



Compliance transformation

Safeguarding and enhancing business value

October 2024





Navigating conflicting objectives

Compliance functions are undergoing scrutiny for lapses in non-financial risk management. Serving as the bridge between businesses and regulators, the compliance team often has to navigate conflicting objectives. They must align with evolving, stringent regulatory demands that vary by region while simultaneously facing internal pressures to cut costs and manage these risks more efficiently. Consequently, a streamlined, efficient and effective compliance function is becoming a key competitive edge for financial service institutions (FSIs).



Assuming a strategic advisory role

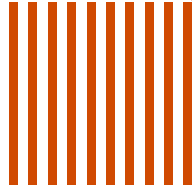
To achieve this, compliance functions must evolve to take on a more proactive role in oversight and challenge the business. Within the three lines of defence model, the business unit (first line) should take greater responsibility for the risks it undertakes, while the compliance function (second line) shifts focus from routine, manual tasks to more critical advisory roles. Compliance should leverage appropriate tools and risk detection technologies to address potential risks and alleviate the burden of manual controls. Additionally, compliance functions must ensure that the policies and procedures within the first line of defence (1LoD) are not only effective but also strictly followed, utilising targeted surveillance technologies to monitor adherence.

Compliance functions must also maintain an active role in translating regulatory changes into internal policies. This is best achieved through a collaborative approach with 1LoD and the use of RegTech solutions. Once these policies are implemented, business functions must adhere to them under the supervision of the compliance team.

Key challenges of the compliance function

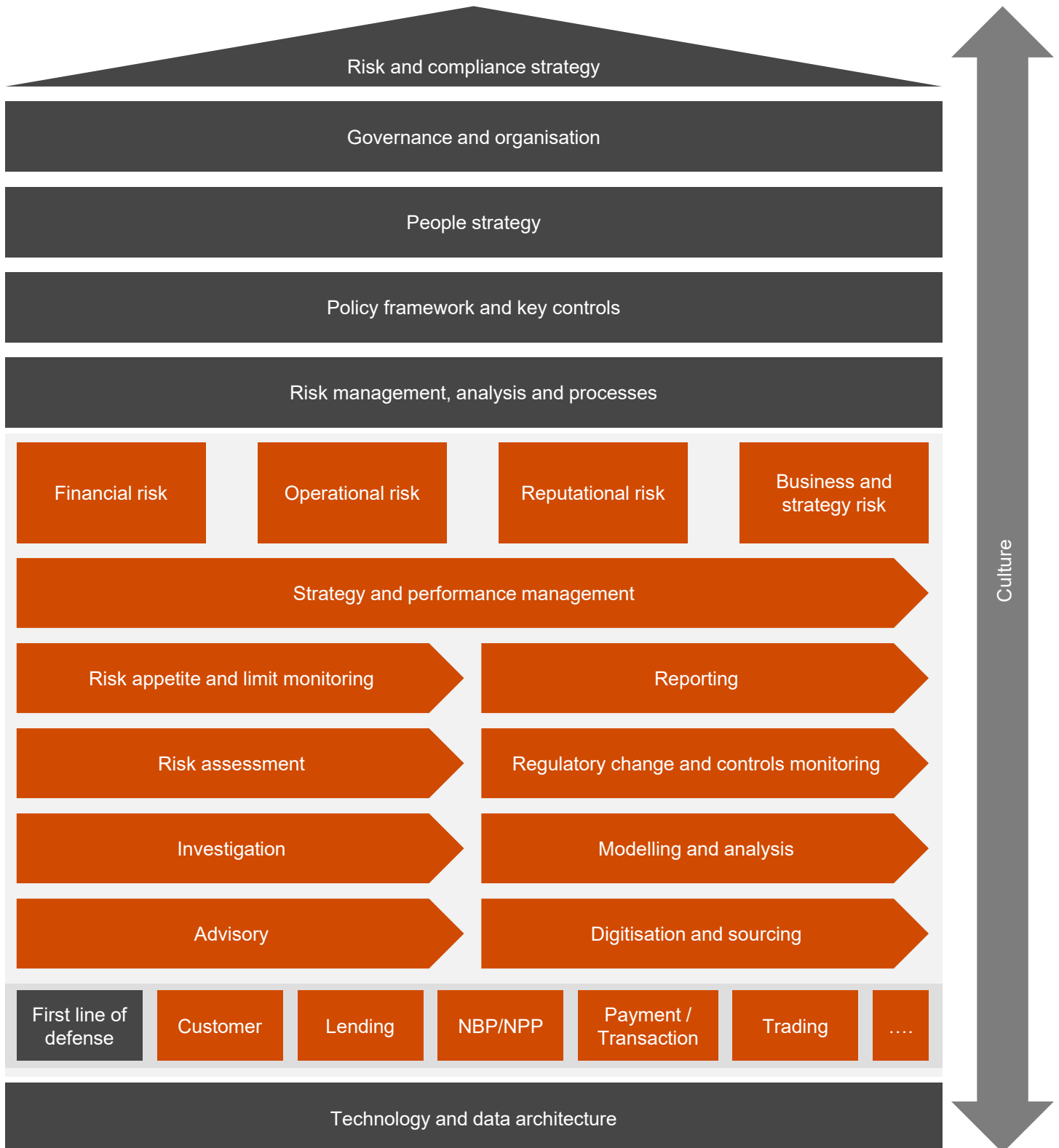
- Lack of involvement of 2LoD in business strategy
- Tracking regulatory changes
- Concentrating risk reporting tasks within the 2LoD instead of the relevant business functions
- Varying regulatory requirements across different operational regions
- Business units' reluctance to assume responsibility for the risks they undertake
- No or delayed adoption/integration of intelligent technologies and data analytics
- Unclear roles and responsibilities for managing non-financial risks
- Obsolete business-as-usual (BAU) risk management practices





Key challenges of the compliance function

Drawing on our extensive experience in transforming the compliance functions of both global and domestic FSIs, we have developed a proven approach for swiftly assessing the current state (diagnostics) and creating a transformation roadmap. This roadmap is designed to deliver tangible stakeholder value by prioritising changes with the most significant impact.





How can we help you?

1 Diagnostic and benchmarking
Leveraging our global PwC network and deep industry experience, we can provide a comprehensive analysis and maturity assessment against best practices to gain insight into the current maturity and effectiveness of the compliance function.

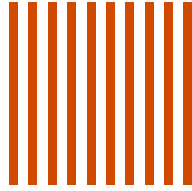
2 Compliance target operating model design
Designing and implementing a target operating model that fits the compliance vision, strategy and mandate of your firm, including transformation of governance and operationalising the risk appetite framework.

3 Re-design of key processes in line with current risk drivers
We can help ensure that compliance processes are effective at mitigating material risks to the firm, and make compliance processes efficient by doing more with less.

4 Compliance digitalisation, automation and analytics
We can support you in adopting targeted risk analytics tools in areas such as regulatory obligation tracking, communications and trade surveillance, and risk and control self-assessment (RCSA) framework, as well as enhance sourcing, aggregation and analytics of data to enable more proactive risk management.

5 Compliance managed services

- Tracking and updating regulatory changes/obligations
- Managing and implementing regulatory changes/circulars/guidelines
- Risk and controls assessments
- Compliance controls testing
- Reporting



Select tools and accelerators

1

A **horizon scanning** tool enables you to track regulatory changes, and is used to detect, analyse and monitor upcoming or potential changes in laws, regulations, policies, and industry standards that could impact an organisation. This tool helps businesses and other entities stay informed about regulatory developments, anticipate future shifts, and prepare strategic responses to ensure compliance and minimise risks.

2

Policy and compliance platform(s): A policy and compliance platform is a comprehensive software solution designed to help organisations manage, implement, and monitor their policies and ensure compliance with relevant laws, regulations, and industry standards. This platform typically includes a suite of tools and features that facilitate the development, distribution, enforcement, and tracking of policies and compliance activities across the organisation.

3

A **regulatory change and compliance implementation platform** is a comprehensive software solution designed to help organisations manage and adapt to changes in laws, regulations and industry standards. This platform facilitates the identification, assessment and implementation of necessary changes to ensure ongoing compliance with evolving regulatory requirements. It typically integrates various tools and features to streamline the processes of tracking regulatory changes, assessing their impact and implementing compliance measures

4

A **compliance risk assessment and controls testing platform** is a specialised software solution designed to identify, assess, manage and mitigate compliance risks within an organisation. It also facilitates the testing and evaluation of internal controls to ensure they are effective in managing these risks and meeting regulatory requirements. This platform integrates various tools and features to streamline the processes of risk assessment, control testing and compliance monitoring

5

A **regulatory compliance monitoring platform** is a specialised software solution designed to help organisations continuously monitor, manage, and ensure adherence to relevant laws, regulations and industry standards. This platform provides tools for real-time tracking of compliance activities, identifying compliance gaps and generating reports to demonstrate regulatory adherence. Its primary goal is to reduce the risk of non-compliance, streamline compliance processes, and ensure that the organisation remains up-to-date with evolving regulatory requirements.

6

Anti-money laundering (AML) and know your customer (KYC) are regulatory frameworks designed to prevent financial crimes such as money laundering, terrorist financing and fraud. They includes a transaction monitoring system used by financial institutions to track and analyse financial transactions in real time or near real time for suspicious activities. These platforms help in identifying and investigating potential money laundering, fraud and other financial crimes. Together, AML/KYC and transaction monitoring platforms form a comprehensive approach to mitigating financial crime risks in the financial services industry.

7


A **regulatory returns submission platform** for banks is a specialised software solution designed to facilitate the accurate and timely submission of regulatory reports to various supervisory authorities. This platform ensures that banks comply with regulatory requirements by automating the process of data collection, validation and reporting.

8

A **risk-based supervision (RBS) data submission automation platform** is designed to automate the process of collecting, validating and submitting data to the Reserve Bank of India, or any other central regulatory authority. This platform ensures that financial institutions comply with the regulatory reporting requirements set by the central bank by streamlining and automating the data submission process.


Select case studies

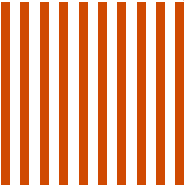
Case study: A largest private sector bank – compliance transformation (Compliance 2.0)

Problem statement	 Our solution	Duration: 18 months												
<p>Brief company profile:</p> <p>The client is one of India's largest private sector banks, with over 6,500 branches across the country and over 1 lakh employees. The bank offers a wide range of financial products and services, including retail banking, corporate banking, and treasury operations. It is particularly renowned as a leader in digital innovation, featuring industry-leading internet banking, mobile banking, and other digital payment platforms.</p> <p>Key products and services:</p> <ul style="list-style-type: none"> • Accounts • Deposits • Payments • Cards • Loans • Investments • Insurance • Wealth management • Private banking 	<p>Over the next 18 months, our team will be working closely with the bank's compliance function, which intends to transform itself by 2027. This transformation is intended to enable the compliance function to adopt a proactive compliance risk management role, drive the execution of frameworks across the organisation, become an active partner to the business, contribute to compliant strategic decision making and support the business through continuous horizon scanning. The function also needs to provide assurance for protection of the client's brand at all times. To achieve this objective, the compliance function has embarked on the journey of Compliance 2.0 transformation.</p>													
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<p> Benefits:</p> <ol style="list-style-type: none"> 1. Defined compliance function of the future 2. Aligned with business strategy and priorities 3. Simplified compliance processes and systems by eliminating duplication and inefficiencies 4. Reduced cycle time for compliance implementation and overall cost of compliance 5. Aligned and enhanced people skills and capability 6. Reduced process cycle time, optimised capacity and hence cost 7. Enhanced visibility, transparency and auditability/traceability by automation 														














Select case studies

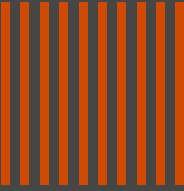
Case study: A large private sector bank in India – compliance automation

Problem statement	 Our solution	Duration: 3–4 months							
<p>The challenge</p> <ul style="list-style-type: none"> RBI issued a circular (Streamlining of Internal Compliance monitoring function – leveraging use of technology) on 31 January 2023 directing financial institutes to automate the compliance monitoring process through the implementation of comprehensive, integrated, enterprise-wide and workflow-based solutions. The bank wanted to define the scope and coverage, quickly assess compliance with the RBI circular, and implement changes within the stipulated timeline. Address the complexity and scale due number of products and geographic presence. <p>Business and locations:</p> <ul style="list-style-type: none"> India Overseas branches Fully owned banking subsidiaries <p>Key products and services:</p> <ul style="list-style-type: none"> Accounts Deposits Payments Cards Loans Investments Insurance Wealth management Private banking 	<p>Review of the existing internal compliance tracking and monitoring process in line with the RBI's notification on 'Streamlining of Internal Compliance monitoring function – leveraging use of technology' dated 31 January 2024</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="background-color: #333; color: white;">Process</th> <th style="background-color: #0070c0; color: white;">Systems</th> <th style="background-color: #333; color: white;">MIS dashboards</th> <th style="background-color: #0070c0; color: white;">Automation</th> </tr> </thead> <tbody> <tr> <td 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Reviewed overall compliance with various guidelines issued by regulators such as the RBI, SEBI, IRDAI, PFRDA and NPCI Covered a majority of the scenarios applicable to the bank, master directions/guidelines/ circulars/notifications issued by applicable regulators, and defined the compliance function of the future Aligned with business strategy and priorities Simplified compliance processes and systems by eliminating duplication and inefficiencies Reduced cycle time for compliance implementation Aligned and enhanced people skills and capabilities Reduced process cycle time, optimised capacity and hence cost Enhanced visibility, transparency and auditability/traceability through automation 	Process	Systems	MIS dashboards	Automation	<ol style="list-style-type: none"> Review of the compliance monitoring framework Review of compliance monitoring process Identifying, assessing and disseminating guidelines for implementation Monitoring and managing compliances Escalating issues of 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Our credentials

<p>One of India's largest NBFCs</p> <p>Implementation of a compliance monitoring tool, review of compliance with regulations and control mapping</p> 	<p>One of India's largest private sector banks</p> <p>Assistance in compliance automation and compliance transformation</p> 	<p>A large Indian private bank</p> <p>Leading GRC technology-enabled risk and compliance management</p> <p>Compliance risk assessment, guidelines implementation and obligation creation</p> 	<p>A leading export and import bank in India</p> <p>Implementation of a compliance monitoring tool</p> 	<p>A leading small finance bank</p> <p>Quality assurance review of the compliance function including compliance risk assessment</p> 
<p>One of Japan's leading banks with operations in India</p> <p>Quality assurance review of the compliance function including compliance risk assessment</p> 	<p>One of India's leading small finance banks</p> <p>Compliance with the Master Direction on IT Outsourcing</p> 	<p>India's largest digital payments company</p> <p>Compliance review and process improvement</p> 	<p>One of India's leading housing finance companies</p> <p>Implementation of a compliance monitoring tool</p> 	<p>A leading housing finance PSU in India</p> <p>Compliance risk assessment, policy testing and implementation of tool</p> 
<p>One of Japan's leading finance companies with operations in India</p> <p>Review of policies, review of risk and compliance risk and control metrics (RCMs)</p> <p>Review of IT compliance RCMs</p> 	<p>One of India's leading digital payments companies</p> <p>Review of compliance with regulatory requirements and preparation of transition plan</p> 	<p>One of India's largest capital company</p> <p>Review of regulatory polices and preparation of SoP</p> 	<p>A leading private bank in India</p> <p>Compliance quality assessment review</p> 	<p>One of India's leading NBFCs</p> <p>Prepared compliance framework such as policy, manual and obligation register</p> 



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Data Classification: DC0 (Public)

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GG/October 2024-M&C 41515