

Future-Proofing Compliance Best Practices

July 13, 2022

Risk abounds for financial institutions! Ongoing investment trends along with market dynamics have been pushing market participants to deal with numerous frictions. Against a backdrop of dizzying macroeconomic forces, portfolio diversification has become a key theme. Investors have sought new avenues to generate alpha, including private and digital assets. Case in point, [recent Coalition Greenwich research](#) found that two-thirds of credit portfolio managers in the U.S. and Europe plan to diversify their portfolio in the coming 12 months.

However, the ever-shifting demands global regulators are putting on financial services firms, coupled with ongoing market volatility and uncertainty, have elevated the importance of embracing robust compliance best practices and technology to drive efficiency and achieve the expected investment returns.

Risk from a Surveillance Standpoint

Let's make no mistake here, the way in which a firm scales, optimizes and mitigates risk from a surveillance standpoint matters more now than ever. The following points, based on our conversations with chief compliance officers and technology providers, summarize what compliance officers are focused on to future-proof their surveillance processes:

- **It's time for a surveillance tech overhaul.** Data is sitting underneath all the tools necessary to navigate today's markets. It is the differentiating force. But new oil doesn't propel old machinery any faster. There is a solid trend toward adopting new technology, as compliance gets elevated and investors demand more services. This means data must be up to snuff to power decision-making, and solutions have to be cutting edge in a growing number of areas.
- **The need for more visualization must be addressed.** It does feel like the industry has been moving away from those tabular systems for some time now, doesn't it? Yet, the growing demand for more dashboards, data normalization and visualization tools, and access continues. Today's markets require faster reaction time, and data output needs to keep up. Surveillance providers offering slick visual tools together with cleaned and normalized data are well-positioned to gain new customers and grow.
- **Managed services to the rescue?** One of the more interesting compliance developments in a post-COVID world stems from workforce changes. The great resignation has positioned surveillance solutions providers in a unique spot to offer more managed services to companies that are looking for cost benefits from outsourcing, augmenting their capabilities or right-sizing internal teams. Technology designed to create more capacity for a leaner team and preserve the integrity of risk compliance must be leveraged.
- **Aligning tech with business strategy is, well, important.** Technology has become very circular. Just as chief compliance officers look to elevate themselves as compliance gets elevated, it's become

trickier to justify new investment. The stakes for compliance have never been higher. The key to winning along these lines is understanding a business's growth and scale and having the ability to mitigate risk of the firm—this will happen through the lens of sound advisory, managed services and robust technology.

- **Dealing with new products and processes is happening.** Years of uninspiring yields and low volatility have led investors into a range of new products, such as private markets and digital assets, to gain better returns. From the compliance perspective, solutions providers will need to tap into a range of new data sources and processes to surveil securities linked to new opportunities. ESG-inspired trading adds yet another layer to the demands of investors. Providers must be able to stay technologically abreast of important developments in investing, trading and communication in newer areas of risk compliance.
- **Hybrid and WFH models continue to challenge compliance professionals and tech.** The new channels that have opened up as a consequence of work-from-home and hybrid working arrangements have increased data volumes. Firms are generating far more alerts as market volatility ticks higher, making data even more abundant. Surveillance solutions providers are again challenged with swaths of data to be consumed and understood by their clients, and technology must be able to handle different numerations of today's work environment.

Reputational Risks

Reputation matters! At their core, [financial institutions are greatly focused on mitigating reputational risks](#)—a dynamic pushing numerous firms to maintain distinct reputational risk management resources. In doing so, the desire to get in front of problems is paramount because, let's face it, compliance professionals don't want a regulator to tell them how to do their jobs. They'd much rather stick to what they're great at—managing important tasks, running compliance teams and making sense out of the data.

Developing a Holistic Approach

The siloed nature of compliance has created challenges and motivates the tendency for systems and practitioners to be more reactive than proactive. In this sense, all roads lead to advanced tech, such as artificial intelligence and machine learning. Greater investment in these areas, as well as compliance systems overall, is expected to provide teams with the resources they need to create scale, automate less-important, redundant tasks, and eliminate false positives. As more holistic approaches to surveillance develop, the exodus from spreadsheets is set to continue.

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