



## Outsourcing Comes to the Aid of Compliance and Regulatory Reporting Operations

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Banks and financial services firms have begun to emerge from the aftermath of the worst recession since the World War. The plethora of changes, which followed, has changed the contours of the financial services industry, forever. This 'new normal' has changed everything for banks and financial services firms — right from their view on emergent customer segments to their priorities for new sources of growth. Banks and financial services firms, alike, are looking at re-establishing themselves to the need of 'new normal'. This phase of re-work and re-establishment is evident across all areas from customer relationship management to underwriting of risk to service management of non-regular accounts and re-working of customer segments besides changes in distribution strategies. In all these changes, one area for banks and financial services firms, which has seen the explosive growth for requirements, demand for additional headcount, apart from the continual need for investment in IT platform upgrades and resources is **compliance and regulatory reporting**. Compliance and regulatory reporting is drawing more resources than ever before on multiple counts, be it headcount, investment in key system platforms or deployment of experts from specialized law and audit firms. The changes required are as a result of Basel II, MiFID SOX, PATRIOT Act and multiple such promulgations. In a white paper by Ernst & Young, nearly 72 percent of the respondents saw the rapidly changing regulatory environment as one of the top challenges in risk management.

### How Compliance Operations is Winning

Operations in compliance and regulatory reporting with its increasingly strenuous regulations — in an already challenging environment requiring continual evolution of efficiencies, rising expectation of stockholders, regulators and communities — has moved the bar quite high for banks.

Many banks have managed this challenge very well by partnering with third-party providers of repute. These banks have mastered the art and science of working with an external partner especially in the area of compliance and regulatory reporting, while they haven't handed over the baton of accountability ensuring a significant value arbitrage is created. Gartner's analyst Peter Redshaw rightly points out,

“Outsourcing some compliance and regulatory reporting processes could provide firms with some financial relief. If they can make a cut somewhere else, ...maybe that will free up some discretionary spending, which otherwise is a smaller portion of their budgets these days.”

The key is engaging with a provider that can undertake the assurance of predictable results.

We at WNS work with multiple banks and financial services firms in managing compliance and regulatory reporting. Over the course of our engagements, we have established some best practices, and we regard these as key ingredients for the secret sauce of success.

**Scoping:** Compliance operations is a very broad canvas and any attempt to speak of outsourcing in this area is received by naysay on account of strong linkages and process dependencies. A well-scoped program with defined with tested metrics is always set-up for success. Banks and financial services firms should endeavor to engage with partners early-on in defining these. For example, in our engagements we have often found that creating reports for regulators, central banks and statutory bodies requires a lot of



data management skills. In addition, effective reporting also requires understanding of products and business processes. Hence, we have adopted the collaborative approach in addressing such requirements, thereby ensuring success. In one of the cases, we have created multiple utility queries and Excel macros, which could be run on BO databases and reconcile the data from various sources while our clients signed off on the reconciled items, creating a reduced resource requirement and improving the TAT.

**Openness to Change:** In the financial services environment, compliance and regulatory reporting is often construed as made up of water-tight processes with little room for change and flexibility. A good time during scoping and implementation should be spent on evaluating “Is this

optimal” and “does this present any quick wins for improvement”. The quick wins normally are the sign-off hierarchies, data scrubbing from internal systems and matching them against external data. Similarly, assessments which are numeric and have strong system trails can be judiciously managed by external teams.

### Road Ahead

As processes mature and become better defined, more units and departments of financial services firms will realize the cascading effects. This will ensure streamlined costs and much more accountability and thoroughness to regulators. True value starts in integrated accountability for both operations and audit.

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