issues, Chief Financial Officer Ewen Stevenson told analysts last month. The cuts would represent as much as 2 percent of RBS’s total headcount, which stood at about 79,000 at the end of 2016.

Deutsche Bank AG Chief Executive Officer John Cryan said in early February that the current boost to his firm’s anti-money laundering staff won’t be permanent as certain procedures that need to be carried manually will increasingly be replaced by digital processes. The lender has already scaled back its hiring plans.

Front Line

Zurich-based UBS is using technology to lower headcount at its compliance department, said a separate person with knowledge of the matter. Meanwhile New York-based JPMorgan Chase & Co. plans to keep its compliance headcount steady in Europe, while hiring selectively, according to a person with knowledge of the matter.

While technology will replace jobs in the future, it will be critical for banks to keep some internal policing roles, according to David Carbery, a specialist in executive-compliance hiring at search firm Shadowhound.

“The positions that are safe for the foreseeable future are the front-line compliance officers -- those on the trading floors offering advice,” Carbery

said.

HSBC Holdings Plc expects spending on regulatory programs and compliance to peak at about \$3.3 billion in 2017 after surging in recent years, as improved IT systems help the bank to grow without adding costs, CEO Stuart Gulliver said last month.

“The banking industry is likely to employ less people,” the CEO said on a call with reporters at the time. “As more technology comes in, and more robotics are used, the efficiency will go up and the number of people employed in the industry will go down.”

Banks are also turning to technology providers to crunch data and improve the effectiveness of existing employees.

“Before all you could do is throw people at the problem,” said Erkin Adylov, CEO of technology company, Behavox. “Now banks are using the gains and efficiencies from technology to focus on how you solve the problem. With the same workforce you can do way more.”

To read more, click here:

<https://www.bloomberg.com/news/articles/2017-03-23/banks-trimming-compliance-staff-as-321-billion-in-fines-abate>

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