Modernizing Risk and Compliance in Banking

Establish effective, efficient, and resilient organizations by connecting systems and managing risks across the enterprise

47% of financial institutions say digital transformation projects are disconnected or initiated by business units with little/no connection to enterprise strategy as compared to peer institutions.

Source: IDC COVID-19 Impact on IT Spending, October 2020

37% of financial institutions will accelerate investment in automation and smaller task automation plans due to COVID-19.

Source: COVID-19 IMPACT ON IT Spending, September 2020

22.6% Five-year CAGR (2019–2024) for financial institutions’ AI-based IT automation technology investments

Source: IDC WW Artificial Intelligence Spending Guide, August 2020

The Challenge of Managing Risk

Today’s financial institutions struggle to adequately manage risk and ensure compliance with applicable regulatory requirements. Risk and compliance teams are often working with outdated systems and processes as evidenced by highly manual tasks, spreadsheets, and paper records. This state of affairs has resulted in siloed teams working with disconnected, fragmented systems and data from which clear, unified insights cannot be drawn. As a result, many board-level risk committees and internal audit functions have low confidence levels about the strategic management of risk across their organizations.
Financial institutions report that 47% of digital transformation (DX) initiatives are either initiated at the function level with little connection to enterprise strategy or are tactical and disconnected from enterprise strategy, according to IDC’s COVID-19 Impact on IT Spending, October 2020. These types of disconnected DX investments exacerbate the silo problem within organizations.

The consequences of manual processes, siloed data and systems, and inconsistent methodologies include:

- Difficulty aggregating data and reporting across the enterprise
- Trouble managing compliance to voluminous and complex regulatory changes
- Inadequately managing and monitoring risk issues
- Inability to effectively view technologies in context, limiting the ability to achieve operational resiliency

A Platform with Integrated Risk Management Can Help

The coordination of risk management between the first and second lines of defense is essential to instill confidence with the board of directors, internal audit team, and regulators that risk is well managed. A platform with integrated risk management can enable an institution to simplify and streamline risk management activities across all three lines of defense (i.e., line of business, risk and compliance, and internal audit.) Nearly 1 in 3 financial institutions have indicated to IDC that future-proofing their business by ensuring that business and operating models are viable in the future is the organization’s top goal for 2021–2022, according to IDC’s COVID-19 Impact on IT Spending, October 2020.

As financial institutions push to digitally enhance products, services, and customer experiences, they will need a platform with integrated risk management to align teams and lines of defense to support new and innovative offerings. Those that neglect to invest in the strategic management of risk will not be able to move forward and maintain pace with competitors.

Investing in a platform that can connect and align teams across the enterprise provides many opportunities to streamline and automate risk management activities. A platform with integrated risk management allows financial institutions to embed controls within workflows, map regulatory changes to specific processes, provide real-time oversight and automated alerting of risk control status, integrate resiliency activities, and integrate third parties into operational resilience.

The Benefit of Modernizing Risk

The benefits and value of transforming risk management and aligning all lines of defense include decreasing costs, improving risk and issue identification, reducing capital requirements, improving response to business disruptions, and reducing exposure to fines and penalties. Overall, DX empowers financial institutions to strategically manage risk across the enterprise by providing all stakeholders with a line of sight to the organization’s risk profile in real time. Teams, systems, and data are connected, and meaningful insights can be extracted to provide the risk committee, internal auditors, and regulators comfort in the financial institution’s strategic risk management approach.