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Automating Compliance in Financial Services

A Comprehensive Guide for Digital Transformation

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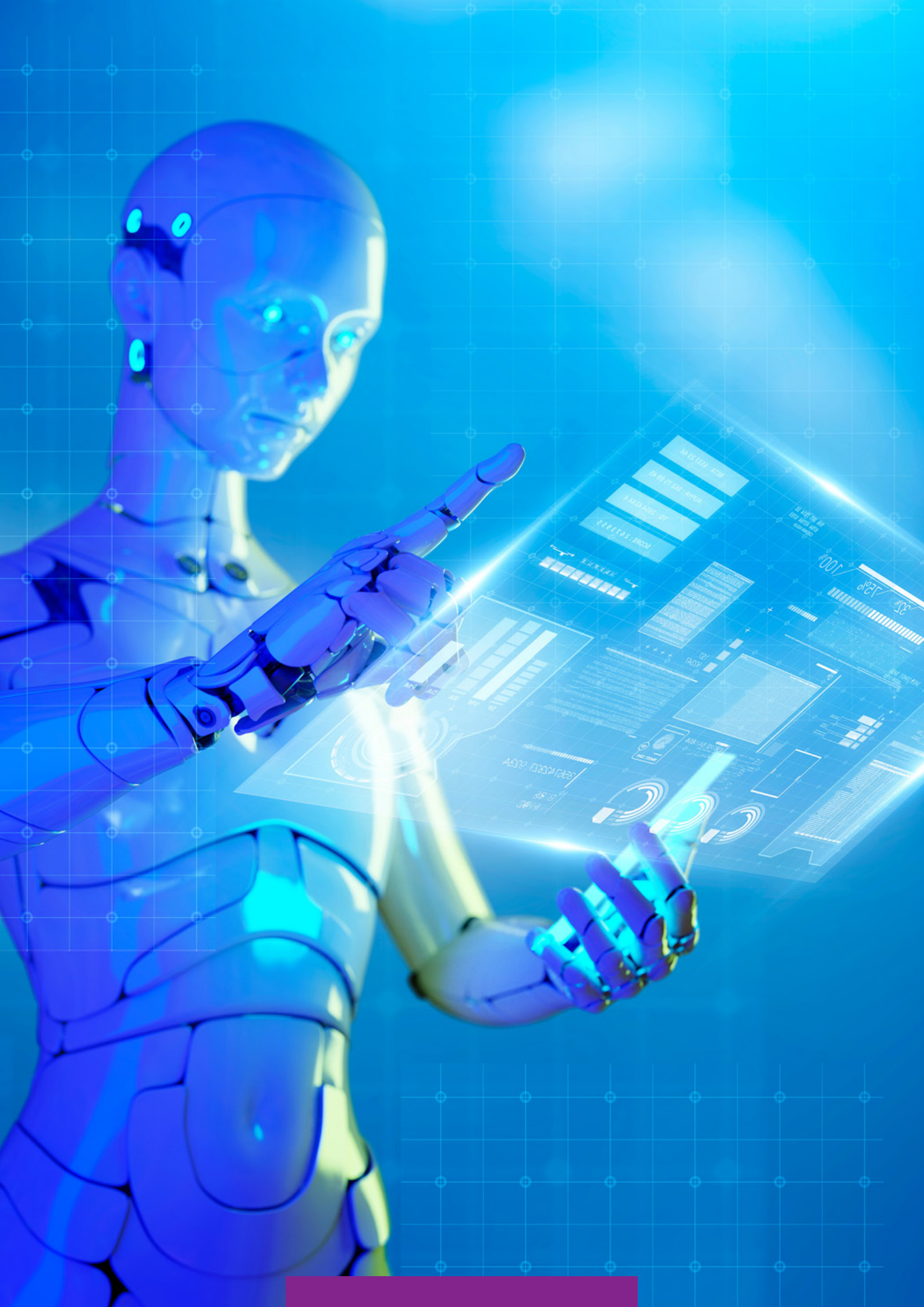

INTRODUCTION

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INTRODUCTION

Financial compliance refers to the oversight and enforcement of laws and regulations related to the financial services industry and capital markets. Its mission is to safeguard clients, investors, the economy, and society as a whole from financial crime, market manipulation, ethical risks, and systemic risk by promoting and maintaining the transparency and integrity of the sector. Regulatory compliance in banking establishes rules or principles that determine the actors and the framework in which is enterprises are permitted to conduct financial business.[1]

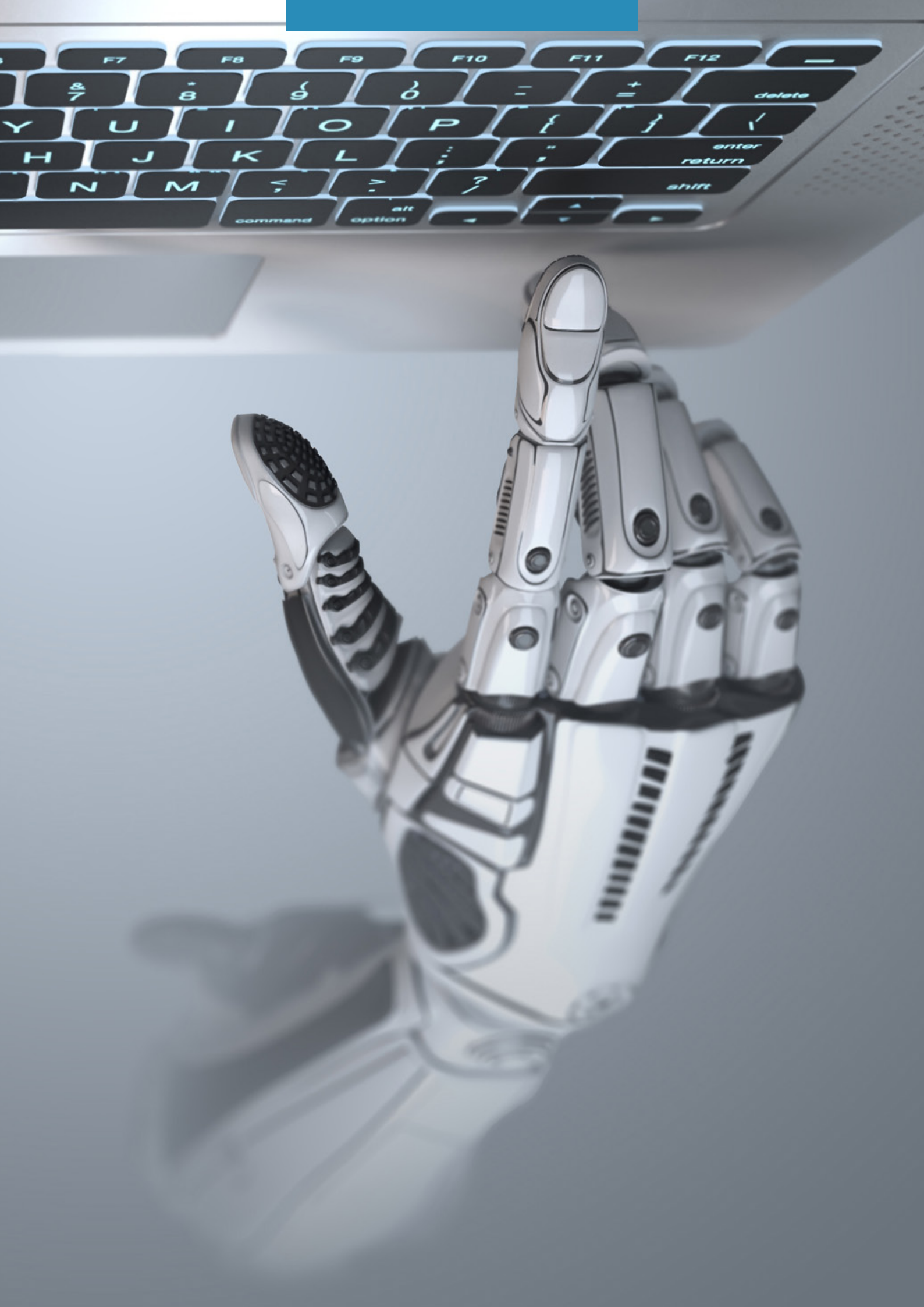
Financial compliance, by definition, encompasses a wide range of topics, including anti-money laundering (AML), anti-bribery, sanctions compliance, client onboarding and Know Your Customer (KYC), communication compliance, data governance and data privacy compliance, tax compliance, anti-corruption, trading surveillance, and so on.[2]

Since 2008, compliance services have grown their resources and broadened their scope of responsibilities, with a major increase in monitoring and surveillance activities, both manual and automated. This expansion reflects, in part, the post-2008 regulatory reform agenda, which includes a slew of regulations, as well as more rigorous and invasive monitoring. While some of these efforts have clearly made businesses more resilient, Covid-19 has exposed them to significant new pressures to which they are compelled to adapt. Compliance functions now

have a higher visibility and are held in better standing, even in the aftermath of the pandemic, when the finance industry had a large contribution to sustaining the economy and is now struggling to comprehend and manage the risks that come with it.

When these situational factors are combined with banks' enormous cost challenges, compliance activities are under growing pressure to evolve into a more value-added service line capable of delivering more effectively and efficiently in the new reality. Furthermore, despite having strengthened the control environment and improved compliance with regulatory requirements, many firms' compliance emphasis continues to remain overly risk-averse, conservative, and still grappling with the resolution of past issues, leading to insufficient bandwidth to support the business.[3]

The pandemic has also made it extremely difficult for staff to remain on top of every compliance detail, resulting in a significant increase in the need for compliance automation tools. Organizations can use the latter to stay lawful and avoid penalties and other economic consequences. Furthermore, the less a company's compliance staff depends on manual procedures, the more capable it is of tackling more complex, brain-intensive compliance duties, such as creating new regulations. Regulatory technology businesses, in this context, provide technology that assists an organization in managing relevant procedures in order to satisfy its compliance responsibilities. As a result, it is not surprising that demand for this technology is growing as businesses realize how the process automation may help them avoid fines for regulatory mistakes.[4]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Conclusion

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