Defining a Regulatory Roadmap for Banks



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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.



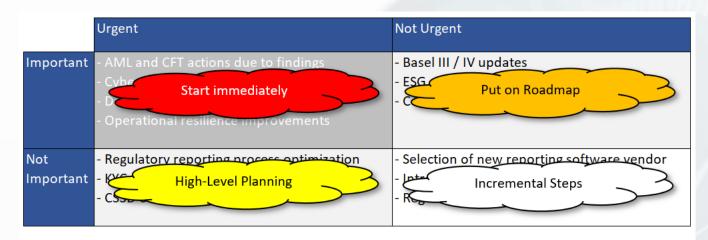
(2) Prioritization

- 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.



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.

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(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.

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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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