



“We want to ensure that the safeguards in place are proportionate, operate efficiently and minimise any unintended consequences of regulation”

Financial Conduct Authority 'Business Plan 2018/2019'

FCC Target Operating Model and Transformation

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The demands on financial institutions continue to reach unprecedented levels. Laws and regulations are constantly changing, setting ever-stricter regulatory requirements.

Regardless of a firm's size, client or product focus, financial crime obligations must be met in every jurisdiction where a firm operates. All too often, this involves notoriously resource-intensive and cost inefficient processes.

As the industry reaches the next stage of maturity, and as is proven in many other operational areas of any financial institution, firms that embrace transformation and technology innovation can outperform their competition. There are significant opportunities to deploy products, automate and outsource processes across the compliance lifecycle, which ultimately improve financial crime risk mitigation and reduce cost.

The cornerstone of any Financial Crime Compliance ("FCC") transformation is the definition of a target blueprint. This is best achieved through the formulation of a strategic Target Operating Model ("TOM") that delivers an integrated and optimised control framework; brings the institution up to a minimum standard dictated by regulatory requirements, industry standards and internal risk appetite; and ensures the 'Three Lines of Defence' Model is fully reinforced.

Plenitude Capability

Plenitude have led some of the largest and most complex Financial Crime Compliance transformation programmes in the financial sector, including FCC TOM designs at Group and Business Line level of global banks, multi-national insurers and asset managers.

Plenitude's established TOM and Transformation methodology enables clients to:

- Conduct a thorough current state assessment and gap analysis to identify optimization opportunities
- Rapidly mobilise and setup the capability to deliver a TOM with a long term strategy and control framework
- Develop optimised processes with a supporting capacity model and detailed impact assessments
- Define an effective transformation plan and implementation approach
- Roll-out a TOM sustainably with best-in-class tools and training and continuous MI tracking

What Financial Institutions Need to Do

Our view is that the Target Operating Model (TOM) is a fundamental start point to define the blueprint of what needs to be implemented to support the Business, FCC Strategy and Transformation effort.

1. Current State Assessment

A current state assessment should be conducted to baseline the scope of the TOM, current capabilities and footprint. This should be done on a prioritised basis to avoid 'boiling the ocean' and minimise the overall work effort. Based on our past experience an effective current state assessment can be conducted in a 6 week timeframe on a prioritised basis. A typically assessment would determine 'who does what where' with supporting processes and technology. The exercise can also be used to determine what standards are being applied and maturity of the in-scope controls at a high level based on questionnaire responses. Depending on the level of maturity of the FCC Control Framework it may be appropriate to determine roles and responsibilities across the Three Lines of Defence.

2. Strategy Formulation and Opportunity Identification

The output of the current state assessment will enable the identification of optimisation and enhancement opportunities (including Quick Wins). This needs to be considered in the context of potential organisation (people, 3LOD Model and governance), process and technology changes.

A clear FCC strategy should be defined taking into consideration the agreed opportunities and wider business strategy. Key design questions should be agreed with respect to the next phase of work to focus efforts and support the development of the TOM on a prioritised basis. This will enable tangible progress on the TOM development rather than developing a conceptual model that does not get to the heart of the key decisions required.

A Design Authority should be established to govern key decisions and provide direction with key stakeholders across the 1st and 2nd Line.

3. Target Operating Model Definition

The TOM should be progressed on a prioritised basis with a key focus on addressing the key design questions and in-scope controls and capabilities.

To accelerate the work Plenitude has a suite of assets and deliverables which reflect laws, regulations, guidance and industry benchmarking. The TOM should provide a blueprint of the changes required and articulate the people, process, technology and data implications of the target state.

4. TOM Delivery and Transformation Planning

Supporting workstreams and projects need to be scoped and mobilised to support delivery of the TOM. Implementation planning is a critical step to agree an effective approach to deploy the TOM and minimise client and operational impacts.

Strong project management discipline is required to effectively manage the multiple workstreams required and ensure effective engagement with the Design Authority and key stakeholders.

