

# Compliance operating model deep-dive

Rethink the way you deliver compliance services.

February 2020



# Compliance operating model of the future

Is your current operating model bulletproof?

In our insight paper 'Future of compliance: Not sleeping at night?', we introduced three areas to consider when evolving compliance.



Our 'Future of Compliance' paper is available [here](#).

## Deep dive into the compliance operating model

This paper shows **how to assess the status, health and improvement opportunities** of your current operating model. It also shows you how to transform your operating model and where to focus while doing so.

## Is your current operating model in good shape?

**Starting from a good practice standard**, it's possible to focus on areas of highest priority or where you have the biggest leverage. For that, you first need to **assess your existing operating model**.

How can you do this? Find out more about **the reference model (business capability model)** used by PwC Switzerland.



# Assessment of your existing Compliance Operating Model

A proven method to compare your existing model against practice standards



You can assess your current Compliance function set-up against the Compliance Capability Model along the dimensions of organisation, processes, controls and policies, IT/automation and change portfolio. The result is a heat map of effectiveness (missing/insufficient capabilities) and efficiency (redundancies, overlaps, etc.)

Compliance Capability Model										
#	Level 1	Level 2								
1	Investigations & Disciplinary	Incident Management	Whistle-blowing	...	...	...	...	...	...	...
2	...	...	...	...	...	...	...	...	...	...
3	...	...	...	...	...	...	...	...	...	...
4	...	...	...	...	...	...	...	...	...	...
5	...	...	...	...	...	...	...	...	...	...
6	...	...	...	...	...	...	...	...	...	...
7	...	...	...	...	...	...	...	...	...	...
8	...	...	...	...	...	...	...	...	...	...
9	...	...	...	...	...	...	...	...	...	...

Assess by dimensions

1. Organisation

2. Processes

3. Controls and policies

4. IT/automation

5. Change portfolio

# Traditional operating models and new approaches

## How the origin of ecosystems impacts existing operating models

### What's happening now in the market?

New technology and the rise of ecosystems offers new opportunities to source operating procedures more efficiently



Operational procedures being professionalised and digitised in banks and by FinTechs/third-party providers



As in the industrialised world and sales ecosystems, we see an increasing need/possibility to consume capabilities as 'modules' rather than as a full process



Advanced enterprise IT architecture enables the integration of modules produced outside becoming available at an affordable price

### What does this mean for you?

Business models are increasingly built on digital platforms which are centred on demand

It is possible that banks become platforms, providing services where they are proficient (e.g. onboarding and KYC compliance) while giving up other aspects

Opportunity to consider for every module (based on capabilities) either an in-house capability or managed services from external providers



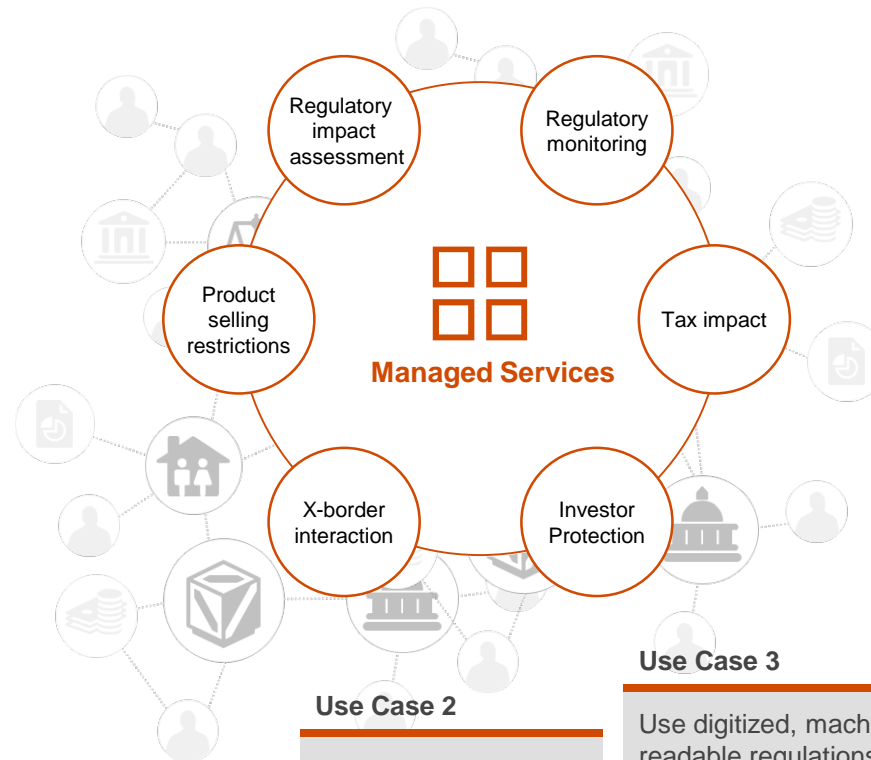
# Managed services can be plugged into your bank's value chain

Most advanced technology used as a module in a flexible process

**Managed services provide you the best out of processes, technology and people.**

## Advantages of Managed Services

- Applying standard processes and on-top tailoring to your needs ensures efficiency
- No need to build high-end technology platforms by yourself – use a proven solution platform built by interdisciplinary teams
- Solutions are maintained by industry experts who have the knowledge and experience to ensure ongoing compliance



### Use Case 1

External sourcing of customer identification process (see next slide)

### Use Case 2

Using PwC's Legal Regulatory Radar that summarises and analyses regulatory initiatives and draws your attention to potential action.

### Use Case 3

Use digitized, machine-readable regulations from 3<sup>rd</sup> parties (e.g. Cross-Border Rules, Fund Distribution, Trade Execution/Pre-trade checks, etc.) which are always up-to-date.

## Automatic

Don't worry about being outdated. Updates will be rolled-out automatically.

## Configurable

Services come with proven solutions that are adjustable to your needs to consider organisation specific circumstances.

## Simple

Subscribe and profit from pre-build solutions fulfilling regulatory requirements.

# Use case: Partial external sourcing of customer identification process

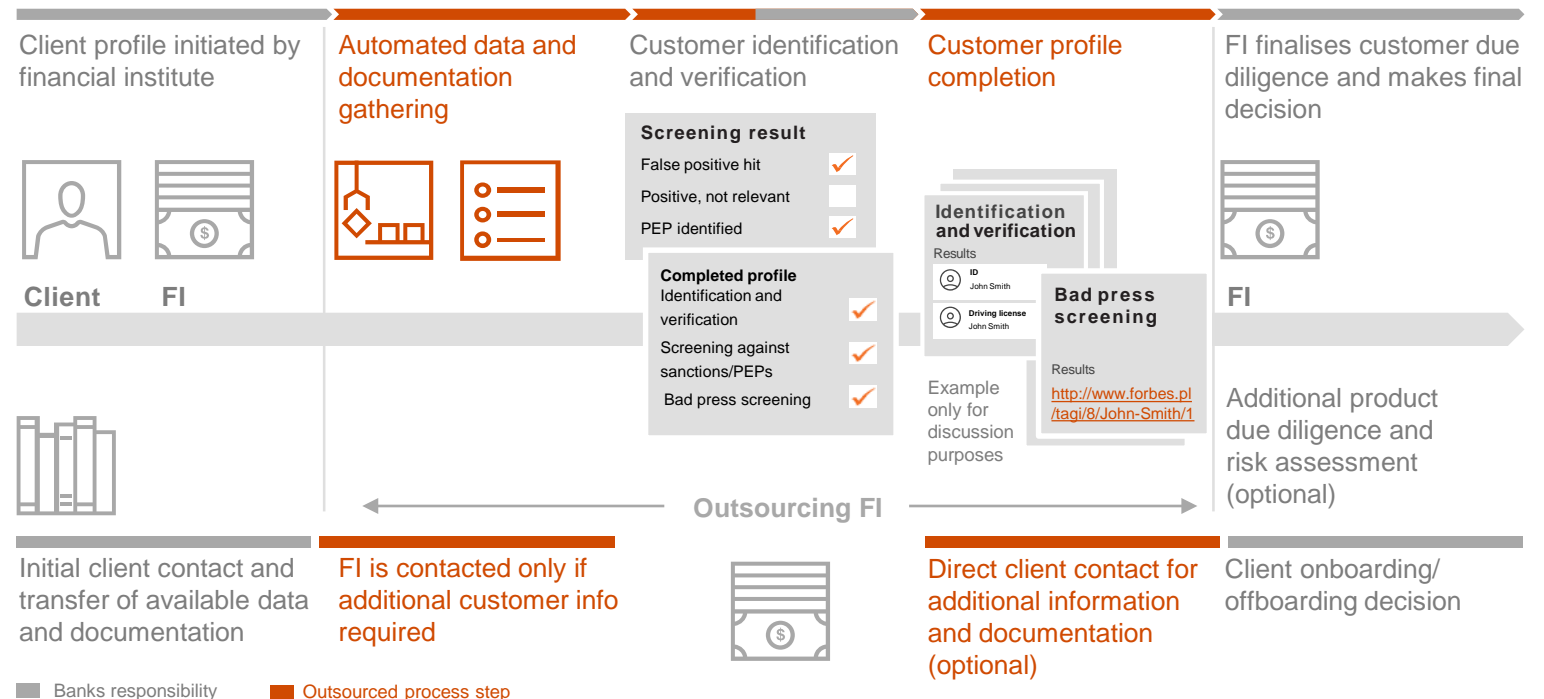
Most advanced technology used as a module in a flexible process

External sourcing process steps helps you to focus on your core capabilities

## Outsourcing benefits

- Free up resources which can be allocated to core compliance tasks
- Gain flexibility to scale resources and benefit from robust recruitment, training and development
- Leverage proven methodologies and efficient processes
- Output delivery is enabled by using advanced and innovative solutions

Gathering and checking client information data is one of the processes which can be outsourced to a third party provider.



# Summary: Rethink your operating model and assess the best option

## Rethink your operating model

**It is time to rethink your approach to delivering compliance services if:**

- Your compliance costs are increasing on the people and technology sides
- You are struggling to keep an overview of regulatory changes, so you're at risk of being non-compliant
- Your internal IT organisation does not have the capability to build bank-specific technical solutions
- Your allocation of internal resources is becoming inefficient due to the complexity and speed of regulatory change, which prevents employees from core compliance tasks
- As a division, you're becoming a bottleneck to front units and you're under pressure to keep up with new ways of delivering services and value add
- ...

## What is your way out?

As a starting point, assess the current situation of your compliance target operating model based on a proven model (e.g. business capability model)

Start building an ecosystem that helps you position compliance in the future in the most efficient way. This requires an advanced enterprise architecture that allows external services to integrate easily ('plug and play')

Based on your capabilities, choose which modules of your existing processes you want to source from internal or external providers

Re-allocate remaining compliance tasks within the organisation and run them in an efficient, data-driven and intelligent way



# Your contacts





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**Marcel Tschanz**

Partner, Wealth Mgmt. & Compliance  
+41 79 540 60 80  
marcel.tschanz@ch.pwc.com



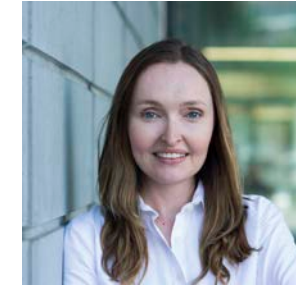
**Guenther Dobrauz**

Partner, PwC Legal Switzerland  
+41 79 894 58 73  
guenther.dobrauz@ch.pwc.com



**Marc Lehmann**

Director, Compliance &  
FS Transformation  
+41 58 792 26 50  
marc.lehmann@ch.pwc.com



**Alexandra Burns**

Director, FS Risk & Compliance /  
Internal Audit  
+41 58 792 46 28  
alexandra.burns@ch.pwc.com



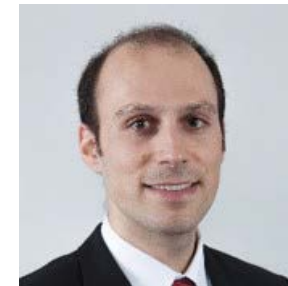
**Antonios Koumbarakis**

Senior Manager, PwC Legal  
Switzerland  
+41 79 267 84 89  
antonios.koumbarakis@ch.pwc.com



**Sadat Alimi**

Senior Manager, Financial Services  
Advisory  
+41 58 792 14 77  
sadat.alimi@ch.pwc.com



**Sandro Ricklin**

Manager, Financial Services  
Advisory  
+41 79 780 13 48  
sandro.ricklin@ch.pwc.com



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