

Defining a Regulatory Roadmap for Banks



#BankingRegulation

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Staying compliant with regulatory requirements is a cornerstone of trust and integrity for the banking industry.

But the variety of regulatory expectations can be overwhelming and are challenging to navigate.

This article outlines a structured approach to creating a **regulatory roadmap** for banks.



To better understand the challenge faced by banks, let's outline **a few of the topics** currently in scope and evolving:

- Anti-Money Laundering & Terrorist Financing
- Know-Your-Customer
- Supply Chain Due Diligence
- Cybersecurity
- Basel III / IV Compliance
- Financial Stability and Systemic Risks
- Resolution Planning
- Environmental, Social & Governance Compliance
- Operational Resilience
- Digital Currency & Blockchain Regulation
- Fair Lending & Credit Practices
- ... etc, etc ...

So. What now?



(1) Scope

- Define **Mandatory Scope**: Identify changes to regulation, and list regulatory and audit findings requiring remediation.
- Define **Optional Initiatives**: Identify potential for process, capital and liquidity optimization.
- Assess **Materiality**: Evaluate each initiative in terms of reduction of risk to the firm, clients and counterparties, as well as potential benefits.



(2) Prioritization

- **Risk-Based** Prioritization: Prioritize regulations primarily in the order of risk posed to firm and financial system.
- **Focus:** Apply, e.g., an Eisenhower Matrix to determine your focus for the short and medium term. Be clear on risks that you intend to accept for the time being.
- **Dependencies:** Analyze links between initiatives with regard to data availability and resources, especially known **bottlenecks**.



Sample Prioritization

- Develop a **clear process** for deciding on priorities for regulatory initiatives.

	Urgent	Not Urgent
Important	<ul style="list-style-type: none"> - AML and CFT actions due to findings - Cyber - D - Operational resilience improvements <p>Start immediately</p>	<ul style="list-style-type: none"> - Basel III / IV updates - ESG - C <p>Put on Roadmap</p>
Not Important	<ul style="list-style-type: none"> - Regulatory reporting process optimization - KYC - CS <p>High-Level Planning</p>	<ul style="list-style-type: none"> - Selection of new reporting software vendor - Inter - Re <p>Incremental Steps</p>

Note: Priorities depend on analysis of associated risks and/or findings identified by internal / external audits

- Regulatory issues are **non-negotiable**, but it is essential to focus resource on the most critical ones.



(3) Strategy Development

- Set Clear **Objectives**: In synch with your set of priorities and dependencies, define specific objectives for your regulatory compliance roadmap. For instance, what do you need to achieve next year?
- Develop a **Regulatory Strategy**: Create a strategy that outlines how your bank will achieve and maintain regulatory compliance, including in **areas not addressed immediately**. This should include policies, procedures, and controls.



(4) Planning

- **Action Plan:** Select those initiatives requiring immediate attention, and define milestones, timelines and responsibilities to achieve compliance.
- Allocate **Resources:** Determine personnel, technology and budget required for implementation.
- Strategic planning: Put less urgent initiatives on the **roadmap** for later refinement



(5) Continuous Improvement

- Establish **Governance**: Set up forums and processes to continuously monitor both progress against the roadmap and resulting regulatory compliance.
- **Reporting**: Ensure regular reporting on compliance status to management and regulatory bodies as required.
- Feedback and Improvement: Create a **feedback loop** to learn from regulatory issues and improve the regulatory roadmap continuously.



In Summary...

Developing a regulatory roadmap for a bank is a critical task that requires a **structured and principled** approach.

By understanding the regulatory urgency, prioritizing requirements, and implementing a **roadmap** approach to compliance, banks can avoid penalties and reinforce a reputation for reliability.

This roadmap is not a one-time effort but a dynamic tool that needs to constantly **evolve**.



Steering your firm towards a future
of regulatory excellence, where
foresight meets strategic action.



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