



How to keep on top of regulatory change when you don't have the manpower

Why should this concern me?

The number of financial regulations in existence is reaching overwhelming levels, with different regions and regulators publishing policies on an increasingly regular basis. GDPR and MiFID are just two elements that continue to impact the funds industry alongside ongoing changes to legislation including the UK and EU AIFM and UCITS regulations as well as other developments in the pipeline.

How do you manage this level of regulatory change?

Regulatory change and its management are components of the governance, risk and compliance

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activities of any organisation. The expression “regulatory change” is shorthand for “regulatory, policy, and or procedure changes that apply to your organisation for your industry”. In terms of scale it has been estimated that by 2020 over 300 million pages of regulatory documents were published in the USA

alone and over 600 legislative initiatives had to be catalogued by a medium-sized sell-side institution.

How do you manage this volume of regulatory change?

Ten years ago, the ability to manage regulatory requirements was arguably more straightforward than today. Now we are seeing the emergence of more complex and fast-paced regulatory developments in response to, say, ESG issues, crypto-currencies or market abuses.

Trying to address this, companies are spending a lot of time, money and labour on reading the regulations and determining whether it's relevant to them. This status-quo approach of throwing bodies at regulation and compliance is, for many organisations, inefficient and costly. The financial and reputational consequences, however, of not developing a regulatory oversight process is not worth it. It is estimated that, globally, between 2000 and 2020 there have been \$342 billion in banking fines and \$850 billion erased in profits. This does not take into account pure funds-related fines or those imposed on the wider financial services industry.

How can you keep on top of this level of regulatory change and avoid the risks of being fined for non-compliance? *Answer: regulatory consultants*

Regulatory change management, provided by external expert consultants, offers a solution for the funds and wider financial services industries. It offers organisations a means to help them to manage the potentially overwhelming level of regulations coming at them, to develop resourced responses and strategies and to free up their own resources to focus on the development of their business.

These types of consultants can provide solutions such as:

1. Regulatory updates: including the effective analysis of regulatory policies, whitepapers, notices, news publications, UK regulations, EU directives, international legal and case developments and many other document types.
2. Summarising changes and identifying gaps with existing policies: these skills allow lengthy regulatory documents to be more readily understood by your business, identifies the changes to obligations (what must be done) and helps you to tailor your response to the changes and still realise your long-term strategies;
3. Planning and implementing change: this will help your organisation to determine: Who does what; the timing of the workflow needed to support the changes as well as supporting cross-function collaboration as well as risk analysis; and
4. Reports and real-time actionable insights: working with you either on a “do it for me” or “help me to do it” basis these consultants produce actionable insights; identify what needs to happen, how much divergence there is from your current processes and policies (if you like, how many regulatory changes are there?).

This approach requires industry expertise to determine which regulatory changes are relevant to your business and to what area or aspects of the business

It may even be that you have purchased an AI “solution” (“**Regtech**”) to help you to deal with all of these issues – but you will likely need expertise and additional resources to use it. Again, this is where a regulatory consultant can support your in-house team and supplement the machine that needs to “learn” from its human data processors (who may otherwise lack the pre-requisite experience and knowledge). Regtech often excels at being able to extract the law from the regulatory documents but is **not able to** generate any narrative to guide your business on the right strategic approach or the timing of the implementation tasks or report to your board.

Importantly, using a regulatory consultant is not a black box solution. Dealing with regulators, funds and other financial services industry players have to be able to explain how they came to a decision. It must be transparent, explainable and auditable.

The business case for using an external regulatory consultant, for many organisations, includes that the engagement is a solution which can create savings on the number of people the business needs to divert to delivery of a regulatory change programme or to otherwise employ so as to have them on “stand-by”. You can then hire or refocus individuals accordingly

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In response to demand, at the end of 2021, we at Merlys created a new *agile* level of service to enhance our traditional consultancy. We call this **Merlys on Tap**. If you are concerned about access

to regulatory consultancy experts, Merlys On Tap may be what you need - a means of ensuring that you have *rapid access* to professional consultants and can avoid a lot of onboarding for every regulatory change. You get value and intelligence quickly, leading to the next step, which is...

When you are a Merlys on Tap client and we know a policy has changed, using one of our topic-specialist consultants, we advise and can implement it for you.

Merlys Consulting

Merlys is a funds industry regulatory consultancy. Our Mission is to assist smaller firms in the funds and asset management sectors to implement regulatory, business and cultural change efficiently and effectively.

What makes us stand out from the crowd of consultancies is our in-depth commercial experience gained from decades of working in private practice and in-house, both on the legal and business sides of banks and asset managers.



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