

Changing Face of Compliance Risk Management

Primary Focus of Today's Talk

- Highlight a few **key trends** impacting Banks today
- Ideas on how to prepare for the future
 - *Specifically, leveraging technology and collaboration to address tomorrow's compliance challenges;*

Kicking-Off Our Conversation



Compliance + Financial Crimes
+ Risk Management



Is Our Jam !!



Key Trends – Compliance is Difficult Normally...*but now*

COVID-19

CANCELLED



- Working from home
- Racial injustice and inequality
- Budget pressures
- More demands on resources
- Personal liability

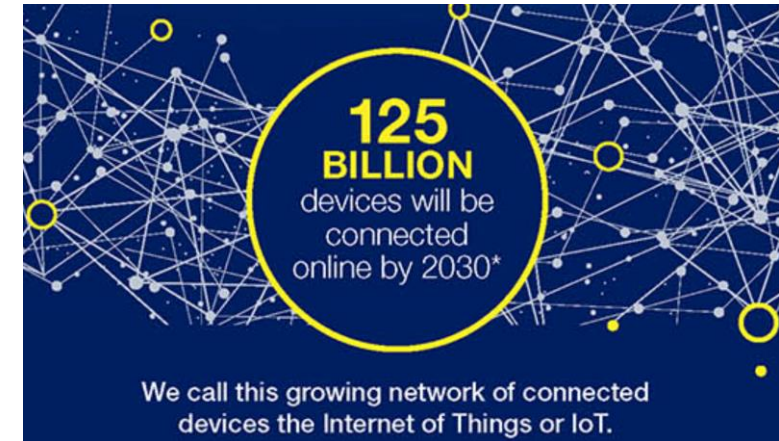


Key Trends – Compliance Role Changing

- No longer a “one-dimensional” Compliance lens
 - *Focusing just on the law & regulation is not sufficient in today's environment*
- Do we understand the trend of risk within our own programs
 - *Saying “not sure why they did it this way” is a red flag*
 - *“This is how we always do it” could be a huge red flag*
- Throwing people at compliance issues is no longer an option
 - *The economic tail from the pandemic might last longer than anticipated and banks must measure their options*

Key Trends – Rapid Pace of Technology

- Pace of technology changes increasing
 - *New terminology and processes*
 - *Legacy systems pose challenges*
- Regulators focused on innovation
 - *Significant investments in understanding technology is happening across all agencies*
- Changing consumer behaviors
 - *Consumers expecting tech conveniences and digital experiences*



IoT brings many opportunities for banks to enhance their offerings...

MORE WAYS TO PAY
Digital wallets embedded across many devices will enable a more seamless and automated payments experience.

CONNECTING WITH CUSTOMERS
Connected devices will capture new data on consumer preferences and behaviors that help banks build better products.

The complex block contains two main sections. The top section, 'MORE WAYS TO PAY', is accompanied by illustrations of a yellow and blue gas station, a smartphone, and a car. The bottom section, 'CONNECTING WITH CUSTOMERS', is accompanied by illustrations of a white refrigerator, a smart speaker, and a smartwatch. A blue banner at the top left of the block contains the text 'IoT brings many opportunities for banks to enhance their offerings...'

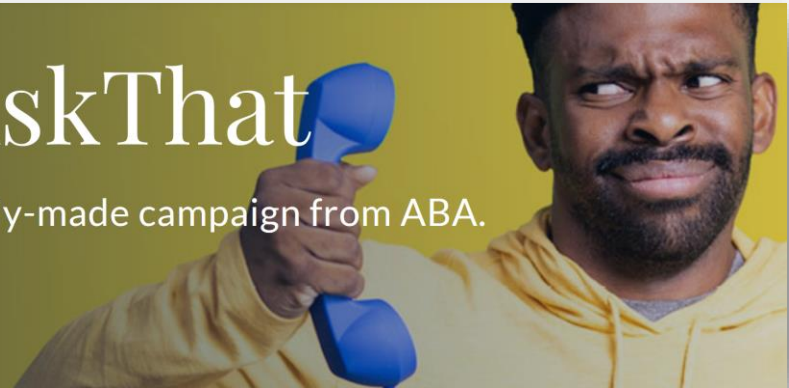
Key Trends – Cybersecurity



- Threats targeting employees and customers
 - *Criminals taking full advantage of the current situation*
- Scams are the new focus
 - *Phishing emails, malware, Ransomware*
 - “Microsoft says it blocked over 13 billion malicious and suspicious emails in the last year, and more than 1 billion of them were URLs set up to launch phishing credentials attack.” USA Today

#BanksNeverAskThat

Fight phishing fraud with this free, ready-made campaign from ABA.



Key Trends – Financial Crimes

- Recent News story on SAR leaks
 - *2,100 leaked SARs*
 - *Paints image of a failed US AML system*
- Bad actors are blurring the lines
 - *Have sufficient resources and speed on their side*
- FinCEN Proposed Rule Making
 - *Mounting FI costs not effective*
 - *Shift to an intelligence-led approach*
 - *Greater emphasis on information*
 - *Focused on effective outputs*



So, What Should We Focus On Now ??

“Making Strategic Changes !”

Possible Areas for Strategic Changes



- Breaking Down Silos
- Embracing Technology
- Expanding Overall Value
- Leading Key Conversations

Breakdown Silos – Focus on Collaboration

- Today's complexities require collaboration (*without sacrificing independence*)
 - *Maintaining a “narrow” or “specialized” lens could increase risk to bank*
 - *Examples:*
 - *AML and Fraud Units*
 - *Compliance and Risk Management*
 - *Build Credibility*
- Programs are never 100% perfect - focus on detection and containing
 - *Compliance can leverage partnerships to expand their eyes/ears*

Embracing Technology

- Find opportunities to learn
 - *Request demos from business lines and vendors*
 - *Challenge your personal knowledge and exposure to technology*
- Experiment with AI and other advancements
 - *Manual processes cannot move fast enough today and there is a growing need to automate certain functions*
 - *Need for existing processes to co-exist for a period*
- Know your Data Vulnerabilities
 - *Its not just data quality - rather, how the technology is manipulating the data output*

Gartner predicts that 70% of organizations will integrate AI to assist employees' productivity by 2021

Seek Efficiencies (But Understand Risks)

- Technology is a powerful tool
 - *Replacing routine tasks requires an understanding of the technology*
 - *Automation (BOTS) or Robotic Process Automation*
 - *Will still need the intuition of the compliance professional to make sure these technologies are working the way it should*
- Assess and predicting new risks:
 - *Technology should be treated as a new employee - conducting research/background checks on how it will perform*

Expand Value – Future Compliance Officer

- Compliance/Risk-Technologist (*4 requires skills*)
 - *Know the laws and regs*
 - *Understand components risk management frameworks*
 - *Need to have fluent understanding of technology*
 - *Soft skills - Intellectual curiosity, strong communication skills*

CR + RM = H-GRC

Current Proficiencies for Tomorrow's Compliance Management

- Assess strengths/weakness when designing the “Future State of Compliance Management”
 - *Knowledge*
 - *Control gaps*
 - *Monitoring and testing gaps*
 - *How can data and automation assist with finding anomaly's*

* There are always risks when migrating from a manual process over to technology/automated process (*and these need to be understood and addressed in advance*)

Leading and Influencing Key Conversations

- Key Business opportunities:
 - *Conversations on strategic innovation*
 - *Contributing to innovation opportunities with appropriate levels of risk taking*
 - *Expanding the conversation with regulators*
- Adjusting to Customer Behaviors
 - *Digital onboarding has experienced quick growth as consumers are hesitant to enter branches*
 - *Transactional norms are changing*
- Racial injustice and inequity
 - *Conversations that should be happening across every bank from a program and human interaction perspective*

A Final Question to Think About

The world around us is “constantly” and “quickly” evolving –

Is your compliance program taking strategic steps to stay relevant and, in a position, to tackle consumer, regulatory or business changes that come our way?

THANK YOU !

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