



# MATURITY ASSESSMENT OF REGULATORY CHANGE OPERATING MODEL FOR FINANCIAL INSTITUTIONS

## What is Regulatory Change Management?

Regulatory change management is the process of ensuring that a financial institution's policies, standards, and controls are aligned with the ever-changing regulatory environment. This includes monitoring regulatory developments, assessing the impact of changes on business, and implementing necessary controls to ensure compliance.

## Importance of having a well-defined Operating Model for Regulatory Change Management?

Firms across the globe, and specifically financial institutions, are facing a growing number of regulations in various themes such as financial reporting, capital calculations, cyber security and operational resilience. To effectively manage these regulations, it is essential to have a robust and sustainable operating model for Regulatory Change Management (RCM). This operating model should be agnostic of geography or business unit, as regulations can impact all aspects of an organization's operations.

Financial Institutions typically have some form of RCM in place. However, there are challenges in the operating model. Some key questions organizations often face about their RCM operating models include:

- Is the existing RCM operating model sufficiently future-proof against newer regulations?
- Is the model following industry best practices?

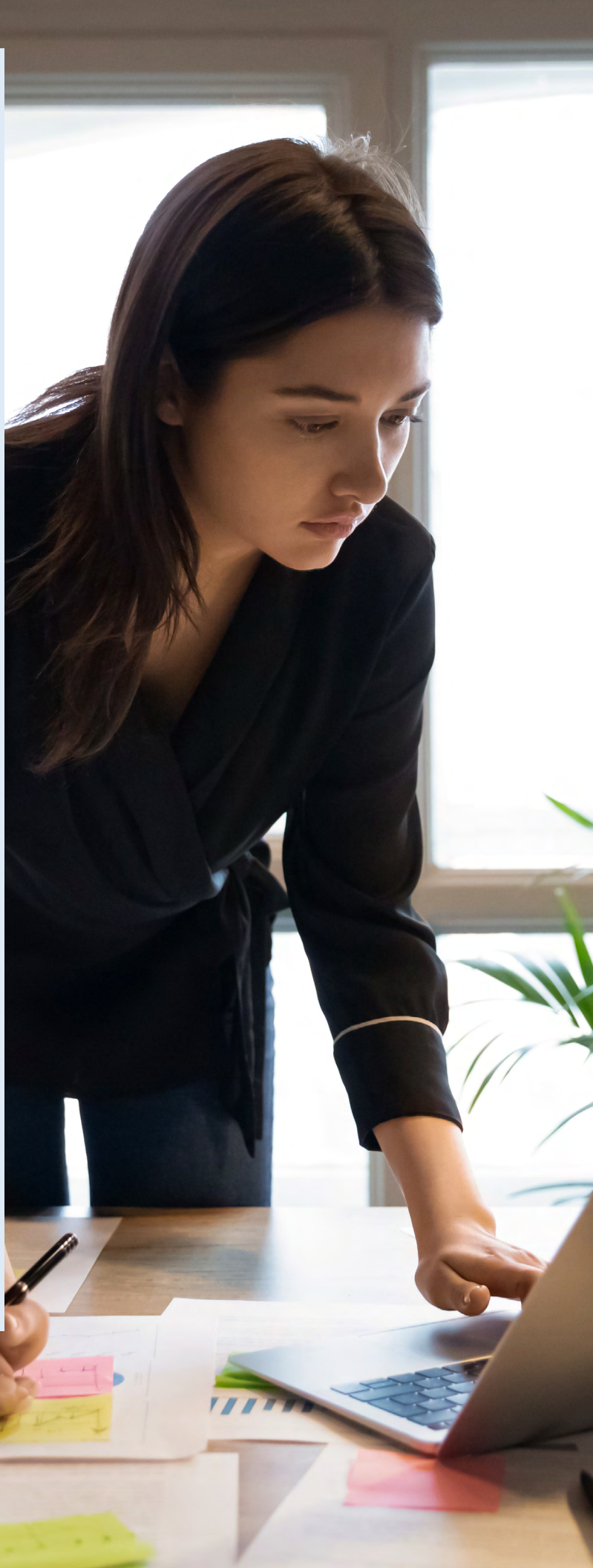
These are pertinent questions to answer, as organizations need to ensure that they have a robust and sustainable operating model in place to effectively manage regulatory changes.

## Regulatory Change Assessment Questionnaire

Building on our expertise in developing target operating models for regulatory change across multiple firms in financial services industry, we have developed an assessment. This can help organizations assess the maturity level of their regulatory change operating model against a defined set of parameters.

## Approach for the Assessment

Firms should consider maturity assessment to examine the current state of their regulatory change operating model. It evaluates the operating model across eight themes that we have identified based on multiple client engagements. The assessment then benchmarks it against industry-leading practices to identify gaps and areas for improvement.



## Central Themes of Assessment

**Maturity assessment is structured around the core areas of an operating model:** people, process, technology and data. These core areas are covered under eight central themes. The table below provides more details about these themes.

Theme	Description
BAU Operating Model	Operating model to manage regulatory changes and refinement.
Processes and Documentation	Process flows, process activities and RACI to support the current regulatory change operating model.
Regulatory Execution	The current model followed in the delivery of a regulatory change includes stakeholder identification and impacted functions.
Data Governance	Policies followed in capturing data-related requirements, data management and data privacy.
Program Management	Model followed in identifying risks associated with regulatory implementation programs, their mitigation plan and along with the business continuity plan.
Operating Effectiveness	Identification of non-compliance scenarios and their consequences for a regulatory change.
Post Go-Live Compliance	Ensuring continued compliance with regulatory changes post go-live and their governance structure.
Ancillary Support Management	Impact on technology solutions, including infrastructure and the identification of new technology solutions as well as vendors for managing regulatory changes.

Assessment in form of questionnaire, envisages ideal end-state for each question. This gives an indicative view of the expected outcome for that question as well as the evidence required to confirm if industry-leading practices were followed.

## Levels of Maturity

The next stage is to outline the levels of maturity. This would capture the current state of the operating model of an organization against the themes identified. We have defined four levels of maturity for the assessment. The definition varies for each maturity level based on the theme, but a generic view of each level is mentioned below.

### Level 2 – Intermediate

Although a process is defined, it is not consistently followed across the organization and has limited stakeholder participation

### Level 1 – Ad hoc and Fragmented

No single process is followed across the organization with limited or no documentation and insufficient stakeholder participation



### Level 3 – Progressive

Standardized processes are available but with limited traceability, and they are consistently followed most of the time with participation from most stakeholders

### Level 4 – Industry Leading

Well-defined processes and documentation are always followed consistently across the organization and with all stakeholder participation

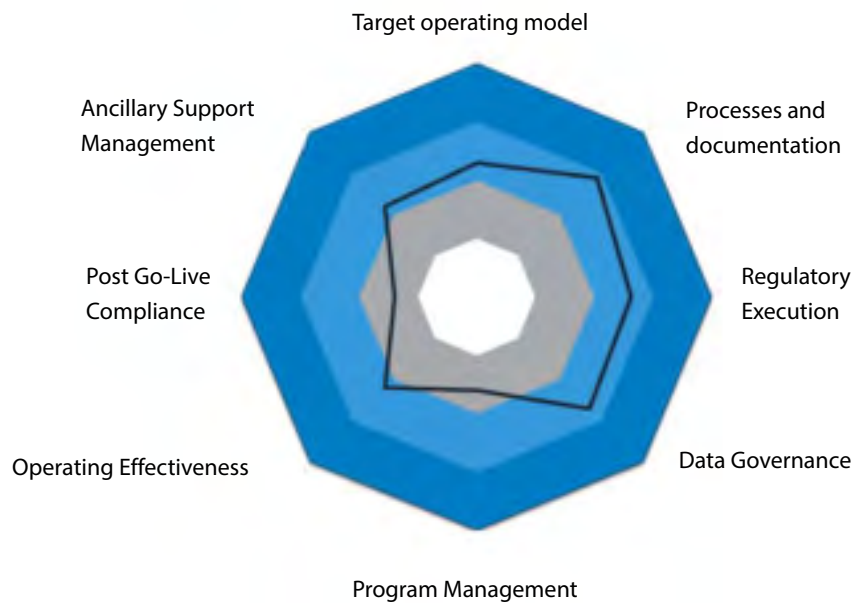
## Outcome of the Assessment

The final stage of the assessment is to visualize the output. Outcome is represented in the form of a spider chart, which is an octagon shaped graph representative of the eight themes. The chart illustrates the current state of the regulatory change management operating model for an organization.

## Major components of assessment outcome are as follows

- Themes are mentioned at the edges of the spider chart and a line pivoted at the assessed levels of maturity under each theme
- Calculated scores for each theme
- Concentric rings represent maturity levels, and outer rings represent increased maturity

### Indicative Maturity Assessment Outcome



## Benefits of the Assessment

**Performing this maturity assessment would prove beneficial for a financial institution in the following ways:**

**Identification of current operating model pain points:** Maturity assessment of the existing RCM operating model helps an organization to identify the pain points. This is done through the data points collected in the assessment.

**Envision ideal end-state for the operating model:** Each theme covers an ideal-end state, which gives a view of the industry practice followed. This helps an organization assess where they are with respect to their current RCM operating model. They can also develop an action plan to move toward the ideal end state.

**Roadmap to transform operating model:** The assessment outcome can be used to transform the existing regulatory change operating model, bringing the organization closer to the ideal end-state. The specific changes that need to be made will vary depending on the organization's ecosystem, but assessment will provide clear roadmap for improvement.

**Insightful results in a time-bound manner:** This assessment exercise can be conducted by using pod structures focused on each or a group of business functions. This helps an organization get a detailed view of the current state in a short span of time.

**Consistency in assessment across the multiple business functions:** Maturity assessment could be performed across multiple business functions such as the first, second and third lines of defense. This helps to ensure regulatory compliance is addressed and any common themes or patterns emerging from different business functions can be understood.



## How Infosys Consulting can help

Infosys Consulting (IC) has deep expertise in the Risk and Compliance (R & C) function. Within R & C, we have a dedicated practice to help organizations navigate through the end-to-end lifecycle of regulatory change.

We have a global footprint in streamlining large and complex Regulatory Change programs, with a particular focus on Regulatory Change Management.



In addition to conducting regulatory change operating model maturity assessments, Infosys Consulting can also assist organizations in transforming their Regulatory Change processes by contextualizing the following approach:

Regulatory change operating model business case	<ul style="list-style-type: none"> <li>• Develop a business case to align with organizational goals for prioritizing enhancements related to handling regulatory changes</li> <li>• Conduct cost-benefit analysis for implementation of regulatory change operating model</li> <li>• Document and socialize the final business case</li> </ul>
Target Operating Model (TOM) Design	<ul style="list-style-type: none"> <li>• Design regulatory change operating model</li> <li>• Identify and define key personas</li> <li>• Outline roles and responsibilities (RACI) and corresponding activity definitions</li> <li>• Build standard templates and reporting metrics</li> </ul>
Validation of TOM	<ul style="list-style-type: none"> <li>• Identify regulatory change to validate &amp; conduct standalone/cross-BU pilot testing of TOM</li> <li>• Utilization of standardized testing artefacts across BU's</li> <li>• Document and track gaps related to TOM and address gaps as needed to ensure remediation before TOM go-live</li> </ul>
Rollout and Maintenance of TOM	<ul style="list-style-type: none"> <li>• Define a robust Regulatory Change operating model rollout strategy</li> <li>• Create training packs, job aids, desktop procedures for key stakeholders</li> <li>• Conduct trainings across organization</li> <li>• Assist in go / no-go readiness review, and final rollout to business-as-usual (BAU)</li> </ul>
Governance Structure to Support TOM	<ul style="list-style-type: none"> <li>• Clearly defined project charter</li> <li>• Appoint key personnel and manage memberships of the committee</li> <li>• Gather and report information to relevant stakeholders (steering committee, board and external stakeholders, etc.)</li> <li>• Review risk assessment, risk related issues, and ERM framework</li> </ul>

## Authors



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Abhinav has over two decades of experience in the financial services industry, with a focus on Risk and Compliance. He has led the modernization engagements of many large global banks in their financial risk initiatives and helped them in multiple areas of regulatory compliance (ranging from setting up data warehouses, regulatory reporting to responding to MRAs).

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### Gaurav Mundra

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Gaurav is passionate about risk and regulatory reporting. He has successfully led programs for marquee financial services clients across regulatory change management, capital risk calculations, balance sheet modeling and taxonomy implementation. He also has a keen interest in emerging technological trends.

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