

On-Demand Webcast: The Key Elements of a Successful Regulatory Change Management Program

On April 26, 2018, **Nick Paraskeva**, Principal of Reg-Room LLC, and **Howard Zev**, Vice president Americas at Nasdaq, provided insights to compliance and risk professionals in financial services. The discussion revolved around how firms can best manage the sheer volume of regulatory change and complexity in the financial services industry today.

Caroline Souvestre, Head of Marketing for Nasdaq BWISE, moderated the discussion.

At the outset, Paraskeva, said that when he was a compliance professional at Citigroup, he noticed how difficult it was to stay on top of these regulatory developments and how a commercial product that automated the process for getting relevant regulatory information would be a huge advantage to a firm.

In the same way as technology is used to provide standard market data, compliance professionals also need similar information to manage the regulations they must track on an ongoing basis. This was the impetus for him to found Reg-Room LLC, to provide such content to the broader market.

Zev agreed, noting that firms must appreciate what is relevant, who owns what inside the firm with regard to the regulatory data, and how to provide board committees what the firm is doing to meet regulatory expectations.

Turning to how compliance professionals can choose between regulatory tracking tool options, Paraskeva (at 4:47 in the webinar) said: "It is important for professionals to demand regulatory content that is reliable, timely and well-curated."

He noted how content from the company's Reg-Track tool, offers users a concise summary of the rule and then links to do a deeper dive – by examining primary document, as well as prior iterations of the rule or policy at hand.

He said the service also strives to curate the findings to provide the content clients need to see, depending on their needs and preferences, enabling them to look at rules through a filtered basis.

And it does so in a global capacity that enables users to manage at the center of the firm across all of the countries with which it does business.

Zev said (at 8 minutes in) that the four most important items he thinks a regulatory management tool should possess are: (1) A summary in plain language; (2) a taxonomy that operates across the platform to standardize the process of researching and collecting information; (3) supporting data, like enforcements, that help users understand the impact of rules and not following them; and (4) links to primary regulatory documents.

When it comes to taking this important regulatory data and being able to demonstrate compliance to the firm's primary regulators and to its board of directors, Zev says the data must be consolidated and aggregated.

This enables the right people to access it and drill down into the summaries to get the finer details the organization needs. Those areas of particular concern can provide the business an opportunity to showcase for board members and regulators how well the business is preparing to deal with them -- before examination time.

Paraskeva agreed, stressing the importance of firms establishing goodwill and an open dialogue with regulators before any crisis hits, so the firm, on an ongoing basis, can show the steps it has taken to prepare to meet regulatory obligations.

He also stressed how, thanks to the growing prominence of the compliance function, and the fact that a huge fine can push a business out of a market, regulators want to see how well the compliance department is keeping senior management of the firm informed about compliance monitoring.

That means information must be regularly supplied to the board, so it knows how these challenges are being handled, not just because it's nice to see this happening – but because regulators demand to see these considerations are reaching that level in an organization.

Paraskeva emphasized (at 21:50 in the vide) that giving board members this type of information "does not mean giving them a link to a 100-page document; it means summarizing key information in a standardized and summarized manner."

Turning to how this regulatory technology and its data is stored – typically over the cloud – both Zev and Paraskeva emphasized data security and privacy as hugely important.

Zev said it starts with finding a reliable service provider and making sure that penetration testing is being performed by a competent third party, with reports on the testing made available to the financial services firm.

The future of regulatory tracking technology, Paraskeva said, means offering clients such security, and keeping up with the many new layers of regulation that keep appearing, regardless of supposed regulatory rollback.

Examples of this that he gave included recent additions to Reg-Track content in terms of areas such as crypto-currency providers and exchanges, financial technology firms and money services businesses and other non-bank institutions.

He pointed to the recent \$1 billion fine levied by the Office of the Comptroller of the Currency and the Consumer Financial Protection Bureau against Wells Fargo for its misconduct related to its sales practices in insurance, to note how regulatory fines, activity and scrutiny are not going away, even after the crisis.

There have been some discrete areas of regulatory rollback, but the main regulators in the United States, other countries and international bodies -- like the Financial Stability Board (FSB) -- remain active.

Speaking of the FSB, Paraskeva observed that this membership body, created by the G20 countries following the 2018-09 financial crisis, to make recommendations about the global financial system said something interesting the prior week, ([see rule summary](#)).

"[The FSB] said financial services firms should adopt tools that monitor their internal compliance cultures from the top levels (upper executive and board) down. Each firm should be able to demonstrate that that it is capable of doing this monitoring," Paraskeva said of the FSB's recommendation (at 28:07 in the webcast).

Mitigating misconduct risk is essential, the FSB noted. And this is where regulatory technology, such as tracking tools, is critical, Paraskeva said.

The FSB's latest recommendation showcases a regulatory framework that is moving away from just issuing new rules and is now trying to get firms to determine where and how misconduct begins, within the processes that firms use, he said

Questions from the audience

Toward the end of the presentation (at 33:30 in the presentation) listeners submitted their queries to the speakers.

When asked how Reg-Room LLC assembles rule summaries, he described a technology that has sophisticated aspects to it, but it is driven by personnel with a high level of regulatory experience and reviewed by yet another and more senior editor before going live.

"If a machine has given you a summary, are you going to be able to ask the machine to do it differently?" Paraskeva asked, rhetorically.

Reg-Room's tools are able to take a business's specific needs in mind and tailor its technological capabilities according to the business's stated preferences and requirements, he said.

Zev underscored the need for effective regulatory technology tools by noting that global financial services firms are spending more than 4 percent on annual revenue on compliance measures alone.

See link to full webinar; <http://www.bwise.com/on-demand-webcast-regulatory-change-management-program>