

# INTEGRATED AND SYSTEM SUPPORTED REGULATORY CHANGE MANAGEMENT

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**DKF 2015 – MUNICH, 5 MAY 2015**

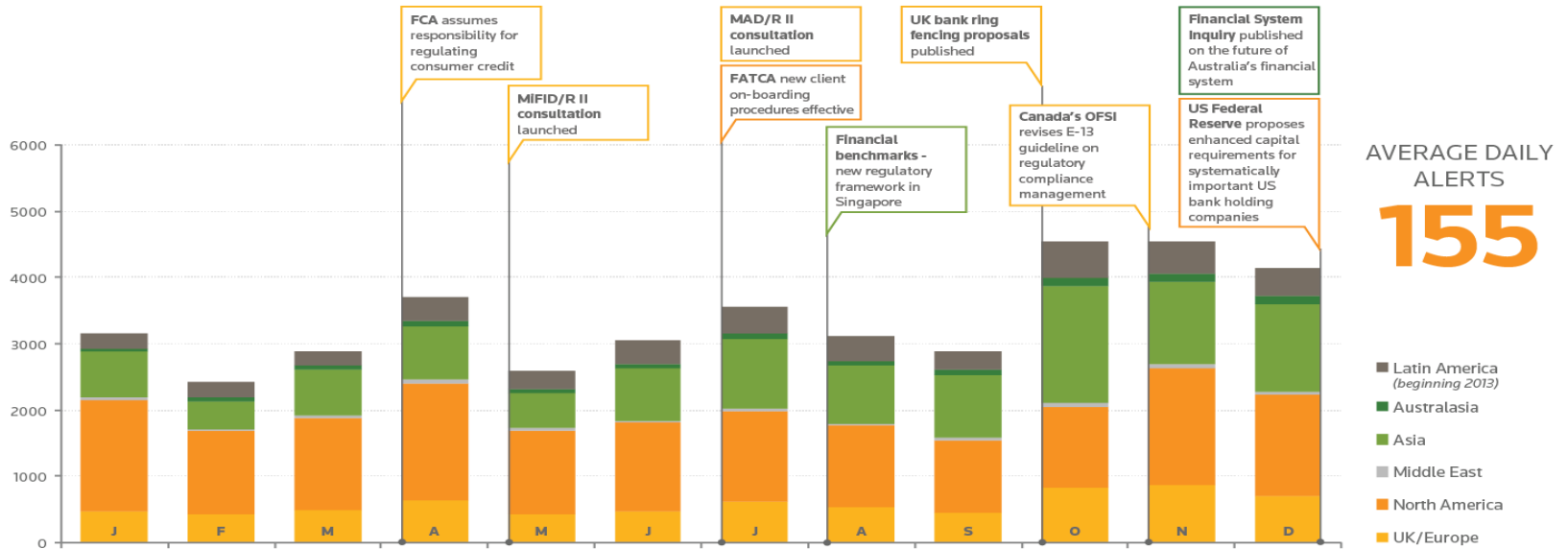
DR. PATRICK WEGMANN

HEAD OF PRODUCT SOLUTIONS – ENTERPRISE RISK SOLUTIONS



THOMSON REUTERS

# THE COMPLIANCE CHALLENGE: FREQUENCY OF REGULATORY ACTIVITY



## TOTAL YEARLY ALERTS

2014 (YTD)	40,603	(+ 57%)
2013	26,950	(+ 52%)
2012	17,763	(+ 25%)
2011	14,215	(+ 17%)
2010	12,179	(+ 21%)
2009	10,075	(+ 16%)
2008	8,704	

# COMPLIANCE OFFICER'S PAIN POINTS

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**PAIN POINT** Tracking and managing the volume and impact of regulatory change.

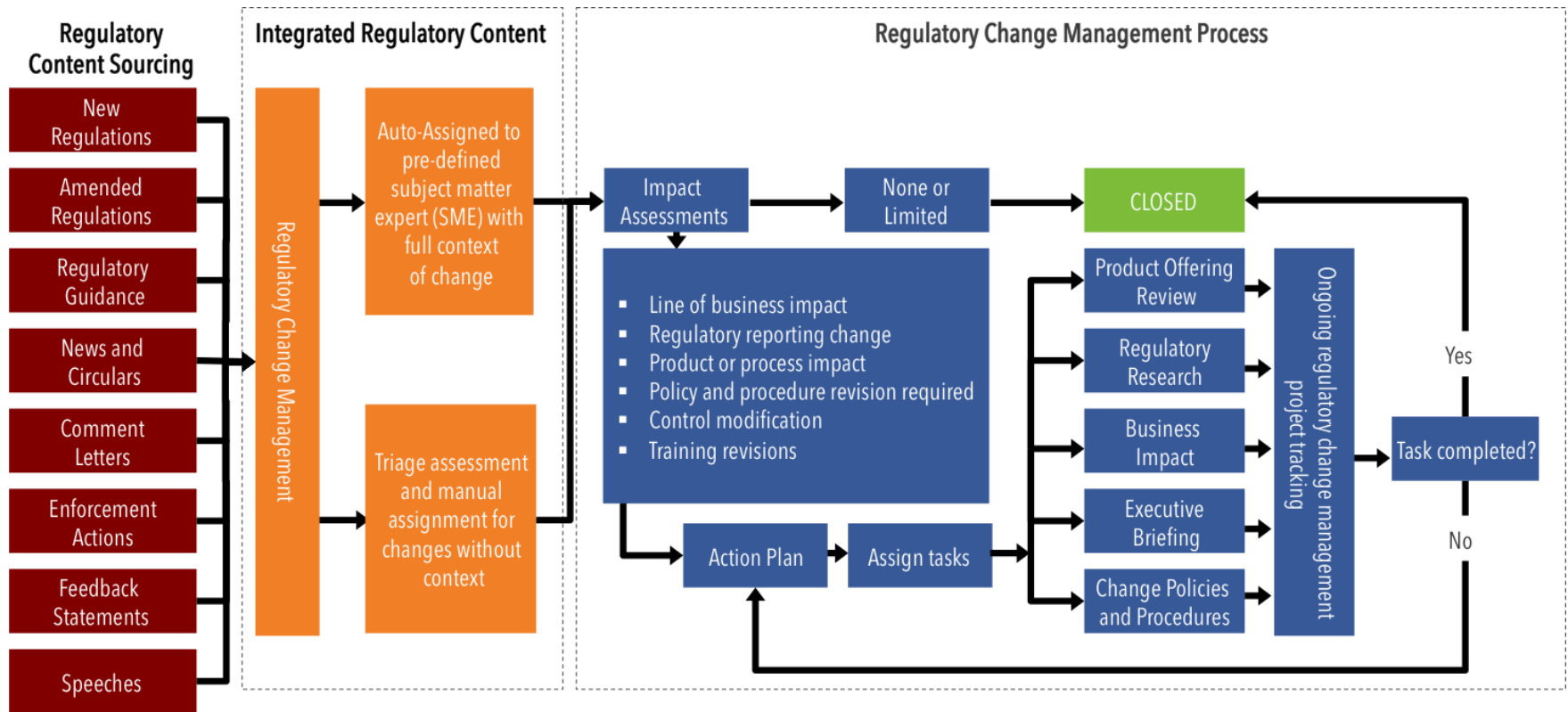
**PAIN POINT** Identifying the regulations which present the greatest amount of risk and prioritizing resources to these areas.

**PAIN POINT** Defining and communicating controls, including policies and training.

**PAIN POINT** Monitoring, testing and auditing controls.



# REGULATORY CHANGE MANAGEMENT ARCHITECTURE



Source: The GRC Pundit on 2015-01-28

# CASE EXAMPLE: COMPLIANCE NEWS ANALYSIS

The screenshot shows a news article on the Thomson Reuters Accelus website. The article title is "HSH Nordbank in settlement on money-laundering checks" dated April 05, 2013, by Aruna Viswanatha. The article text is as follows:

The New York branch of Germany's HSH Nordbank AG will improve its anti-money laundering controls under an agreement with regulators released by the U.S. Federal Reserve on Thursday.

The Fed and the New York State Department of Financial Services entered into a settlement with HSH Nordbank's New York branch that requires the bank to address problems with its anti-money laundering compliance and requirements to report suspicious customer activity.

The settlement comes as regulators step up efforts to better police for illicit money flows. The Fed ordered Citigroup Inc last week to improve its own compliance processes.

"We will continue to be vigilant in our efforts to strengthen safeguards against money laundering across the financial system," Benjamin Lawsky, who heads New York's financial services department, said in a statement.

In a statement, the bank said it and its New York branch meet German anti-money laundering requirements, but that its New York branch does not fully meet U.S. rules.

"HSH is fully aware of the importance of the U.S. requirements and has pledged to do all necessary reworks," the bank said. The bank also said regulators did not object to any specific customers or transactions.

Under the agreement, HSH Nordbank has 30 days to hire an independent consultant to review the New York branch's compliance with anti-money laundering laws. The review is expected to include an assessment of the bank's policies and procedures, the duties and authority of its compliance officers, and a review of its policies for identifying and reporting suspicious activity.

After the review, the consultant is expected to help the bank develop and implement new policies, according to the settlement.

Sixty days after, the bank must submit a report detailing the findings of the review and submit several improvement plans, including one to improve management oversight of its compliance program.

The new settlement stems from examinations the Federal Reserve and the New York banking and insurance regulator conducted in 2010 and 2011 that found continuing problems with the bank's anti-money laundering procedures, a person familiar with the reviews said.

(Reporting by Aruna Viswanatha, Karen Freifeld and Andreas Kroener)

The right sidebar contains "Related content" with links for "News by subject" (Financial crime and anti-money laundering, Regulatory oversight, Browse all subjects) and "News by country" (United States, Germany, View country guides). Below that is a "Search" box and a "Most read articles" list with items like "Leading comment: Regulation — plus ca change?", "Money laundering conviction raises questions of banks' complicity", "Compliance lessons: first three priorities in a post-FSA world", "Compliance Insight: the Salz review of Barclays", and "Impact analysis: FSA fines Prudential £30 million and censures the CEO". At the bottom right is a "Message boards" section with a "Show all messages" dropdown and a "NEW Exempt CAD and MiFID" post.

“...the bank said it and its New York branch meet German anti-money laundering requirements, but that its New York branch does not fully meet U.S. rules.”

# IMPACT ANALYSIS: AFFECTED AREAS VIA TAXONOMY

AML News

## HSH Nordbank in settlement on money-laundering checks

Apr 05 2013 [Aruna Viswanatha, Reuters](#)

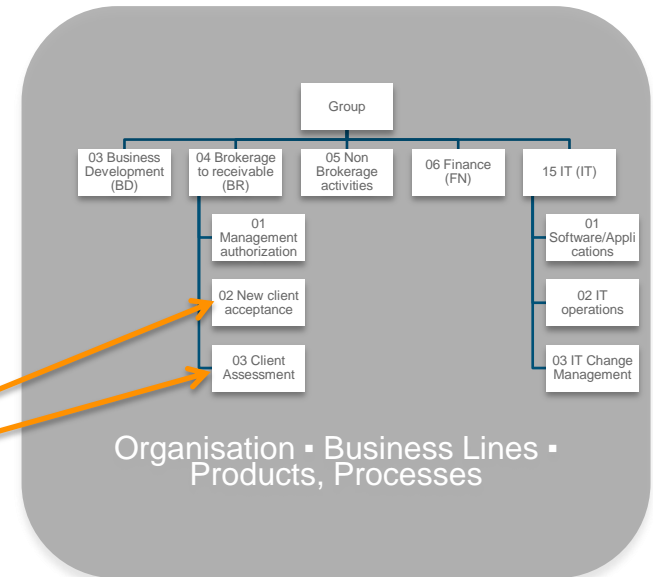
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Taxonomy

- | Subjects  | Countries |
|---|-----------|
| + Accounting and tax                                |           |
| + Bank powers and activities                        |           |
| + Capital   |           |
| + Client assets                                     |           |
| + Compliance responsibilities and internal controls |           |
| + Communications and financial promotion            |           |
| + Conduct of business                               |           |
| + Corporate governance and ethics                   |           |
| + Credit and lending                                |           |
| + Custody   |           |
| + Data protection and privacy                       |           |
| + Dealing with customers                            |           |
| + Deposits and savings                              |           |
| + Dispute resolution and litigation                 |           |
| + Education, training and competence                |           |
| + Employees   |           |
| + Enforcements                                      |           |
| + Fees  |           |
| - <b>Financial crime and anti-money laundering</b>  |           |
| <b>AML reporting</b>                                |           |
| ▪ Awareness and training                            |           |
| ▪ Corruption  |           |
| ▪ Counter terrorist financing                       |           |
| ▪ Financial crime                                   |           |
| ▪ Fraud   |           |

Structural Mapping



**Alert to Review Product Offering**

# IMPACT ANALYSIS TO ACTION: POLICY REVISION

AML News

Taxonomy

AML Policy

## HSH Nordbank in settlement on money-laundering checks

Apr 05 2013 [Aruna Viswanatha, Reuters](#)



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  - ▣ **AML reporting**
  - ▣ Awareness and training
  - ▣ Corruption
  - ▣ Counter terrorist financing
  - ▣ Financial crime
  - ▣ Fraud

### Anti Money Laundering Policy

- Develops and maintains the Group Embargo Policy and the Special Risk Clients Policy
- Defines the embargo monitoring requirements
- Supports entities on issues related to embargo processes and regulatory requirements
- Conducts staff training regarding embargo regimes
- Defines transactions which need to be monitored against applicable embargo lists
- Supports and completes special reputational Risk Policies like the Credit Directives related to transactions from certain predefined high risk areas.

### Country Anti Money Laundering Officers

- Have a direct reporting line to local management and a functional reporting line to the Regional Head of AML
- Are responsible for the implementation of the applicable Group Policies on AML, KYC & Embargo
- Ensure that local guidelines and procedures are in line with local Anti Money Laundering laws / regulations and the applicable German AML regulation
- Define within their local jurisdiction relevant policies and procedures
- Are the primary point of contact with their local regulators and law enforcement authorities
- Are responsible for the local AML Risk Analysis
- Are responsible for the implementation of adequate monitoring – research /surveillance tools
- Track and follow up on the conditions that have been imposed as part of the KYC approval
- Develop and maintain procedures and systems to ensure that unusual and suspicious transactions are reported to Group AML (if not explicitly forbidden by local law) and to local authorities in accordance with local law.
- Develop and carry out adequate controls to ensure that all applicable legal and regulatory AML requirements are being adhered to in their jurisdiction.
- Sign-off in the New Product Approval and Smartsourcing process where appropriate.

### Legal Entity Anti Money Laundering Officers

- have a reporting line to the Country AMLO and/or, insofar as a legal entity is part of only one business division, to the respective Divisional AMLO
- are responsible for the fulfillment of all requirements imposed by local laws and regulations as well as global minimum standards
- prepare the legal entity AML Risk Analysis, as appropriate



**Alert to Review  
Policy**

# IMPACT ANALYSIS TO ACTION: CONTROL REVISION

AML News

Taxonomy

AML Controls

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Apr 05 2013 [Aruna Viswanatha, Reuters](#)



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    - Counter terrorist financing
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Name	Check of good reputation / record
Description	What/How?
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Description	What/How?
Control	Background checks are conducted on all new hires including criminal background for the past 10 years, education verification, past employment experience and system verification. In addition, the candidate is interviewed by 2 or 3 levels of management and an HR professional before hiring.
Recon	How documented?
Asset	HR database
Control Objective	
Recommended Frequency	Y
Assertions: Completeness	<input type="checkbox"/>
Assertions: Accuracy	<input type="checkbox"/>
Assertions: Existence	<input type="checkbox"/>
Assertions: Valuation	<input type="checkbox"/>
Assertions: Rights and Obligations	<input type="checkbox"/>
Assertions: Presentation	<input type="checkbox"/>
Control Implemented?	No
Evidence/Documentation	
Control Type	Authorization
Control Classification	Detective
Control Frequency	Ad-hoc
Control Automation	Automated

**Alert to Modify Controls**



# IMPACT ANALYSIS TO ACTION: TRAINING REVISION

Updated Policy

Staff Mapping

E-Learning

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Home

**Patrick Wegmann**  
Global Head of Business Operations - Risk  
F&R GRC Enterprise Risk Mgmt

Your To-Do List

Show: Everything

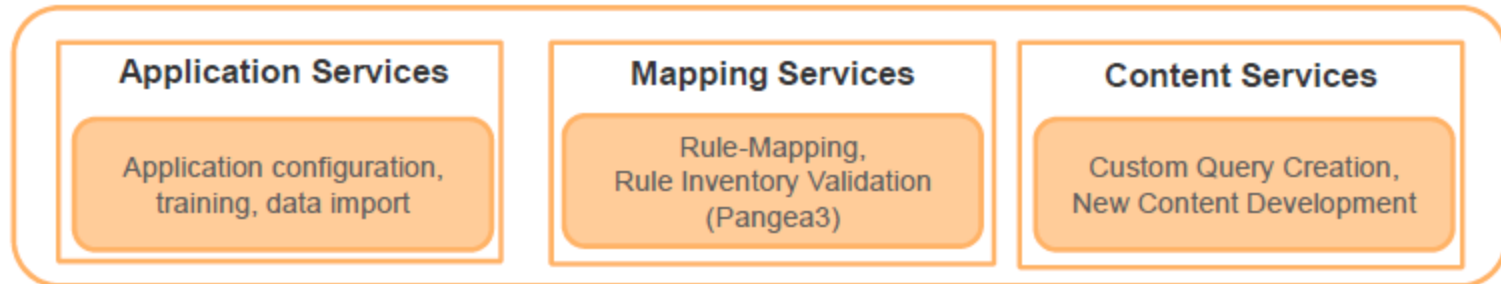
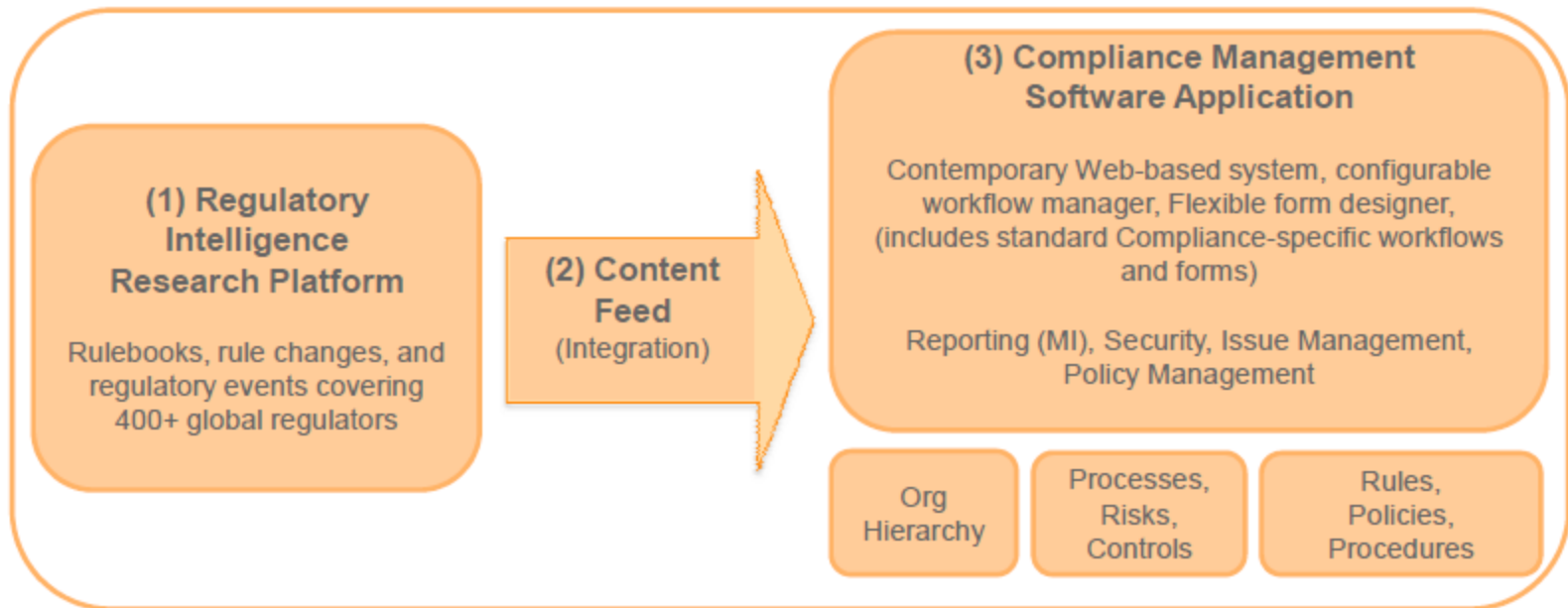
**Due later**

30/5/2013 **AML POLICY UPDATE TRAINING ...**  
In progress

Completion Message  
to Compliance

# THOMSON REUTERS COMPLIANCE MANAGEMENT

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# REGULATORY CHANGE MANAGEMENT DASHBOARD

The dashboard displays several key components:

- Open Regulatory Events:** A table listing regulatory events with columns for Section Number (Rules), Section Title (Rules), and Regulatory Event Title.
 

Section Number (Rules)	Section Title (Rules)	Regulatory Event Title
Part 107	Interpretation of Part 11	New CBOT Soybean Calendar Spread Option
106	Arrangements for payments	Libyan Sanctions Designations
107	Interpretation of Part 11	Notice of Filing of Amendment No. 3 to a Proposed Rule Change and Order Granting Accelerated Effectiveness
	Arrangements for payments	Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend the Division of
	Port and airport controls for domestic travel	Amendment To Schedule 7
	Arrangements for payments	Curb repeal unlikely because of Senate opposition
	Freezing Orders	Proposed Rule Change Amending NYSE Amex Equities Rule 36 to Permit Written Communication
- My Rules by Theme:** A bar chart showing the count of rules categorized by theme: Anti-Fraud (1), Anti-Corruption (6), and AML (1).
 

Theme	Count
Anti-Fraud	1
Anti-Corruption	6
AML	1
- Open Assessments:** A table listing assessments with columns for Section Number (Rule), Title, and Assessment Expected Completion Date.
 

Section Number (Rule)	Title	Assessment Expected Completion Date
	Global Procedure Bulletin	07/27/2011
	Premature Payment	01/11/2011
	Update Change Management: Policies and P	10/24/2010
	Policy document not up-to-date	01/25/2011
	Unauthorized approval of purchase orders	04/21/2011
	"At Will" clause is not included in the employe	06/23/2011
	Missing inventory	05/26/2011
	Capacity testing has been executed for Hr	06/23/2011

Open Regulatory Events for Review In Dashboard

Regulatory Event Details Provide A Snapshot Of Event

Rules and Regulatory Events Categorized By Taxonomy

# BENEFITS OF RCM TECHNOLOGY

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- **Ensure** that ownership of regulatory change is clearly established and understood
- **Manage** ongoing business impact analysis
- **Integrate** regulatory intelligence feeds that kick-off workflows and tasks to the right subject matter expert when change occurs that impacts the organization
- **Monitor** the internal organization's environment for business, employee, and process change that could impact the firm's state of compliance
- **Identify** required changes in risk, policy, training, process, and control profiles based on impact assessments
- **Visualize** the impact of a change on the organization

