

TOMCOM

Target Operating Model - Compliance

Aurexia (
CONSULTING

PARIS | LONDON | LUXEMBOURG | HONG-KONG | SINGAPORE
STRATEGY & MANAGEMENT CONSULTING

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Nowadays challenges

The post crisis context has called for the reinforcement of compliance role



Regulatory inflation

51 600 regulatory changes in the world in 2016



Stronger penalties

More than \$320 billions of penalties (globally) since the crisis of 2008



General complexification

Complex products and activities result in complex regulations



Extra-territoriality

New sources of regulations and supervisory authorities in foreign countries



Compliance staff recruitment

Staff reinforcement + highly qualified people = high cost of compliance functions



Strong accountability

Incorrect decision can expose the bank to heavy sanctions



Higher organizational consideration

Chief Compliance Officers are now key Board members



Short decision making process

Responsiveness is critical to the business



Mutation figures



Between 2012 and 2014

- +13K employees in compliance
- \$2 billions : the organization of compliance functions



In 2014

- +1.4 billions of USD on new regulations requirements

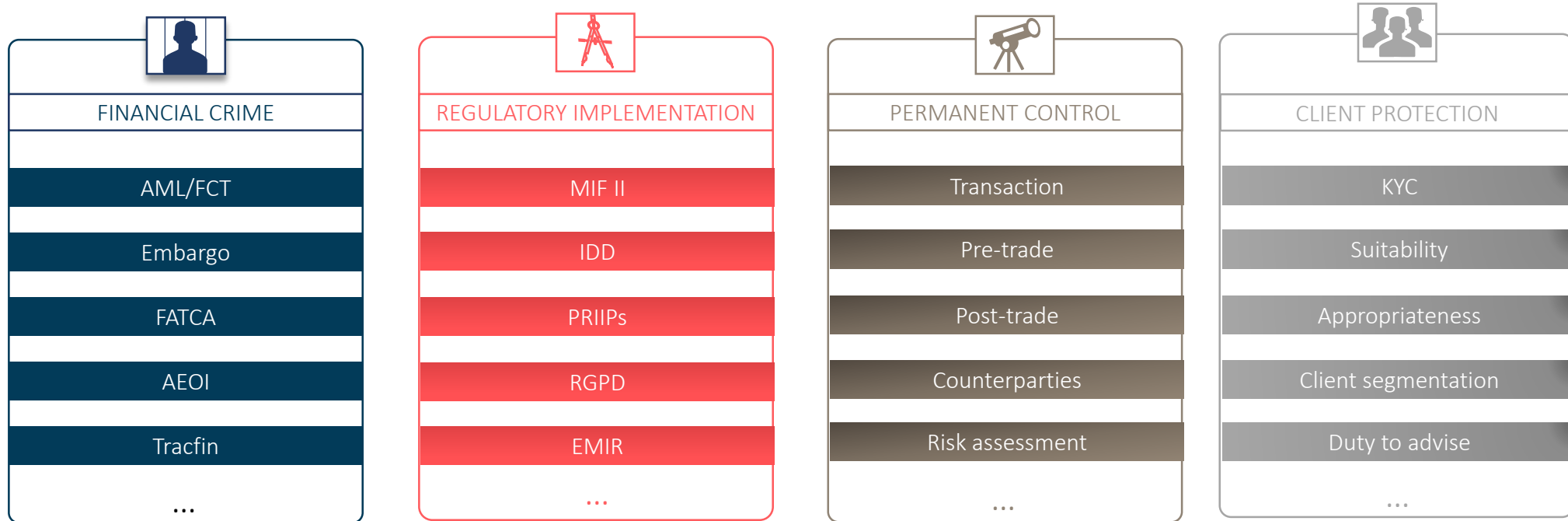


In 2014

- \$946 millions in regulatory demands

Scoping the function

Compliance functions are traditionally in charge of four topics...

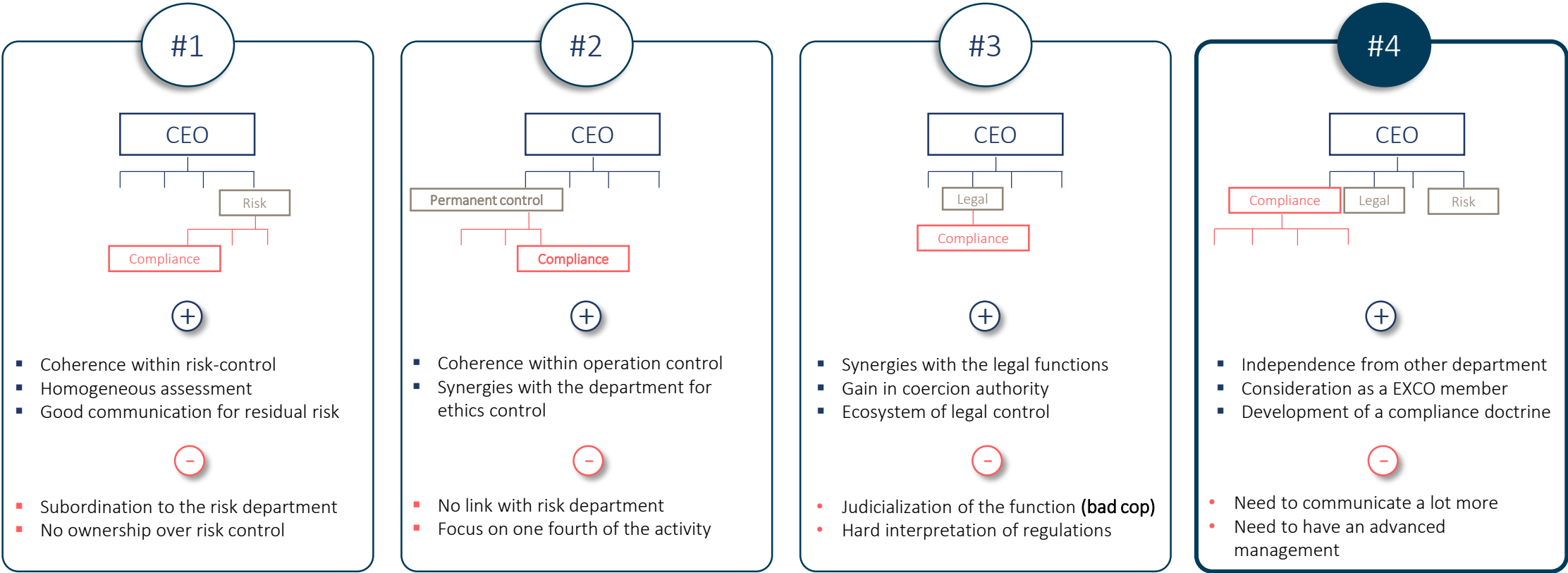



FO business conduct to monitor activities and detect irregularities ETHICS *Chinese wall to avoid conflict of interests between the firms' department*



Organization of the function

Finding the right structure to enhance compliance's capabilities



 **A traditional view of compliance functions**

Compliance was originally linked to Risk and « permanent control » functions, as it was a part of the risk assessment of the entire group

 **Considering compliance as a task force of the legal department**

Emergency solution taken after the crisis of 2008-2009

Trend organization

 More and more adopted by actors to enhance the importance and capabilities of the function

Organizing the function: best practice model

Organizing your compliance functions with 4 key success factors

Defining and delineating residual risks: communicating the assessment through the entire organization

After reducing risk by defining process in order to comply with the targeted regulation, it is important to communicate with other departments to increase awareness of the remaining risk. This risk margin will then be taken into account by the operational, but also by the risk department.

Interaction with the risk management, the legal functions and public affairs

Due to the transversal aspect of the compliance function, it is mandatory to collaborate with the risk department (in order to produce an overall risk assessment), the legal functions (e.g: in order to capitalize on the legal resources for the interpretation of new regulations), and the public affairs (in order to enhance communication regarding the best practice to adopt, within the structure and on the market).

4 Key Success Factors

Becoming the owner of the compliance risk and control framework and measuring progress

Risk control is traditionally the main activity of risk department. Regarding risk control related to compliance, the recent evolutions of the function has to lead to an emancipation of the department in order to acquire full ownership of the compliance risk-and-control framework. This change has to be managed with processes, and development of Key performance indicators in order to measure the progress of the function.

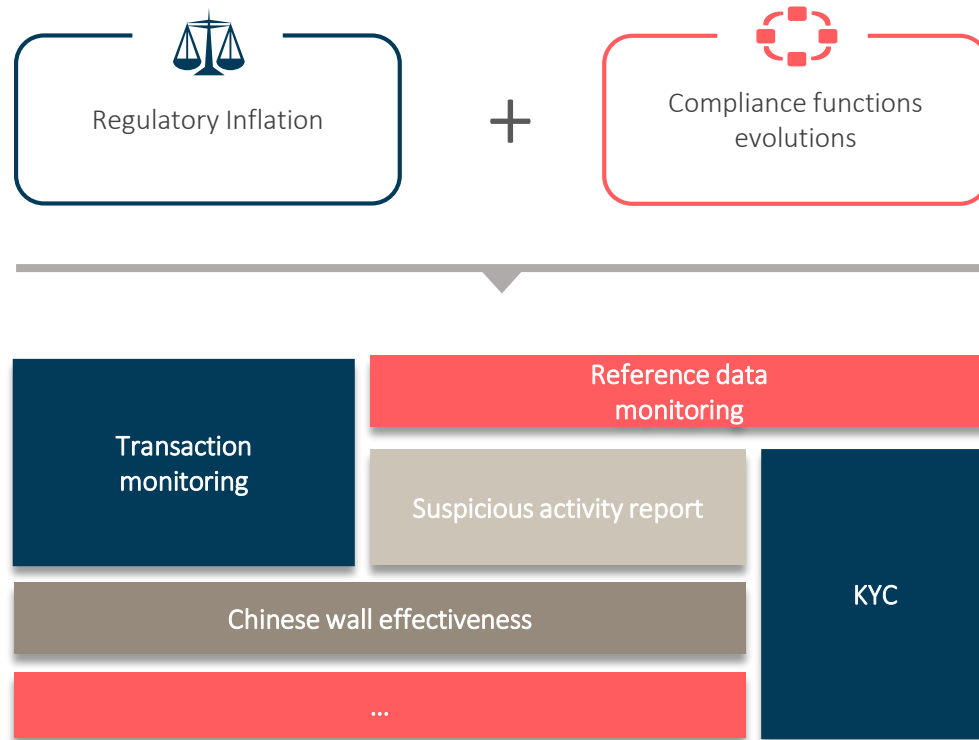
Monitoring new solutions: developing a trend forecasting department and industrializing new techs






In order to cope with the mutation of the function, disruptors provide solution to facilitate the activity. Moreover, regulators and supervisors are adopting these solutions (e.g Suptechs, Regtechs, labs). It seems important to develop an ecosystem of solutions, interoperable, in order to increase effectiveness, gain in time, enhance a coherence within regulation interpretation and control.

Innovation stakes

Innovation as a catalyst to tackle new challenges

As seen above, regulatory upheaval has been forcing compliance function to constantly redefine their roles & duties in a cost-cutting context, thus raising the urge for solutions to maintain operational excellence and added-value creation



-  **Machine learning, RPA and AI:** KYC solutions, reporting, implementation of new regulations, real-time fraud detection
-  **Biometrics and social media analysis:** Developing knowledge, ameliorating of the scoring, authentication
-  **Blockchain / DLT :** Enhancing efficiency of trading platforms, reducing time to market, reinforcing safety of transaction
-  **APIs:** Automation of process, reinforcing reliability of data, reducing the time of processes, enhancing data fluidity
-  **Cloud computing and dematerialization of storage :** data securization, GDPR compliant, structural and organization flexibility

Innovation, as a catalyst, can help compliance function to take on these challenges while reshaping its activity and its added-value enablers

Scoping the function

... for which innovative solutions exist



FINANCIAL CRIME

AYASDI TRIFACTA

Digital Reasoning Brighterion.

BehavioSec Mitek systems

RISK IDENT skymind

Trustev Fortia

Fraugster AppZen

novastone neurensic™



REGULATORY IMPLEMENTATION

TRIFACTA WorkFusion

VERAFIN

equivio zoom in. find out ROSS


QuaRULE AppZen

CUBE VIZOR

GOVERNANCE.IO AQMETRICS

Skry JUDICATA

Merlon Intelligence Counselytics



PERMANENT CONTROL

DARKTRACE DataRobot

Brighterion

logz.io REDOWL ADVICE ROBO

{LawGeex} Legal To The People Fortia Financial Solutions

SCALED RISK novastone

RISK IDENT trooly

Merlon Intelligence Counselytics

bigstream Trustev



CLIENT PROTECTION

Digital Reasoning Threat Metrix™

Paxata. Mitek systems Recordsure

sift science feedzai

RISK IDENT SOCURE

NetGuardians TagPay

Counselytics SIGNALSENSE

Jewel Paymentech KYC3



All these actors are a part of the Aurexia Lab study. Our FinTech panorama clusters +350 AI FinTech solutions with a relevant scoring regarding their performances, maturity, and use cases

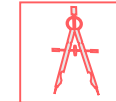
Innovative solutions in Compliance

Use cases



FINANCIAL CRIME

<p>FINANCIAL CRIME</p> <p>Ayasdi https://www.ayasdi.com/ Since 2008</p>	<ul style="list-style-type: none"> • Core business: Fraud Detection & Regulatory Risk, CM • Application of AI: Cognitive Search & Analytics (B.I) • Use case: Ayasdi offers a machine intelligence platform to enable its users to solve their big data and complex data analytics challenges. Its machine intelligence platform combines scalable computing and big data infrastructure with the machine learning, statistical and geometric algorithms, and topological data analysis to increase its productivity. 	
AYASDI	PAIN POINT	VALUE PROPOSITION
<p>1</p> <p><i>Predicting Money Laundering</i></p>	Pain point n°1	<ul style="list-style-type: none"> • Value proposition n°1 • Value proposition n°2 • Value proposition n°3 • Value proposition n°4 • Value proposition n°n
<p>2</p> <p><i>Justify & Act</i></p>	Pain point n°2	<ul style="list-style-type: none"> • Value proposition n°1 • Value proposition n°2 • Value proposition n°3 • Value proposition n°4 • Value proposition n°n



REGULATORY IMPLEMENTATION

<p>REGULATORY IMPLEMENTATION</p> <p>Quarule http://www.quarule.com/ Since 2014</p>	<ul style="list-style-type: none"> • Core business: Regulatory, Compliance, & Fraud Detection • Application of AI: Predictive Analyse (Using ML) • Use case: To address the inadequacy of pre-market crash technologies to meet the requirements of global regulatory reform, Quarule has developed an innovative, effective, and lasting solution. 	
QuarULE	PAIN POINT	VALUE PROPOSITION
<p>1</p> <p><i>Mass hiring needs</i></p>	Pain point n°1	<ul style="list-style-type: none"> • Value proposition n°1 • Value proposition n°2 • Value proposition n°3 • Value proposition n°4 • Value proposition n°n
<p>2</p> <p><i>Diversity and complexity of data</i></p>	Pain point n°2	<ul style="list-style-type: none"> • Value proposition n°1 • Value proposition n°2 • Value proposition n°3 • Value proposition n°4 • Value proposition n°n



Aurexia's study TOMCOM is completed with a list of use case to shed a light on compliance functions' pain points and Regtech/Fintech value proposition, in order to provide concrete solutions to concrete problems

Aurexia in a nutshell

About our company



- Established in 2006 -

A decade of global management consulting for the **Banking** and **Insurance** industries

- CAPITAL MARKETS
- SECURITIES SERVICES
- TRANSACTION BANKING
- ASSET MANAGEMENT
- PRIVATE BANKING
- RETAIL BANKING
- INSURANCE
- FINANCE
- RISK MANAGEMENT



- Aurexia Institute -

Frequent market studies published on:

- Business** matters
- Regulatory** watch
- Process improvement insights
- Architecture benchmarks



- Digital Lab -

A pragmatic vision of disruption:

- Robotics / AI**
- Fintech** Ecosystem
- Blockchain**



- International -

5 local offices to support our clients globally:

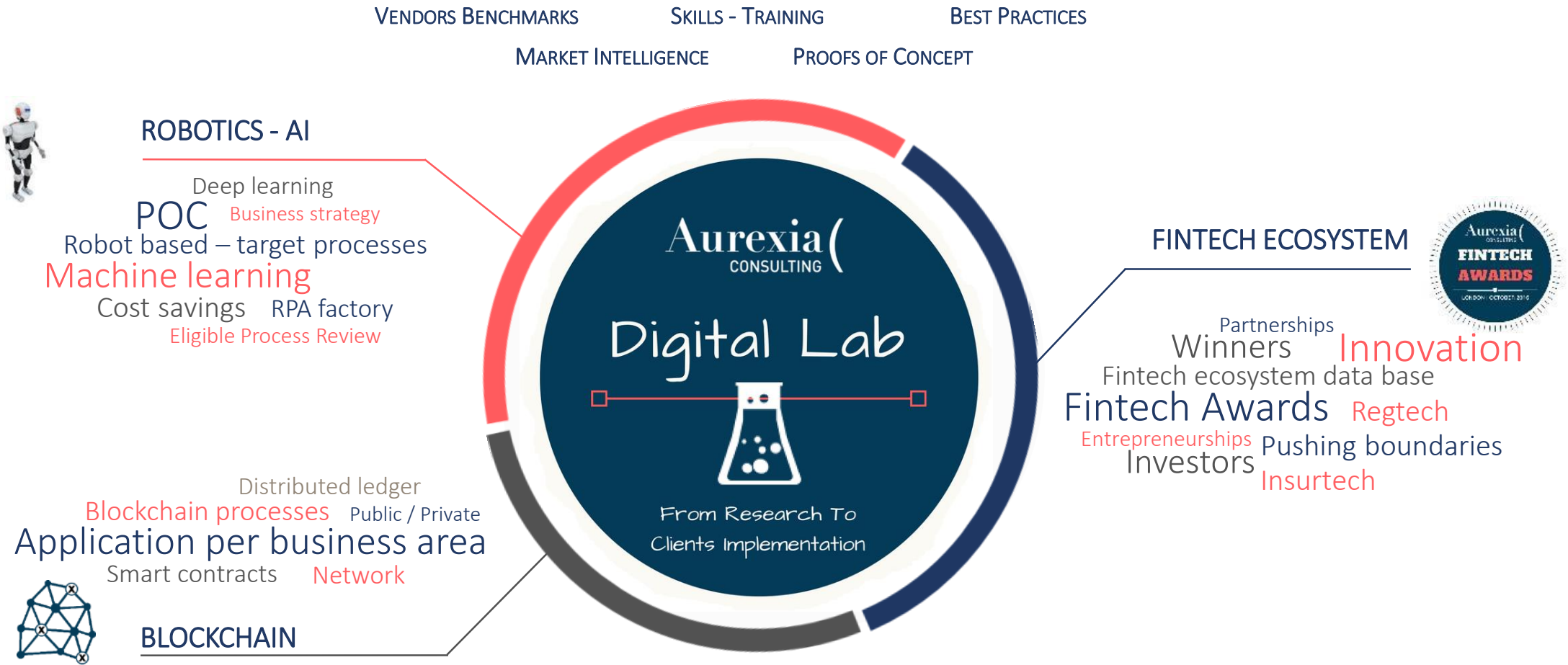
- Paris - London
- Luxembourg
- Singapore
- Hong Kong

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Our Digital Strategy

A comprehensive lab, from research to clients implementation



BUSINESS & INNOVATION | PROCESSES OPTIMIZATION | REGULATORY EFFICIENCY | ARCHITECTURE

They trust us

Major institutions in the banking and insurance industries



Our Offices

Worldwide locations



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HERROU



PARTNER

Éric
VERNHES



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