REGTECH

The Digital Reinvention of Compliance Procedures for Financial Services

Policies and Procedures impact every government, industry and practice as the established or official way of doing something as a series of rules and steps conducted in a certain order or manner. Transcending procedural content to contextual dialogue is a paradigm shift on a universal scale.

Regulatory authorities have fined Financial Firms US$300bn+ for regulatory and internal control breaches. The range of fines include foreign exchange manipulation, libor rigging, misselling products (including sub-prime mortgages and personal protection insurance), insider trading, money laundering (including not knowing your customer or customer's customer), financing of terrorism, sanction contraventions, failure to treat customers fairly, bribery, corruption and much more including practices such as disaster recovery.

The aggregation of these breaches indicate systemic weaknesses within documented procedures, which is the primary tool for compliance to align with regulations and internal policies. Yet, Financial Firms are spending US$70bn a year on compliance, which is increasing at a compound rate of 18% per annum with 71% of financial firms expected to increase the number of compliance staff. Nowadays, huge amounts of provisions are set aside on the balance sheet because of unknown risks.

The regulators are not convinced that financial firms have adequate regulatory and internal controls in place to protect the market, businesses and consumers. This is why more and more regulations are being implemented. In 2015, there were 50,000+ regulatory updates. Today, there are 155 regulatory updates every day. Personal liability (including the UK Senior Managers and Certification Regimes) is intensifying. Larger fines are expected such as for the EU GDPR (General Data Protection Regime) which can be up to 4% of global annual turnover.

The systemic weakness within financial services is caused by the poor state of procedures, which have failed to keep pace with the rate and complexity of regulatory and policy change. Financial Firms typically do not know how many procedural documents they have nor their true state, even though signatory sign-off strongly prevails. In reality, most procedures no longer reflect reality and have been relegated to 'sitting' on the shelf and used, poorly, for training orientation and meeting internal and external audit checks.

Procedures are decision-trees, consisting of instructions, choices, pathways and outcomes. These documents typically contain weak algorithms and provide inadequate coverage. To further compound matters, 99.9% of these procedures have not been subjected to usability tests nor have the user decision journeys been audited and measured. This lack of procedural adequacy and transparency is an industry wide problem, which if remains unchecked, will further contribute to serious regulatory and internal control breaches.

The digital transformation of procedures involves the transition from content to scripted dialogue for conversations between a Chatbot and people. By transforming the procedure the complexity of the regulatory landscape is masked, therefore enabling the user to make more accurate decisions. Furthermore the generated dialogue data can be used for compliance, audit, measurements and pattern analytics. This is achieved by using Windows 10 Chatbot Author, which is integrated into the Microsoft Bot Framework for multi-channel deployment and Azure for data storage and processing.
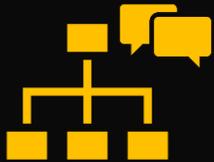
Automating the digital transformation of procedures is not practical due to their weak algorithmic state and because they are missing significant regulatory and policy information. A further issue is that the traditional authors of procedures, including lawyers, do not have the skills for the transition from static to interactive content. Though their expertise is required as input, the skills are better found through other channels such as consultancy, business analysts and user experience.

Chatbot Author is naturally easy to use as it is designed to help the author think more clearly about the algorithm and to test the dialogue narrative and the pathways to reach each desired outcome. The procedures can be developed very quickly and in a matter of hours from start to implementation, without the need for software developers. As no procedure is an island, Chatbots can be developed by multiple people in parallel and linked together when required for longer user journeys.

The benefits of the digital transformation can be witnessed within days as Chatbots begin to replace procedural documents. The data driven insights are often profound: 1) the reduction of false positives and false negatives through better decision journeys; 2) embedding pictures and videos into the dialogue can compensate for knowledge gaps; 3) dialogue can drive events, workflow and form filling; 4) Chatbot APIs can be used for more customised digital experiences and business automation.

The RegTech benefits for the digital transformation of procedures are also profound: 1) materially reduce regulatory and internal control breaches; 2) provide better protection of the brand, balance sheet and all stakeholders; 3) up to 70 times more efficiency in the use or procedures; 4) eradicate procedural training costs; 5) materially reduce the costs of false positives and false negatives; 6) increase self-service and self-sufficiency; 7) have new benchmarks and a full audit trail of how procedures have been used in practice; 8) improve work force flexibility; 9) adapt more easily to regulatory change e.g. Brexit; 10) retain knowledge as a working asset; 11) reduce overall costs and create transparency.

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CHATBOT SCRIPTED DIALOGUE

CHATBOT AUTHOR
www.chatbotauthor.ai

CHATBOT INSIDER
http://www.chatbotinsider.ai/

INTERACTIVE OVERVIEW
https://sway.com/4BYaRKb6l8AMTVQ8

INTERACTIVE USE CASE
https://sway.com/ub5tqe4BVeupSfWn

INTERACTIVE WHITE PAPER AND USE CASE
https://sway.com/r9fsWreGvm1PUd9H

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