

Client	The client is a leading global banking and payment services group.
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Project Name	Outsource Providers Compliance Monitoring Programme
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Project Start Date	March 2011	Project End Date	July 2011
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Industry	<input checked="" type="checkbox"/> Commercial banking	<input type="checkbox"/> Insurance
	<input type="checkbox"/> Fund Custody & Investment Services	<input type="checkbox"/> Investment banking
	<input type="checkbox"/> Private banking	<input type="checkbox"/> Asset and wealth management
	<input checked="" type="checkbox"/> Retail banking	<input type="checkbox"/> Corporate
	<input type="checkbox"/> Broker / Dealer	

Category of Service	<input type="checkbox"/> Performance measurement and monitoring	<input checked="" type="checkbox"/> Regulatory compliance and reporting
	<input type="checkbox"/> Portfolio risk management	<input checked="" type="checkbox"/> Business process improvement
	<input checked="" type="checkbox"/> Specialised risks	<input type="checkbox"/> Training and people change
	<input type="checkbox"/> Data Quality	<input type="checkbox"/> System selection and implementation

The Challenge	<p>The client is a leading global banking and payment services group. Its regulators increased the scrutiny and challenge of the group. One early outcome of this was that our client’s compliance monitoring activity was deemed seriously deficient to manage the risks it faced.</p> <p>Our client’s business model was to outsource activities wherever possible and a number of its outsourcing partners further sub-outsourced activities to subsidiary or independent firms. This, combined with the client’s global distribution and complicated tax and legal structures, meant that its operations were dispersed across a web of organisations and locations throughout the world.</p> <p>Our task was to develop a compliance monitoring approach, framework and plan to ensure compliance with all the regulatory requirements faced by the client in the various jurisdictions in which it operated.</p>
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Approach and Solution	<p>Our approach drew upon our standard three stage methodology for assignments of this type. This divides the task into Risk Identification, Risk Assessment and Risk Management phases.</p> <p>Risk Identification</p> <p>Our first task was develop a comprehensive map of the client’s outsource providers, the activities carried out and the jurisdictions they operated in. Based on the contractual agreements in place and interviews with key business unit staff we were able to quickly deploy a mixed client/avantage team to establish and validate this activity footprint. Once the footprint was in place, it was overlaid with the key home state regulatory requirements applicable to each activity. The scope was initially limited to home regulations only as it was deemed that enrichment with local regulations was a) a secondary priority, and b) an activity that could be delivered by the client’s own staff once they were comfortable with the approach.</p>
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	<p>Risk Assessment</p> <p>Using a simple risk scoring framework, each regulatory requirement was assessed to estimate the impact and probability of a breach. This “gross risk” was then modified to reflect the perceived strength of the controls in place to give an assessment of the “net risk” in each case.</p> <p>Risk Management</p> <p>The gross risk scores were used to prioritise the key risks faced globally and this rating dictated the frequency and order of monitoring required. We specified the key monitoring tools to use in each case and used this information to bring together a global compliance monitoring plan for the next 12 months and to estimate Group Compliance’s resource requirements.</p> <p>The exercise was completed using readily available MI only. Where information was not available, it was assumed not to exist; however, it was recognised that further information was likely to become available as the information available to group compliance improved over time. To this end, the documentation and training provided to the client’s staff was designed to help them to incorporate the findings of ongoing compliance monitoring into the framework in order to make the monitoring approach progressively more risk sensitive and accurate.</p>
<p>Results and Benefits</p>	<p>This engagement delivered to the client:</p> <ul style="list-style-type: none"> • A documented “regulatory footprint” of the activities carried out, the outsourcing providers responsible, the jurisdictions in which they took place and the (home state) regulatory requirements applicable to each • A detailed risk assessment of the organisation in terms of regulatory risk • A detailed monitoring plan to oversee the management of regulatory risk for the next 12 months, including details of the monitoring tools to use, the frequency of monitoring and the Group Compliance resource required • A robust and well documented methodology to allow the client to operate and enhance the risk sensitivity of the monitoring activities going forwards • Staff who had been involved in the delivery of the solution and, as a result, were knowledgeable and well trained in its use and future enhancement (e.g. with monitoring results, local regulatory requirements etc) <p>As a result of this engagement, the client was able to communicate to its regulators that it had delivered upon their action and was in control of its regulatory risks. The client’s regulators and its internal audit function reviewed the framework shortly after implementation where it was deemed to satisfy their stated requirements and passed without further comment.</p>
<p>Software used</p>	<p>N/A</p>