INTERVIEW

How to plan and deliver RegTech projects

Conversation with **David Bundi**

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What is your role in the RegTech industry?

I support clients in the banking and insurance industry to ensure compliance and enable business for them as Head of RegTech at PwC Switzerland. My role ranges from (1) helping regulators in building regulatory sandboxes or RegTech programmes internationally, (2) guiding C-level executives and their firms with digitalisation and innovation initiatives to transform Legal, Compliance and other functions, (3) building new RegTech services and (4) scouting new technologies and talents in the space for PwC. Additionally, I teach RegTech and compliance innovation at universities globally.

In your recent book and speaking sessions, you focused on the "digital mindset" as a first step to enabling RegTech. Can you summarise the idea for us?

Technologies are there to enhance human capabilities while people need to embrace open, diverse and solutions-driven collaboration to achieve both resilient and scalable digital innovation for clients.

With the right mindset in place, the next step or question is: "What's the plan now?" With regulation and technology playing a significant strategic role in determining the success of our clients in today's complex world, a sustainable "plan" is required more than ever. For that, it is crucial to understand the correlation of (1) governance and compliance, (2) the strategic dimension of regulation and with that regulatory change management, (3) digitalisation and technology and (5) the implementation, control and maintenance of RegTech solutions.

How do you approach and manage regulatory change programmes?

New or changing regulations can present a challenge or an opportunity to a firm's strategy, operations, risk management, compliance and technology. Assessing the impact of new regulations on a firm's business and operations and then implementing business-friendly and effective changes should be done in a way that maximises business impact and minimises the cost of compliance.

Organisations need to clearly understand the alignment between their strategy, their operating model, their risk environment and how they thrive in that environment. Top down decision-making processes on which risks must be accepted and which must be minimised should interlock with bottom-up risk management activities.

How do you help firms become more digital with their compliance?

We look at it as a 5 step approach which is described very well in the book "Fit for Growth" (PWC Strategy& | Wiley).

1. **Analyse and prioritise requirements**: Looking for highly structured, repetitive processes and rules that can be automated, conducting a high-level cost/profit assessment to analyse the benefits of digitalisation and moving forward where the expected returns justify the expense.
2. **Simplify processes and rules:** Getting rid of superfluous steps, distilling the selected processes and rules down to the essential, creating a standardised format that can be automated.
3. **Blueprint technology choices:** Evaluating the technological skill of the users, deciding what technology solutions suit the client's needs best, decide whether to implement commercially available software or customise a system built for the client's individual needs.
4. **Implement:** Building a small project stage team to gain quick results and accelerate implementation, rolling out multiple early versions of the basic automated processes and organising resources that will constantly fine-tune technology.

INTERVIEW

5. **Manage risks**: Monitoring and measuring the adoption risk i.e. the possibility that users won't embrace the technology, the benefits as well as the financial risk related to the implementation and the willingness of vendors to support implementation and upgrade the technology.

That's a great concept to help clients on their digitalisation journey. However, with the perceived infinite amount of processes in firms, where do you start?

For this, we use Process Intelligence, a data-driven methodology to collect fact-based business understanding and allow for gains of efficiency, effectiveness and risk control. It includes, amongst others, automated process discovery (visualising processes from data), conformance checking (monitoring deviations from the "to-be" process specification) and social or organisational mining (understanding who is responsible for particular transactions and how teams interact when working together).

As an example, if a risk scoring is deemed as high, enhance due diligence is to be carried out. In some situations, we have seen that despite a high-risk score, facilitated customer onboarding procedures were applied, thereby increasing the risk. On another cases, we have seen situations in which, despite of low risk scores, enhanced due diligence was triggered, thereby increasing the process costs. In yet other cases, we have seen back and forth process flows between front and back, the reason being that client information was not accurately captured by the front, thereby reducing the effectiveness of the process.

What technology do you advise to start automation with, and why?

Most firms should start with Robotic Process Automation (RPA) in my view. It is a popular workflow automation software that can repeat how users performing tasks at application's graphical user interface (GUI) level. It lowers the development barrier for automation of manual and repetitive tasks using a computer. RPA is a non-invasive software that operates on top of other existing software. It can be applied for cross-functional work and automate user interactions with one or more software applications. With the purpose of enabling automation of repetitive, rule-based processes, RPA can build workflows with dynamic decision points and loops for scaling, and has also the ability to granularise processes into components to allow reusability.

However, just because RPA reduces the development barrier for automating tasks, it doesn't mean automation is a simple endeavour. Defining and implementing an automation governance framework is crucial to achieving returns in the long term. Hence, an RPA governance should for example contain the following components: an RPA framework, development of standards, security (e.g. the assessment of data risk classes), roles and responsibilities (e.g. the segregation of duties between development and production) and touch-points with IT, Compliance, HR and other functions.

In which RegTech areas have you supported organisations the most in the last 18 months?

Traditional support in financial crime compliance (AML, KYC, sanctions, fraud) remains a constant key activity of our team. Also monitoring and surveillance support is always in demand.

We have also supported many clients the last 18 months with digitalisation topics (e.g. digital customer onboarding) in connection with regulatory requirements (e.g. AML/KYC). Another increased demand has been in the area of digital signatures for clients with respect to their customers and business partners or for internal use. The COVID-19 pandemic has clearly accelerated the shift in the banking and insurance industry to serve clients in a more digital manner.

Cloud Computing remains one of the key areas of opportunity for many firms. The use of cloud solutions has turned from a potential option into a must-have across various industries to empower organisations. The enabler for cloud computing is the connection of regulatory and technology expertise.

AI-based trade surveillance, governance and control frameworks for AI solutions where the bank's relevant risk taxonomies, policies and controls need to be assessed in the light of AI-related risks, and gamified compliance are some of our latest, exciting initiatives.