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Avoiding Challenges with Governance Risk and Compliance

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Since the financial collapse of 2008, new banking regulations have been put into place to prevent a similar crisis from reoccurring. With these new regulations, banks are re-evaluating the way they enforce governance, risk and compliance (GRC) processes. The purpose of GRC is to help these institutions identify and protect against unknown risks, monitor practices more closely and improve their overall operations.

While an effective GRC strategy benefits the financial institution by helping saving both time and money, the challenges associated with implementing GRC can often seem overwhelming. GRC entails changing the processes an organization is accustomed to, and as we all know, change is not easy to embrace. As such, GRC implementation can present challenges, such as adapting the new processes and re-training the employees to do the same, leading to a new learning curve for the entire organization. As a first step, it is important for banks to fully understand the new regulations and their impact before changing their processes. Incorrect interpretations of these new regulations can lead to confusion and even reputational damage in some instances.

Rightly, most financial institutions take proposed regulations seriously. Furthermore, in today's global economy, it is imperative that banks remain aware of the regulatory changes happening all over the world. This is particularly true for the 29 Systemically Important Financial Institutions (SIFIs) that have a global presence and operate worldwide. Regulations such as the Foreign Account Tax Control Act (FATCA) can impact a U.S. bank that has trading branches in other regions of the world.

The key is to make sure that a financial institution always has the technology in place for when a new regulation takes form. Often, more than one department is impacted by these changes; therefore, conducting an analysis of what is in store and needs to be accomplished is a crucial step. Additionally, developing an integrated GRC technology solution across different departments can also dramatically reduce the cost of compliance for these organizations while ensuring that the entire company is on the same page.

Aside from the monetary savings, streamlining a GRC program across departments can also ensure data consistency. Data which is generated from separate sources will often lead to varying and erratic results. Financial institutions must ensure that the conclusive data is succinct and comprehensive across the organization in order to fully support analytics, reporting, business rules and end-point decision making.

Finally, banks need to make sure that they are reviewing policies and best practices on a regular basis to ensure that they are tracking and updating policies on an ongoing basis. In the last six years alone, banks have spent more than $30 billion on GRC initiatives in order to reduce costs, improve their product lines and services and remain competitive in the marketplace. With new regulations continuing to evolve and progress at a rapid pace, it is essential that banks stay up to speed on the changing ecosystem and stay competitive. To implement any GRC strategy successfully, it is important to streamline individual compliance initiatives and unify the initiatives.

About the Author

Srikumar Ramanathan is the Senior Vice President and Head of Industry Solutions Group for Banking and Capital Markets at Mphasis. In this role Srikumar leads a team of senior domain consultants and enterprise architects in building frameworks and solutions which help accelerate implementation of technology solutions for Banking and Capital markets customers. Before joining Mphasis in 2011 to lead the Application Delivery for Banking customers, Srikumar held senior positions in the Asia Region of Citi Bank.