



Regulatory change management enhancement and transformation



Creating dynamic controls amid continuing regulatory change

Heavily regulated and complex organizations, including those with a vast legal entity global footprint, are challenged more than ever to understand and manage regulatory requirements. This is a result of unprecedented business change and a shift in services and operating models.

Demand on these organizations to maintain compliance with new requirements continues to escalate, as scrutiny intensifies from multiple stakeholders, including rising pressure from regulators, investors, counterparties, and other market participants in a postcrisis environment where compliance demands are now far more intensive and detailed than ever before.

Particularly, horizon scanning that provides the ability to monitor regulatory change, and sustains dynamic lineage and mapping across the framework are critical to existing risk and compliance programs where an intensive volume of regulatory change is surfacing as a result of multijurisdictional COVID-19 responses, for example. Institutions are challenged with:

- Capturing change
- Organizing changes and determining what must be monitored versus actioned
- Mapping the requirements back to a relevant point in time
- Threading and capturing an audit trail of the impacts to the business, processes, policy, procedures, and controls
- Communicating outcomes across the three lines of defense.

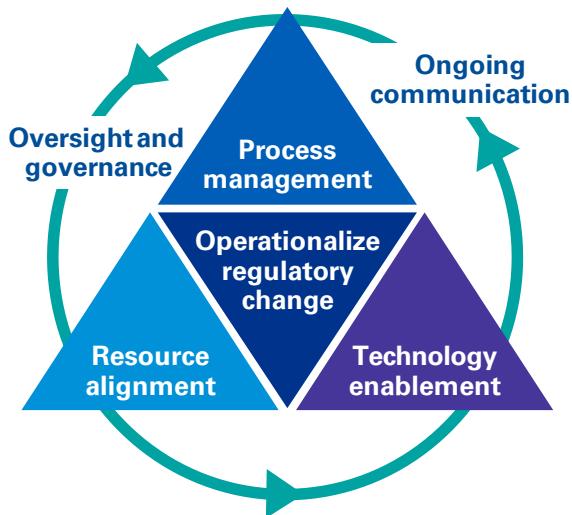
By implementing a change management framework that centralizes and synthesizes current and future regulatory demands, organizations can improve coordination across silos and gain meaningful insights that improve overall compliance risk management performance. Risk management frameworks and compliance controls would be integrated into strategic objectives, avoid redundancy and rework, and better address regulatory expectations in a practical and efficient way.

Real-time, continuous identification and assessment of global regulatory obligations should combine IT enablement, subject matter professional resources, and a controlled process to enable a flexible and adaptable framework for managing change. Leading objectives are to enable a proactively managed process with clear lineage of regulatory requirements (and other change triggers) to the appropriate business operating model, process, and impacted risk and control frameworks and elements.

To meet local and global regulatory expectations and support strategic business objectives, a coordinated and synergistic regulatory ecosystem connects firms' end-to-end global compliance management across source data ingestion, regulatory obligations listing, compliance testing, reporting automation, and integration.



Regulatory change management E2E framework



Optimal outcomes:



01 Scoping inventory



- Regional regulatory laws and rules data is an ongoing sourcing opportunity for firms, where many address regulatory data acquisition manually, in-house.
- Significant advancements deserve a new look at potential improvements to data supply chain.
- Firms seek a primary single provider to source both U.S. and global laws and rules data, horizon scanning/change intelligence, and translation in one value chain; however, 100 percent of the firms leverage more than two providers for disparate parts, including in-house resources to fulfill their coverage need.
- Firms are looking for ways to streamline the administration and overhead of managing multiple vendors.

Key activities:

- Define a strategy that enhances “golden source” enterprise regional inventory to cover key material legal entities, business model and products, corporate functions (e.g., accounting, HR, tax, etc.) where the overall framework can be leveraged to manage change and in which the horizon can be monitored for change.
- Gather law, rule, and regulation (LRR) inventory and perform comparative analysis of inventory against available requirements
- Perform coverage assessment to confirm availability of LRRs on enabling technology platform or eGRCs platform and identify additional data acquisition needs
- Review existing institutional data schema requirements for LRR inventory and capture data structure, parsing, granularity, and tagging elements
- Perform assessment of data schema, parsing and granularity of enabling technology platform or eGRCs platform for any gaps
- Perform initial tagging of LRR inventory in enabling technology platform or eGRCs platform
- Determine target staging of LRR inventory delivery to meet stakeholder needs and project timeline
- Vet delivery timeline, coverage assessment, and data structure with project stakeholders

02

Mapping operational risks to regulations



- Leading institutions with strong, overarching data architecture of process, risk, and controls are leveraging artificial intelligence (AI), machine learning (ML), and natural language processing to map and accelerate human logic correlations and connected requirement lineage in the following:
 - Regulation parsing
 - Regulatory requirements mapping to business associations, including process, controls/policies, M&T, and operational costs
 - Control gap identification
 - Dynamic RCSA process flows updated in real time based upon requirement changes.
- Enterprise-wide regional regulations are extensive and disparate, which increases the complexity and cost of compliance. Concurrently, many organizations manually map regulations to operational risks related to internal policies and control taxonomies, M&T, and operational costs to meet individual regulatory requirements. Manual mapping regulations to these risks has proven to be labor intensive, inconsistent, and time consuming.
- Train AI using historical mapping data to replicate human analysis and generate structured results in regulatory parsing, understanding, and mapping.
- Benefits from using AI and machine learning to augment process management for regulatory mapping include:
 - Improved quality and consistency: Requirements are reviewed in an identical, consistent manner, reducing risk arising from human factors.
 - Increased efficiency and reduced costs: Only takes seconds to parse, analyze context of regulations, and predict corresponding mapping.
- Build dynamic and automated solutions to facilitate updates to policies, procedures, and controls impacted by regulatory change.

03

Horizon scanning



- Horizon scanning and effective sustainability is a focus for many institutions seeking to become more streamlined based on several cycles of experience running and creating an improved value chain and operating model without forgoing key requirements. More than 90 percent of the change data inputs provided by LRR data vendors are high-false-positive, where it is not curated, actionable, or relevant to the institution.
- Firms are pivoting their viewpoints and assessing outsourced or managed service models for aspects of data sourcing, monitoring for change, and curating/enhancing the data for input into risk and compliance frameworks. A provider can complement the downstream needs of an institution delivering a combination of professional services, data, and technology required to enrich regulatory intelligence for consumption, enabling the end consumer or function to focus on impacts to their business and risks.
- **Key activities:**
 - Determine horizon scanning sources along with the frequency and critical data elements for horizon scan alerts (HSAs) and LRR change summaries (LCSs)
 - Gather and review LCSs and HSAs within the enabling technology platform or eGRCs platform and analyze for tagging, summarization, and presentation in redlined format
 - Review LCSs and HSAs and assess for relevance based on tagging
 - Tag and map the LRR changes within the enabling technology platform or eGRCs platform and provide to stakeholders for review
 - Trigger impact assessment and mapping workflow to initiate mapping to businesses, processes, and risks
 - Define feedback loop strategy to enable risk and compliance program across the three lines of defense to reverse inform your global rules framework and regulatory inventory.
- Results include enablement of a bidirectional learning framework where compliance is triggered by requirements/ongoing change, and—based upon compliance activities and results—the regulatory inventory is informed and further dimensionalized by risk.



Technology enablement using AI/ML:

- Mature regulatory change programs are advancing the use of AI and ML.
- Organizations should look to target key use cases in the risk and compliance framework to improve efficiencies and information correlations across new external data (including emerging risks), existing in-house data, risk and compliance programs and associated business metadata, and regulatory obligations.
- One quarter of recent share forum participants expressed that their firm's program, processes, and foundational data supported readiness to adopt AI/ML, with all firms intending to move in the direction of improved business intelligence and automation.

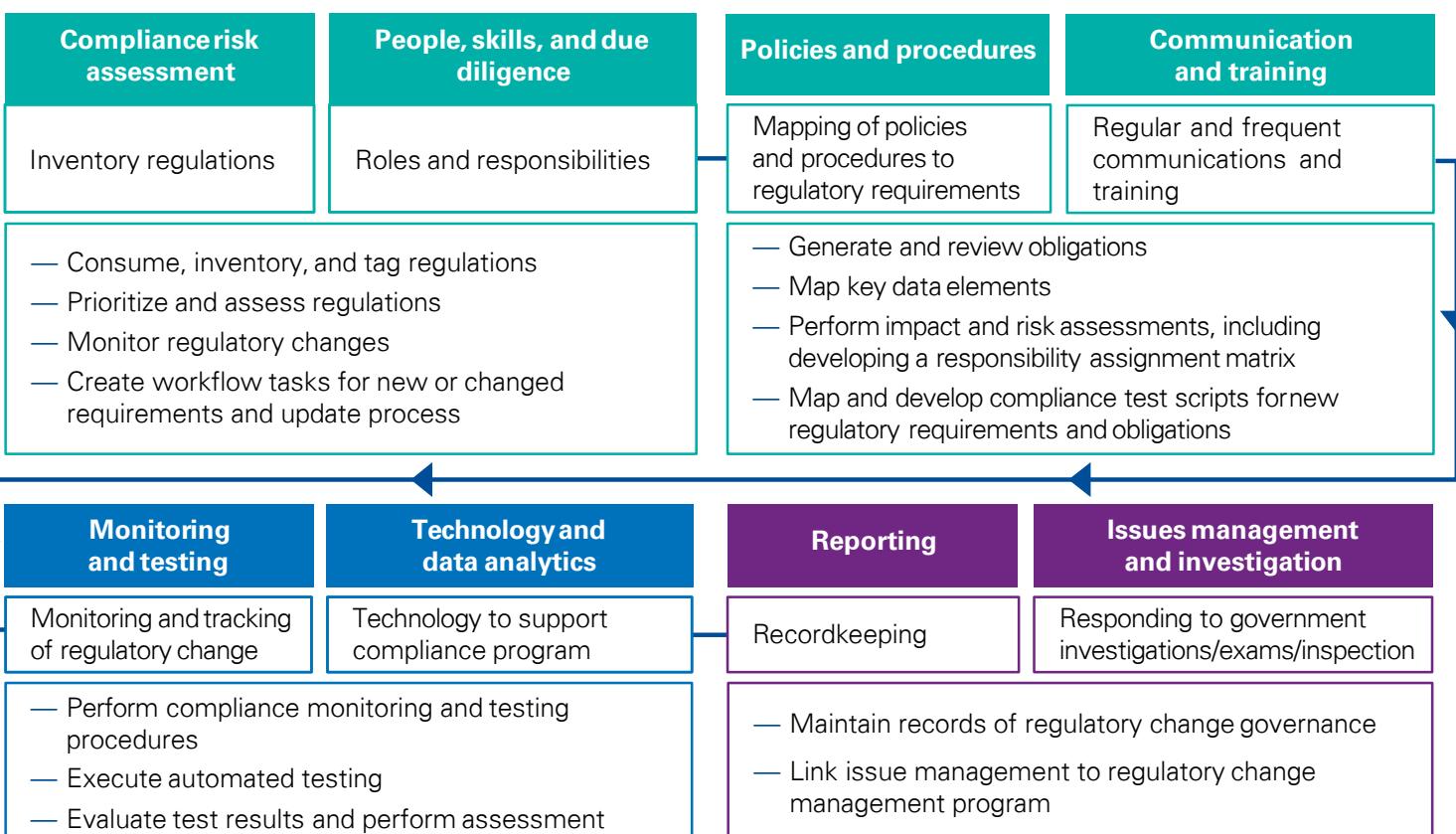
— Targeting horizon scanning and mapping are two main use case groups that are consistently focused on across institutions. Curation of HSAs is an emerging use case.

Ideal operating environment:

- Based on the operating model, investing time up front on vendor evaluation, data and integration requirements, and professional services implementation approach benefits institutions in the long run. Design objectives include creating a silent running operating environment where regulatory and business intelligence is triggered to those managing risk and change with the right information at the right time.

Integration and design activities:

- Understand current-state process, technology, and data flows; design target state with optimal view across three lines of defense and roles and responsibilities for the associated tech- and data-enabled users.
- Identify, design, and document technical requirements and associated architecture and data flows
- Perform proof of concept using nonproduction data; facilitate demos and configure/build integrations based on approved requirements
- Facilitate demos and validation sessions with stakeholders
- Develop implementation roadmap and identify platform vendors and estimate of level of effort



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