

STRATEGY

THE PATH TO PROFIT

Compliance as a competitive advantage

One of the largest challenges facing the financial services industry is finding an outsourcing partner with both a deep understanding of the compliance space and the right technology. Great outsourcers must have the ability to do all of the required necessary work. Changes may need deployment within hours.

Recently Craig Focardi, an analyst for The Tower Group, described the necessity of compliance, as put forth by the Dodd-Frank Act. In a research note, titled, “The Great Transformation: The Dodd-Frank Act’s Impact on Lending Processes and Technology,” he argued that compliance does not necessarily equal extra costs.

Actually, Focardi states, “Financial service institutions should view compliance and information transparency as sources of competitive advantage.” Focardi then goes on to explain that these FSIs can actually market this compliance to clients — to show just how on the ball they really are.

In such a scenario, says the senior research director, compliance can actually equal profit.

“FSIs must automate consumer protection compliance not only to satisfy external regulators but also to maintain (or improve) loan processing timelines, costs and customer satisfaction levels,” he said.

To do this requires strategy. Consider the compliance documentation process.

Traditionally, compliance documentation has been managed independently across multiple departments, entities and systems. This decentralized method gives way to increased expense, redundancy, or even worse — conflicts within the organization.

In contrast, an integrated strategy outsources and centralizes the role of compliance documentation in the organization, resulting in consistent, efficient and more customer-friendly practices across the enterprise.

THE HIGH COST OF COMPLIANCE

A decentralized structure relies on widespread responsibility for compliance documentation across the enterprise. Inherently, this approach involves redun-

FAST FACT

WHAT IS AN INTEGRATED COMPLIANCE STRATEGY?

An integrated compliance strategy is a holistic approach to managing compliance in financial institutions that uses a common repository for compliance content, leading technology and advanced tools.

Benefits include reduced compliance risk, faster speed to market, decreased costs and enhanced customer experiences.

dant processes and manual tasks that are not only inefficient but also inconsistent. This leaves financial institutions vulnerable to risk, costs and lost opportunities.

In a time of intense regulatory scrutiny, a lack of communication and coordination within an organization can be costly. Failing to meet compliance requirements can lead to repurchasing loans, substantial fines, higher credit costs, bad publicity and dissatisfied customers.

THE HIGH COST OF TECHNOLOGY

A fast growing business is a great thing. Yet it does present the challenge of immense document libraries and inefficient data flows that result in disparate systems.

Maintaining these vast collections of documentation across multiple systems is difficult and costly. The disparate, or legacy, systems are also exceedingly growth prohibitive because of their inherent redundancies, inflexibility and resource-intensive requirements.

While legal and compliance teams must decide how to administer content modifications, IT staff must determine how new and revised content integrates into existing documentation. Technology professionals must spend time incorporating new information into the front- and back-end of those systems. This requires complicated data mapping, programming, applying business rules, testing and troubleshooting.

Ultimately, decentralization may present duplicative costs for compliance changes. However, the right technology provides the dual objective of both meeting said compliance and diminishing the time professionals can apply to accomplishing greater objectives, such as new IT system enhancements and product development.

THE HIGH COST OF MISSED OPPORTUNITIES

Regulatory and competitive pressures require financial institutions to respond quickly to change. Unfortunately, the repetitive and manual processes of a decentralized environment require more time and effort to make changes for compliance or to bring new products to market. This prevents key personnel from spending time on revenue-generating activities. Worse yet, organizations lose critical time getting to market ahead of competitors with new products in implementing required changes.

The solution for some firms lies in an integrated compliance strategy.

An integrated compliance strategy takes a central business services approach to managing compliance documentation. It becomes a centralized service that integrates with any system that needs compliance documents.

The various systems found within financial institutions to support their multiple lines of business or channels can all leverage the centrally managed solution. The strategy optimizes existing technology while delivering consistent compliance through:

A common repository for compliance content acts as an expert system driven by rules for generating compliant document packages. It uses automation and rules logic to select the appropriate documents, assembles the required terms and conditions, applies formatting, populates the information specific to the transaction and delivers a complete document package.

It must be designed to keep up with the highly volatile and frequently changing regulatory environment and must be developed to integrate into any system that requires access to compliance documents. Lastly, it must take into account the need for efficient tools to manage, deploy and test the release of new content updates.

BENEFITS OF AN INTEGRATED COMPLIANCE STRATEGY

An Integrated Compliance Strategy raises business enablement to an entirely new level; compliance becomes a competitive advantage by decreasing the institution's risks and enabling it to react to market conditions faster than its competitors. Rather than viewing compliance as a hindrance, an integrated strategy provides the financial institution with the benefits listed below.

- **IMPROVED SPEED:** Quicker speed to market means reduced costs, reduced risk and enhanced customer experiences.
- **REDUCED RISK:** Consistent implementation of compliance content reduces the risk of using non-compliance documentation and opportunities for penalties, negative publicity and higher credit costs.
- **REDUCED COSTS:** Removal of redundant tasks allows staff to be more productive and spend more time on business-critical issues and customers.
- **INCREASED EFFICIENCIES:** By centralizing the management of compliance content as a central service and having the tools and processes to implement changes quickly and in a non-disruptive manner.
- **ENHANCED CUSTOMER EXPERIENCES:** By creating documentation on demand, unnecessary information from documentation is eliminated, making contracts less confusing, easier to understand and faster to process. For example, the system will present information specific to the type of transaction and locale instead of including language required by other jurisdictions.
- **IMPROVED SPEED TO MARKET:** Automating time-intensive processes helps clear blockage-prone areas of routine tasks and increases efficiency, speed and agility.

IMPLEMENTATION CONSIDERATIONS: A CHECK LIST

- Technology and compliance designed to work together
- Central repository of continually updated compliance content from a leader in compliance expertise
- Technically architected as a business service for enterprise-wide deployment with staged implementation
- Flexibility and control for managing preferences and getting products to market quickly
- A complete suite of solutions all designed to work together to keep up with the fast pace of regulatory change



IMPLEMENTATION CONSIDERATIONS

Clearly, financial institutions can transform their compliance documentation processes by implementing an integrated compliance strategy — from loan application, closing, and maintenance to product lines and business units. The following is an implementation checklist of key considerations to help simplify the evaluation of an enterprise compliance strategy:

- Well-paced ability to keep up with compliance changes and provide ongoing updates to the common repository of compliance content.
- Technology and compliance designed to work together from the ground up. Technology alone cannot create or maintain an integrated compliance strategy. The technology must be designed for handling the complex world of compliance documentation.
- The technology of an integrated compliance strategy is best served with architecture that can be structured to grow enterprise-wide. The deployment model should allow the compliance document engine to be a service within a financial institution's service-oriented architecture (SOA).
- The utmost flexibility and control helps products go to market quickly and ensures the fulfillment of business and compliance preferences. These requirements are satisfied, in part, through tools that manage and modify existing content, develop new content, control versions, streamline implementation processes and support quality assurance and testing. It's important that all tools are designed to work together.
- As a complete solution suite, an integrated compliance strategy addresses the daily demands of generating efficient documentation packages, as well as the tools to deploy new content quickly when business or compliance changes occur.

BRINGING THE ENTERPRISE TOGETHER

In its most simplified form, an Integrated Compliance Strategy increases compliance intelligence and automation across the enterprise while enabling greater control and effectiveness. These advantages are possible through the pairing of industry-trusted compliance and compatible, leading technology. In addition to facing the numerous challenges of the compliance process with greater efficiency, an integrated compliance strategy can help financial institutions redefine their long-term growth strategy. ■

DISPARATE SYSTEM EFFECTS:

- Inefficient management of documents in multiple systems causing redundant efforts in implementing, coding and testing.
- Large, redundant document libraries prone to errors and inconsistencies
- Inability to make changes quickly
- Inconsistencies in documentation and usage rules

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IN ITS MOST SIMPLIFIED FORM, AN INTEGRATED COMPLIANCE STRATEGY

INCREASES COMPLIANCE INTELLIGENCE AND AUTOMATION

ACROSS THE ENTERPRISE WHILE ENABLING

GREATER CONTROL AND EFFECTIVENESS.

