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Private Banking in Asia Pacific

Turning Regulatory Challenges into Opportunities

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In recent years, the Asia Pacific region has become the largest and fastest-growing geography in terms of private wealth, and the outlook for continued growth is highly favorable.[1] The increase in High-Net-Worth Individuals (HNWI) has been significant and many see Asia Pacific as the region with the highest potential for organic and inorganic wealth management growth. This year, we expect the HNW population in Asia Pacific to surpass all other regions.

Such rapid growth presents opportunities for the Asian private banking sector, with higher leverage based on greater economies of scale for the leading players. However, it is important to note that growth does not simply equate to higher margin or profitability. In such a highly regulated sector – one which has seen major regulatory actions leading to large fines around the world — there will be increased pressures (and associated costs) as the industry seeks to remain both compliant and competitive.

In our own work with clients, we have seen a growing understanding of risks associated with private banking and a greater willingness to undertake needed risk, regulatory and compliance initiatives throughout the region.

We see the Asian regulatory landscape concerned over three key areas: tax and regulatory compliance; financial crime prevention; and market conduct. As seen in Figure 1 below, these concerns reflect new regulatory initiatives including the Foreign Account Tax Compliance Act (FATCA), the Automatic Exchange of Information (AEoI), Common Reporting Standards (CRS), Know Your Customer (KYC) rules, Investment Suitability (IS) and Cross-Border restrictions.

From a tax and regulatory compliance standpoint, new requirements imposed on private banks through FATCA are expected to produce $8.7 billion in additional tax revenue for the United States (US) over 10 years.[2] Such increase in compliance requirements are also expected to cost financial institutions worldwide approximately $8.0 billion annually.[3]

In financial crime prevention, KYC requirements have long been implemented internationally to help detect and prevent money-laundering and terrorist financing activities. More stringent KYC requirements are always in development, and are adopted by industry players to achieve better compliance and to close any existing loopholes.

More emphasis has also been placed on market conduct, both to govern the behavior of individuals in the front office as well as to help create a fair and safe market for investors. New investment suitability requirements help customers better understand their investment risks before making any commitments. By giving customers access to the right information, IS requirements protect customers' as well as financial institutions' interests.[4]

Each of these regulatory initiatives affects private banking in terms of business, operations and technology. In our view, banks offering a full range of differentiated private banking services should support these with a strong compliance framework. In a heavily regulated environment, this can be essential for success.

Figure 1. Regulatory Wealth Management Landscape

	Regulatory Changes	Implications for Wealth Management Institutions
Tax and Regulatory Compliance	Tax transparency and cross-border taxation Disclosure and reporting standards Changes to capital and liquidity requirements	New regulation on investment taxation like FATCA, AEoI are creating complex reporting requirements and increased costs A holistic approach to clients is required, with a focus on post tax returns Private banking business impact is increased because of deposits and margin
Financial Crime Prevention	KYC procedures and money-laundering and terrorist financing Data protection and cybercrime	Technology and operations impact of KYC, money-laundering and terrorism financing requirements Ability to perform due diligence beyond bank branches Infrastructure investment for client data confidentiality, data export restrictions
Market Conduct	Investment suitability Advisor competency standards Pricing and fee structures Investment restrictions	Regulators are tightening rules to help ensure adequate safeguards are in place Impact on product development and pricing/fee structures Investment in talent development and skill building

Source: "New wealth, new opportunities – Building an efficient and profitable operating model for success in Asia's booming wealth market," Accenture, October 2012. Access at: http://www.accenture.com/sitecollectiondocuments/pdf/cm-awams-pov-new-wealth-new-opportunities-final-oct2012.pdf

Know Your Customer (KYC) Rules

Regulators are stepping up their compliance initiatives to help fight financial crime as evidenced by fines imposed upon financial services firms in the US and Europe. While KYC requirements are evolving and growing, intergovernmental organizations such as the Financial Action Task Force (FATF) have tabled recommendations with additional focus on frequent risk evaluations and beneficial ownership.[5] These recommendations, in our view, may help establish precedents for other regulators to follow as best practices.

In the Asia Pacific region, the Monetary Authority of Singapore (MAS), the Hong Kong Monetary Authority (HKMA), the Bank Negara Malaysia (BNM) and other key regional regulators have undertaken numerous initiatives to help prevent money laundering and terrorism financing (ML/TF) activities, as documented by the regulators' own guidance and circulars.

Key Requirements

As KYC requirements evolve, it has become easier to identify best practices and improvements in controls. These include:

Stricter due diligence and screening at point of onboarding, and KYC refresh and remediation activities post-onboarding

At the point of onboarding, relationship managers are required to identify and understand the sources of wealth for their respective private banking customers.[6] In some jurisdictions, more stringent requirements are being placed on higher risk customers, including politically exposed persons (PEPs), as part of the customer profiling exercise.[7]

Across the Asia Pacific region, there are now additional refresh and remediation activities required for post-onboarding, depending upon how business rules align with regulatory and business requirements. These requirements could be due to demands for additional documentary evidence resulting from periodic screenings or from reviews performed by banks internally.

In general, private banking customers are segmented into different categories of risk (typically, lower risk vs. higher risk customers) with more stringent onboarding requirements for the latter. Asian regulators in general expect to "localize", implement and periodically review PEP classification standards, transaction monitoring parameters and alert thresholds.

More caution in use of financial intermediaries

More stringent KYC requirements have been placed on the use of financial intermediaries.[8] In many cases, high-net-worth assets are purchased anonymously through financial intermediaries, some of which are shell companies. These shell companies may hinder the identification of the actual beneficial owner of the assets and the true source of wealth.

Added responsibility placed on the board and senior management for stronger risk culture

New KYC rules place additional responsibility on boards and senior managements to help ensure that a strong risk culture and control is in place. Through their actions, regulators like the MAS indicate that the key to a good to great risk culture begins with the leadership team. These regulators also emphasize the importance of understanding the risks and rewards associated with having strong controls in place.[9]

Key Challenges

The ever-growing list of regulatory requirements has imposed additional challenges on the private banking industry across the region. These challenges include:

Fragmented and siloed KYC technology, resulting in duplicated KYC efforts

Banking customers with multiple relationships across business lines or booking centers may be subject to duplicate KYC requests and an inconsistent customer experience. As part of the KYC refresh requirement, customers may receive multiple requests for information due to the lack of a single view of the customer within existing customer relationship management (CRM) systems. This can lead to the duplication of work (same documents to be provided multiple times) for the bank (upkeep of information) and inconvenience and irritation for the customer (due to the need to resubmit documentation and information).

Complex business structures and their effect on identifying ultimate beneficial owners

The use of complex business structures (financial intermediaries), especially among shell (non-trading) companies can make it difficult to identify the real beneficial owners of the company, introducing more risk into the KYC process. Risk managers are expected and required to clearly identify the sources of wealth prior to onboarding with appropriate approvals from the firm's leadership.[10]

Manual processing and its effect on satisfaction of HNW customers

Stringent due diligence criteria have been put in place by the respective regulators before a new private banking relationship can be established.[11] Most private banks require at least two to four weeks of lead time prior to opening an account. With significant new wealth being accumulated in the region and huge cash flow movements by HNW individuals (mostly entrepreneurs), manual and lengthy onboarding processes can lead to significant inconvenience for this customer group.

Lack of clearly defined regulations and widely divergent KYC practices across the industry

The global environment — governed by different jurisdictions — has increased the level of complexity in meeting KYC requirements. For example, MAS, BNM and HKMA may share similar perspectives but have implemented different rules governing the information required by the KYC onboarding process. This creates an additional layer of complexity for private banks as differences exist across their systems and organization.

Increased effort for ongoing KYC monitoring but with limited resources and skillsets

New requirements across the region are forcing private banks to periodically review customer information on file. Though certain KYC information may not be required during onboarding, banks are now responsible for capturing this information during KYC refresh.[12]

Client data privacy and protection challenges in implementing global standards

With globalization, new customers may come from various geographies and jurisdictions. And with increasing cost-to-serve, some banks may feel the need to outsource certain functions to different jurisdictions. However, with the different requirements and restrictions imposed on the sharing and management of data across jurisdictions, meeting data privacy requirements can be severely challenging.

Key Solutions

The dynamic regulatory agenda of the Asia Pacific region has encouraged some financial institutions to address these issues by complying with the "intent" of the new regulations. Private banks do this by defining their compliance needs and identifying best practice processes. This allows them to stay current in their compliance efforts. Some banks are even implementing internal KYC standards that are more demanding than those imposed by regulators, while retaining the flexibility to meet specific local regulatory requirements. They often leverage risk-based, analytics-driven solutions, using future-proof and scalable applications as well as centralized operating models for their KYC remediation activities.

Scalable, highly flexible solutions integrated within existing systems

Implementation of robust and flexible KYC systems and smart tools that allow integration with external and internal systems can help create a single view of the customer. The ease of integrating with existing systems can help increase speed-to-implementation and allow for any changes or enhancements to be made quickly, making the KYC systems more responsive to the ever-changing landscape.

Leveraging additional sources of information for better customer information accuracy

We are seeing the use of additional data sources becoming increasingly popular among private banks. This includes watch lists (like Acuity), media information (like LexisNexis, Factiva), business information (like Experian, Dun & Bradstreet) as well as other general and social media applications/software. This use of additional sources can help promote greater efficiency in resource allocation as well as higher effectiveness in customer identification and the detection of suspicious activities.

Aligning automation and the "human touch" through dashboards

Digital transformation initiatives with a focus on digital enablement are becoming increasingly important, in our view, as additional responsibilities have been placed on front-line staff and customers' expectations continue to grow. With the right level of automation, relationship managers can enhance their performance and effectiveness and even increase the time devoted to sales activities as the time required for administrative activities decreases. However, the right level of automation should not be introduced at the expense of customer experience, as HNW customers expect personalized support from their relationship managers.

Managed services for better resource utilization

Experienced resources accessed through managed services can be integrated as part of the private banking institution's business-as-usual (BaU) operations and at a lower cost. This helps support the clear segregation of roles and responsibilities, including new-to-bank KYC onboarding processes, scheduled KYC renewals of customer information, back book remediation of customers and alert monitoring. By moving "administrative-based" work to a shared services basis, internal staff can focus more attention on monitoring activities (including investigating the beneficial ownership of financial intermediaries).

Risk-based analytics-driven solutions to support KYC requirements

Emerging technologies including cloud deployment of KYC as a SaaS (Software as a Service) are now available to private banks. These banks can also access new analytical functionality including peer group analytics, virtual link analysis, enterprise risk dashboards and KYC data sharing networks. Such automated analytics capabilities increase speed and accuracy in identifying trends and practices, key to identifying low risk and high risk customers. KYC data sharing networks that deliver detection scenario data and risk data across institutions can also be used to avoid duplicative work on the same customer base.


AUTOMATIC EXCHANGE
OF INFORMATION

Automatic Exchange of Information (AEoI)/Common Reporting Standards (CRS)

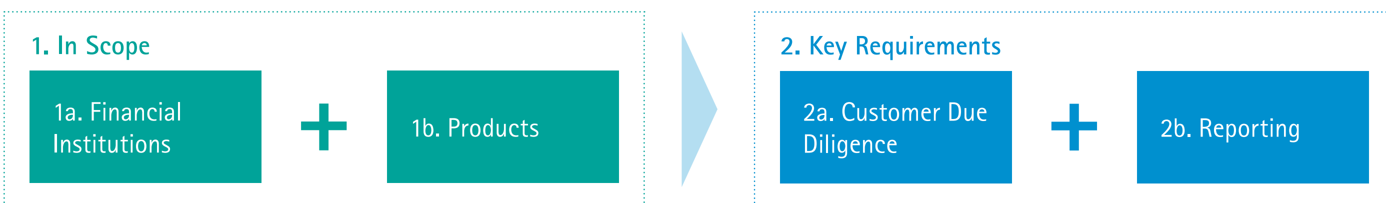
FATCA has led to the introduction of regulations such as the CRS introduced by the Organization for Economic Co-operation and Development (OECD). The CRS is the global standard for the AEoI that goes into effect in January, 2016 across more than 50 countries.[13]

While CRS has leveraged FATCA principles and has similar requirements from a due diligence and reporting perspective, the underlying details are quite different.

Key Requirements

Like FATCA, CRS targets a specific type of financial institution such as depository institutions or investment entities. As seen in Figure 2, not all financial services and products are affected by FATCA. There are due diligence and reporting requirements, however, that need to be adhered to for customers acquiring affected products.

Figure 2. Common Reporting Standards Overview



Source: "Automatic Exchange of Information Regime – An emerging compliance challenge," Accenture, December 2014. Access at: http://www.accenture.com/SiteCollectionDocuments/financial-services/accenture-automatic-exchange-information-regime.pdf.

	Category	Overlapping scope – FATCA/AEoI	Additional scope – AEoI only
In Scope	1a. Financial Institutions	Depository institutions, custodial institutions, investment entities as well as specified insurance companies	Low risk financial institutions including building societies, institutions with local client base, low value accounts
	1b. Products	Depository accounts, custodial accounts, accounts with debt/equity interests, cash value insurance, annuity contracts	Pre-existing remediation (including pension funds, cash value insurance, annuity contracts)
Key Requirements	2a. Customer Due Diligence	Due diligence requirements on new and pre-existing individual and entity accounts	Due diligence is based on tax residency (as opposed to citizenship for FATCA) and decreased de minimis rule exemptions
	2b. Reporting	Reporting on account balances, income and sales proceeds	Multilateral reporting regime (FATCA – US only) and reporting on ultimate beneficial owners for passive entities

Source: "Automatic Exchange of Information Regime – An emerging compliance challenge," Accenture, December 2014. Access at: http://www.accenture.com/SiteCollectionDocuments/financial-services/accenture-automatic-exchange-information-regime.pdf.

Key Challenges

While CRS has been drafted on the same general principles as FATCA, there are significant differences in its requirements. These impose additional complications and challenges to its implementation.

Increased scope of tax reporting as a multilateral agreement

As a multilateral agreement, the CRS regime aims to begin with 51 jurisdictions on the "bulk" reporting of financial account data. With financial institutions and branches operating in different jurisdictions, reporting of such information could be extremely complex, especially in comparison with FATCA which only reports to the US Internal Revenue Service (bilateral agreement).

KYC and FATCA diligence review and remediation activities

With no de minimis exemption available, the CRS regime requires that remediation activities be performed on all existing customers.[14] Existing compliance engines, we believe, will need to be enhanced to address the CRS rules targeting diligent review requirements applicable to a significantly larger number of customers. There is also a need to manage and standardize remediation activities for KYC, FATCA and CRS and to help reduce duplication of effort among the customers and the bank.

Increased onboarding complexity through use of tax residency as opposed to citizenship

Under the CRS regime, customers with multiple tax residencies will need to be identified using information other than what is available in the bank's database. The differences between FATCA and CRS mean that a large amount of information needs to be collected at the time of client onboarding, resulting in possible updates to customer account forms and the need to capture additional customer information. Existing bank systems need to be structured to store the influx of additional information as needed.

Implementation timeline and consistency of interpretation

As the first compliance timeline is January 1, 2016, CRS implementation may prove to be a challenging task for the financial services industry. We expect additional implementation requirements — with added complexity to follow — with full reporting obligations by the third quarter of 2018. Unlike FATCA, the CRS regime is a multilateral agreement and we expect to see differences between participating jurisdictions as requirements have yet to be finalized. The interpretation of such individual agreements may also vary by jurisdiction, adding an additional level of complexity at time of implementation. As was the case during the FATCA implementation, final texts and regulations may be released just months before the implementation deadline.

Key Solutions

Implementing a strategic and localized tax reporting solution

CRS applies across jurisdictions (unlike FATCA), making it no longer feasible for institutions to perform tactical or manual reporting. KYC and FATCA reporting may leverage the same solution as part of an effective cost management approach. When performing a gap assessment of additional requirements to be addressed under CRS, it is essential to consider implementation timelines and a possible phased implementation.

We also encourage institutions to put in place rule-based engines to address potential differences in reporting requirements as these get finalized across jurisdictions. Flexibility and the ease of configuring a solution to address multiple rules across jurisdictions should remain a priority.

Outsourcing or offshoring of customer remediation functions

Without the de minimis rule, institutions should expect a substantial increase in customer remediation activities. However, we feel there is a clear opportunity to outsource and offshore administrative activities and reduce the burden on compliance teams. This effective cost management approach can help to reprioritize the activities and responsibilities of BaU roles while creating a situation for important cost-savings and helping to reduce bottleneck situations involving highly skilled BaU personnel.

Integrating KYC and FATCA onboarding solutions with CRS

The best private banking experience begins with easy onboarding of HNW clients. Private banks' priority should be to do it right the first time by having access to all required information at the point of onboarding. Understanding and leveraging the same information required for KYC and FATCA can help decrease the administrative effort for both customers and relationship managers.

Investment Suitability

Driven by market growth and growing appetite for products with higher returns for investors, Asian regulators including HKMA and MAS have placed additional requirements on the sale and marketing of investment products.

As a rule, financial institutions are required to assess a client's profile as part of the IS assessment and help ensure that the investment products and services sold to customers are in line with their respective investment profile. In general, suitability requirements in Asia are quite far-reaching and cover onboarding, pre-trade and post-trade.

Key Requirements

Extensive customer classification requirements prior to onboarding

Financial institutions are required during onboarding to identify their customer's knowledge and experience as well as their ability to bear and understand financial risks.[15] Investment objectives as identified by customers will be a key factor in determining the types of products suitable to them. It is the responsibility of the relationship managers to advise on investment pricing, benefits and other downside risks to their prospective customers without focusing exclusively on meeting the numbers.[16]

Pre-trade and post-trade transaction monitoring

Institutions must provide customers with relevant product information and keep them informed prior to the execution of trades or the purchase of products.[17] Pre-trade checks of a customer's profile (including age, location and other factors), investment objectives, knowledge and experience can generate specific alerts within the order management system to relevant client-facing personnel. Post-trade transaction monitoring allows institutions to reconcile the risk concentration of its customers in relation to the products purchased and trades executed. Banks may also choose to perform such monitoring at a portfolio level, where appropriate alerts will be triggered in cases where the product risk portfolio does not match the customer's risk profile.

On-going reviews of customer risk profiles and product risk classification

If a customer's risk profile and investment objectives change over time, it remains vital for such information to be updated in order to reflect appropriateness and suitability. Accuracy of customer information and profiles still remain extremely important for relationship managers as they are expected to "know" their client.

Key Challenges

Difficulty in promoting automation checks due to legacy system integration issues

With various regulator-driven initiatives across Asia Pacific, new system enhancements and interfaces are being added to existing systems to meet the new requirements. As more customer information needs to be captured upfront, it must be integrated within the CRM and Order Management (OM) systems in order to perform pre- and post-trade checks. Tactical solutions are often implemented to meet tight timelines due to integration issues associated with legacy systems. These short-term, non-strategic solutions have often been implemented at the expense of higher sunk costs.

Stricter qualification criteria for client advisors to perform their roles

Across the Asia Pacific region, we are seeing regulators continue to strengthen the criteria used to qualify and govern individual relationship managers in providing investment advice to their respective customers. This imposes additional requirements that these managers must fulfill — prior to performing their advisory role to clients — to be deemed compliant. These new requirements affect the client experience but also limit the types of products and services that can be provided to customers.

Periodic review of customer profiles, transactions (pre- and post-execution) and false alerts

Financial institutions are facing the challenge of repetitive and tedious suitability checks across their sales channels. These slow down order execution and increase complexity and the cost to serve. We often see operations staff spending more time on false alerts rather than addressing genuine risk issues. Inaccurate business rules can generate a large number of false alerts, leading to inefficient use of operations resources and diversion from the valuable work of detection and investigation of truly suspicious transactions and situations.

Lack of standardized requirements across jurisdictions for customers managed across different countries

While the fundamentals and principles of investment suitability are essentially the same, regulatory requirements across the region are becoming more demanding, and we may see underlying requirements differ across jurisdictions as these get finalized. These differences can affect an institution's ability to properly assess and determine the level of automation needed and the required number of checks conducted before trade execution.

Key Solutions

Investment in strategic systems integrating and/or replacing outdated applications

Automation of regulatory checks combined with a high level of integration with the respective order management system can help strengthen operational controls prior to trade execution. Rule-based regulatory checks can be conducted as the final line of defense prior to trade execution. The development of a workbench to create, test and maintain business rules for system alert generation should help lower false alerts while assisting the trade management process.

Structured training and awareness programs for relationship managers

Institutions are called upon to develop targeted, in-house training programs and certification to meet compliance requirements. This includes periodic refreshment training of relationship managers regarding the do's and don'ts associated with their advisory role. The training framework needs to be aligned with regulators' expectations to promote awareness across the institution. Relationship managers are also expected to fully understand the types of advice that could be provided to their clients; failing to do so may result in fines and loss of license to operate for both the bank and the relationship manager.

Centralized compliance framework including program offices for change management purposes

Centralizing operating models and integrating requirements for different regulations and jurisdictions through a program office which includes FATCA, AML/KYC and SI can, in our view, help institutions avoid the repetitive handling of the same regulatory requirements. A robust change management process can assist in integrating various regulatory requirements and avoid the duplicate capture of information during customer profiling. Such standardization can promote higher levels of information and process consistency.


CROSS-BORDER RESTRICTIONS
FOREIGN ACCOUNT TAX COMPLIANCE ACT

Cross-Border Restrictions

The lack of a common regulatory framework across Asia Pacific countries makes it very difficult for private banks operating in multiple jurisdictions to "interpret" various cross-border rules and regulations. This complexity stems from the numerous potential restrictions based on the location of the bank and customer. These include a customer's citizenship and domicile, a bank's legal entity domicile, or its booking center. In many cases, interpreting and enforcing those restrictions can lead to significant legal advisory costs as well as manual workarounds which create significant operational risks.

Key Requirements

Proper customer due diligence activities should be put in place to help identify the jurisdictions affecting respective customers; this is essential to applying the mandated requirements.

Cross-border sales and services

Business registration and licensing requirements need to be addressed before any business is conducted. Factors such as the location of client meetings may make some activities "cross-border". Depending upon its registration and licensing, the bank may not be permitted to conduct such activities and may be exposed to cross-border business risks. There may also be tax implications related to conducting business in certain countries; this may apply to services provided to customers in jurisdictions other than the bank's home country.

Cross-border personal data transfers (including transfer of existing customers)

Management of customer information (including a customer's personal data) remains important to global financial institutions. Depending on the institution's operating model, a customer's personal data may be shared with other jurisdictions for a number of purposes, including risk analysis and reporting. Obtaining appropriate consent from the customer may be required prior to the transfer of any information. Therefore, data classification remains an important task for avoiding breach(es) of local regulatory requirements dictating the transfer of client data outside the customer's country of domicile.

Key Challenges

Legality of cross-border sales and marketing activities

With stricter cross-border restrictions and greater flexibility in digital channels, it is challenging to define the type and level of sales and marketing information that may be provided to customers.

While there is increasing demand for the digitalization of product and services delivery, there needs to be a balance between enhancing the customer experience and meeting regulatory requirements.

Relationship managers will be required to understand these new responsibilities and obligations, including what is deemed to be solicitation and the type of products that can be offered.[18] It remains important for relationship managers to understand which activities and actions they can undertake as part of their core sales and marketing responsibilities, and which are deemed non-compliant. Also of note, some activities carried out by front office personnel may expose the bank to important reputational and operational risks.

Cross-border data restrictions, including access by legal entities within the same banking group

Globally driven regulatory initiatives have led to important considerations among banks as to the appropriate level of data managed centrally given cross-border restrictions placed on data by various regional jurisdictions. Data outsourcing options across the respective jurisdictions may also differ; in some cases, customer data may not be transmitted outside the country of domicile. Sensitivity about client data has also limited banks' ability to aggregate a larger pool of data for regulatory reporting purposes.

Key Solutions

Adopt localized cross-border training program

As cross-border requirements continue to evolve, we encourage banks to remain vigilant and to monitor regulatory activities on a day-to-day basis. Communicating and socializing regulatory requirements to all levels of the organization remains an important task for banks. The bank's compliance, training and development personnel will be called upon to match needs to requirements for front-to-back staff and create awareness throughout the organization.

Comprehensive and forward-looking cross-border framework and solution

From a business, operations and technology perspective, and to facilitate compliance with regulatory requirements across jurisdictions, we encourage banks to develop a set of shared principles, common policies, and processes for measuring compatibility and guiding regulatory implementation. A centralized reporting solution should be carefully considered and designed to avoid future implementation challenges.

Periodic review and coordination with regulators and authorities

We believe that banks should develop close working relationships with regulatory authorities and help shape thinking related to the regulation and supervision of cross-border business, including the timely and comprehensive sharing of information with relevant authorities. Structured internal and external escalation channels should be developed to support compliance efforts across jurisdictions.

Summary

A sound regulatory governance framework will lay the foundation for addressing challenging compliance issues. To build such a framework, the bank's "Change-the-Bank" (CtB) and "Run-the-Bank" (RtB) personnel should address issues including those seen in Figure 3 below.

Figure 3. Governance Issues

Change-the-Bank

How to monitor the universe of new and upcoming regulations?

How to qualify upcoming regulations?

How to analyze the operational impact of the regulations and plan for their implementation?

How to synchronize between the implementation of the various regulations?

How to manage the implementation of regulations that span across different business unit?

How to handle continuous changes in the regulations?

Run-the-Bank

How to handle implicit changes to regulations applied through more stringent audits and additional regulatory requests?

How to identify incremental changes to the business portfolio that might have relevance to the approach to regulations?

Source: Accenture, June 2015

CtB and RtB personnel should work collaboratively as enablers of a comprehensive governance model. Success factors include:

1. A top-down governance approach sponsored by senior management to promote quick decision making based on proper business impact evaluation. Clear ownership by the leadership team can help optimize the buy-in required to manage changes across the organization.

2. Comprehensive understanding of the bank's "As-Is" situation, to focus activities on delivering business requirements. A clear understanding of the bank's current state can help design the right target operating model during the gap analysis phase.

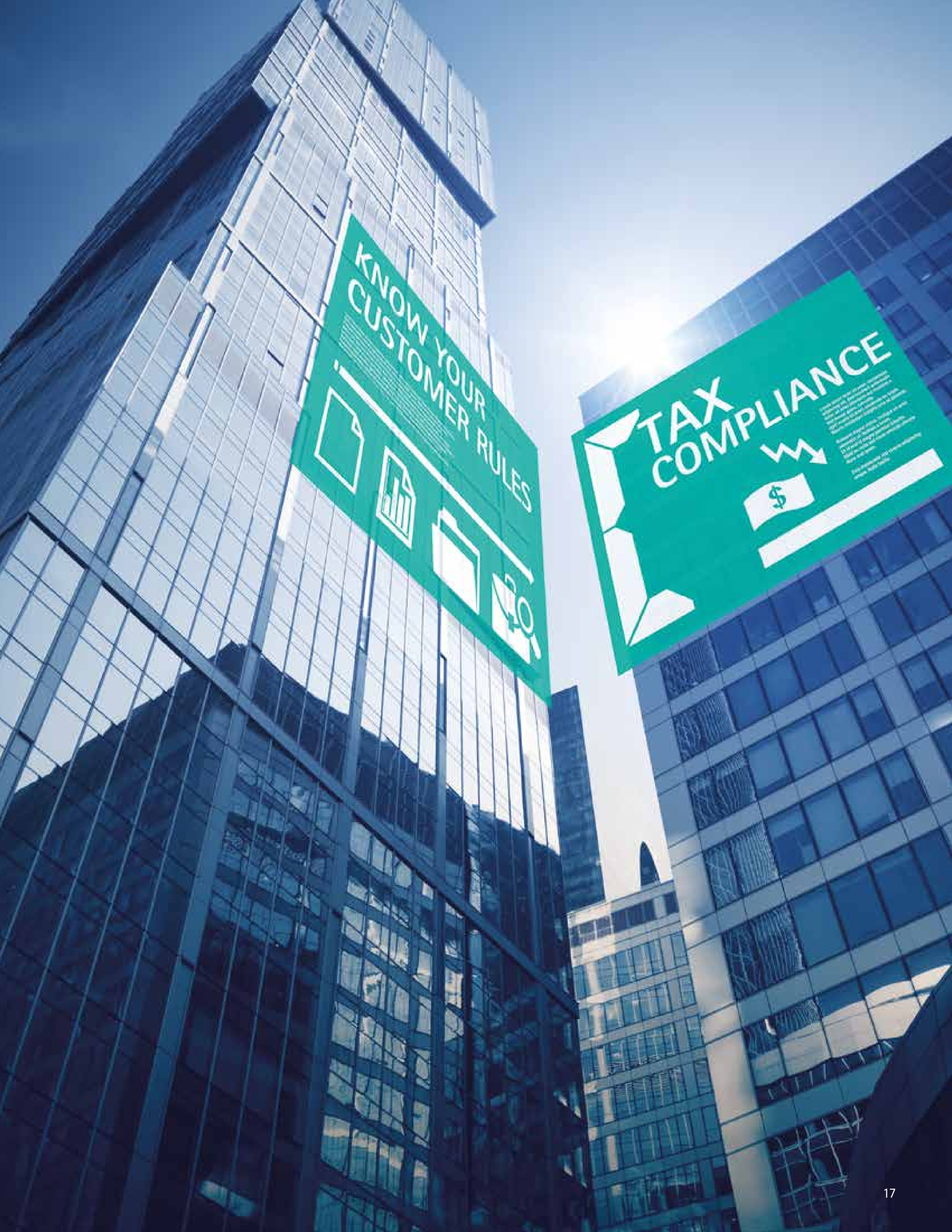
3. Forward-looking and strategic decisions to meet regulatory requirements. Banks should concentrate on implementing strategic solutions, as these tend to minimize shorter term changes and are more cost-effective over the long run.

4. Communicating clearly and periodically. This promotes transparency to all stakeholders and supports the change management process, helping to manage gaps and dependencies across various programs and projects.

5. Strong collaboration among business, operations and technology personnel and on a group-wide basis. Business, operations and technology personnel all share the same compliance goals and desired outcomes. This should encourage closer collaboration among all stakeholders and across initiatives.

6. Scalable, sustainable and future-proof solutions for an easier change management implementation. Deployment of a new or existing solution should reflect the importance of a scalable solution that can support smooth integration, thus reducing potential cost and timing overruns.

7. A cohesive budgeting process across all entities and business functions to meet "must-have" regulatory requirements and "good-to-have" provisions set by the bank. Implementing programs within timeline and budget remains vital to a bank's cost-management process. Although this can be a challenging task, it can also be a real measure of the collaboration achieved throughout the organization.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