The (New) Science of Compliance for Financial Services

By Hitachi Vantara

When it comes to compliance, financial services firms can no longer afford to even bend the rules, much less break them. Opportunities are now emerging for these businesses to change the rules of the entire game. And firmly in their favor.

Authority: the rule of law

Even if only grudgingly, most of us quietly respect the law and recognize how important it is. Where would we be without at least a modicum of structure? Without some rules? All hail Lady Hale.

People often tend to be less enthusiastic about “the rules” in practical terms, however. If we’re honest, most of us are probably less than exemplary when it comes to the letter of the law. Which is ironic in itself.

33mph in a 30 zone? That’s basically okay, isn’t it? Parking where you shouldn’t?

Just while you mail a letter? Yeah, go ahead. Sneaking into an empty first-class seat with an economy ticket? Pretty forgivable.
Why are we so willing to bend things, even if only a little? It’s hard to be definitive, but it’s probably because we instinctively feel that there’s little to be gained by sticking to the rules in their strictest sense. That they are sort of there to be broken and that, in breaking them, we get ahead somehow. And everyone does it, don’t they? So, it’s kind of okay.

**Well no, not really. Especially in business.**

Stepping over a line, especially a legal line, means it must be redrawn elsewhere. But where? As many a high-profile world leader will attest, it’s pretty dicey territory.

If we’re looking for a classic case in point – the perfect example of rules being bent or at least “interpreted” for greater gain – we need look no further than in our own backyard: the financial services (FS) industry.

That’s only to be expected. FS is a business that, by its very nature, is designed to make money, save money and grow money. Not cede it or give it away. Indeed, it’s a sector that, until pretty recently, has had a natural and perhaps even institutionalized tendency to seek out and exploit legislatorial loopholes. That was its job.

Suddenly though, more tightly regulated than at any time in their history, FS businesses are under enormous pressure to project pristine “cleanliness.”

That’s a big adjustment for organizations virtually predicated on esoteric practices – especially those with a lot of legacy systems and a lot of legacy thinking. But it is one that must be made.

Regulatory law and compliance in the FS space isn’t merely a shifting landscape nowadays. It is one virtually unrecognizable from even a few years ago. Moreover, it is becoming more and more convoluted and complex by the day. More wide-ranging, broader in scope. Driven by not so much a raft of new legislation as a veritable onslaught.

**And more is on its way.**

Add to this the public’s increasing awareness and expectations in regard to data privacy and policy. Consumers are no longer nearly as naïve and uninformed as they once were. They expect to be – and in turn they expect their data to be – treated with appropriate transparency, diligence, deference and respect.

All this is both witnessing and driving a global change in data attitudes. A consumerization and a democratization of data that is genuinely changing our reality and perhaps even the very fabric of our society. To find your place within it, you’re going to have to carve out new roles to match the brave new world in which you will find themselves operating.

**Not convinced? Just consider Alexa.**

Not so much a product as a virtual cult, it (she?) is not only already embedded in our cultural landscape – in memes, jokes, advertising and much else – but in the very rules we are talking about. Alexa was recently called on as a material witness in a murder trial, for instance! “Her” data also informs social and political policy around the world.

That is data directly impacting, and perhaps even dictating, legal outcomes and, potentially, whole regimes. Not next year or next month, but right now.
Change isn’t just coming, it’s already here. Whether we like it or not.

Accordingly, FS businesses now have no choice but to get savvier and more informed. To take a lead in helping your customers become equally so. And to be the squeakiest of clean or face serious consequences. Not just in the shape of financial penalties (which can be enormous), but in increasingly key areas like talent acquisition and through potentially catastrophic reputational damage.

This inexorable rise in the importance and value of data has seen compliance (not so long ago something of a corporate backwater) become nothing less than business-critical. It is also necessitating that the gap between IT, technology and the law must be bridged once and for all.


A cohesive compliance strategy – and so a properly curated RegTech stack – is absolutely imperative and so a sensible place to start. Traditional, conventional compliance tools are tactical, manual and slow. Using them to negotiate today’s data-centric compliance challenges is akin to conducting modern warfare with flaming torches and pickaxe handles.

The technology, however, isn’t enough. Something more is required. A change in thinking, in attitudes, and in culture.

First, organizations must start viewing compliance differently. Not as a tick-box process – some manner of “necessary evil” that HAS to be done however much of a nuisance it might be – but as a differentiator.

A spur, a driver for the business. Very nearly a new line of business in itself.

Seen and approached from this perspective, it’s quickly apparent that compliance can actually open up an array of untapped new possibilities and opportunities.

In cost savings for example. Compliance is, by default, not a LoB or a revenue generator but the opposite – a cost center. And an increasingly sizeable one. Indeed, in many FS businesses, compliance actively hemorrhages money – with money being both spent and misspent. Why? Because their data is not in order. Because their systems are not in order.

In this sense, poor compliance can and does have a very real and very direct impact on bottom line and profitability. Conversely, there are direct and rapid gains to be realized in reducing the compliance burden, specifically through automation and by using the right technologies.

Doing so means you don’t need to have huge teams of compliance people across the world struggling to keep up with the breathtaking pace of regulatory change. Instead, these teams can be diverted from ticking boxes and back to helping the wider core business.

Here, then, is a reason for your FS business to embrace compliance not because you must – because you are compelled to do so legally – but because it makes sound commercial sense.

This can manifest itself in all manner of ways.

By driving competitive edge and decision making through greater data insight. In reputational gain. In greater customer engagement and loyalty. In faster, easier marketing traction. How so? Because, more and more, compliant brands are seen as good brands. Compliant businesses as good businesses.
How can all this be realized?

By getting creative and embedding ethics and compliance into your business (and therefore the technology) at its very core: by design. By placing compliance at the very heart of how the business, and the technology that supports it, operates.

We created a platform for this through the conception and establishment of the RegTech Council (RTC) in May 2017. A not-for-profit think tank to ensure that RegTech fulfils its potential to both the industry and wider society, the RTC forms the requisite bridge between the regulators, the regulated and the tech firms trying to help both. A “safe place” in which solutions to the changing compliance challenge can be conceived and honed.

It’s also why Hitachi Vantara decided some time ago to make compliance a key element in the DNA and design of our data privacy offerings and embed it at the most fundamental biological level – solutions that turn compliance into true data insight and competitive advantage.

None of us can predict the future.

We don’t know when the next Bernie Madoff might be around the corner. Or even which corner.

What we can do is put safeguards in place. To start forging that progressive, brave new financial services world customers want. One with its foundations in genuine transparency and trust. If you can’t or won’t – and this isn’t a popular point of view with certain people – then frankly, you’re in the wrong job.

Hidden “grey” opportunities are one thing, but now there’s a chance to capitalize on a potentially massive and intrinsically “clear” one – compliance.

To learn more about Hitachi’s specialist Digital Privacy expertise and solutions visit our site

About Hitachi Vantara

Hitachi Vantara solves digital challenges by guiding you from what’s now to what’s next. Our unmatched industrial and digital capabilities benefit both business and society.

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