

# Compliance and regulation: what can banks expect?

For the past several years, the banking industry has faced a lot of changes. A decade has passed since the 2008 financial crash, and we can still observe its effects on financial institutions. The crisis had a profound impact on the whole macroeconomic environment, politics, society and consumers. Although it started in the US real estate market, every country and every industry somehow felt the impact of this crisis. *Future Banking* talks to João Simões, head of products at **Novabase**, about Symetria, the company's regulatory compliance platform, and his vision for the future of financial services.



**T**en years have passed since the financial crash, and institutions are still struggling with the massive post-crisis regulation created to prevent another recession happening. As the 'too big to fail' banks started to collapse, financial regulators realised that the then-existing framework was not enough to prevent the crisis, its spread or stop it from happening again. The international regulatory community put all its efforts into preventing the whole financial system from collapsing, but still couldn't stop some financial institutions from suffering deep damages.

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While many efforts have been made to prevent it from happening again, the journey is not yet complete. At the same time, fintechs and disrupters have changed the way customers look at banking services: they want quicker and easier answers, and demand transparency. For Novabase and João Simões, Symetria product manager, only banks that can tackle the compliance burden and provide a best-in-class customer experience will survive the fierce competition of fintechs.

## Banking in a new age of finance and regulations

Today, banks and financial institutions are heavily regulated. Although the economy has recovered, banks

face high costs from reporting, since technological infrastructures did not encompass this change.

“Now, banks get penalised due to the lack of agility in IT systems,” says Simões. “These systems were designed for a totally different context. Underperforming and outdated systems cannot support the total scope of reporting requirements. With regulation affecting the entire business and stakeholders, non-compliance has a long-term effect and a serious impact on profit, not only due to penalties but also reputation loss.

“While adapting to the new regulatory landscape, banks felt the need to adjust their strategies. Most financial institutions realised, in the past few years, that their systems could not deliver a proper response for compliance. Ad hoc legacy reporting is not a choice, the fees are too high to support, as people and IT resources are channelled to answer each new set of reporting requirements. We can say that compliance slowed down the institutions' digital transformation by decreasing the available budget. The profit that was previously channelled to improve customer services and fuel innovation is now used to support the regulation and compliance requirements.”

## Transforming compliance burden into a competitive advantage

But for Novabase and Simões, regulatory compliance does not need to be a burden. In fact, it can be transformed into a competitive advantage. Novabase has created Symetria, a solution that helps financial institutions to address current and future regulatory reporting requirements. It also helps banks to effectively deal with regulatory changes and, ultimately, reduce operational costs.

“Symetria was built to embrace an ever-changing regulatory environment. It has a quick business configuration that allows it to meet multiple regulations at the same time and to quickly respond when a new regulation is issued,” says Simões. It also deals with

compliance burden by “providing a great experience for users for a higher stakeholder engagement”.

Simões continues, “While building Symetria, our focus was improving reporting, reducing the compliance burden, and providing financial institutions with a tool that supports decision making and proactive risk management. The aim is to give competitiveness back to the banks by relieving the effort that is put on compliance. This enables financial institutions to face regulation as business as usual, and transition into harvesting the huge amount of information available from regulations for their own business benefit.”

**The future of financial services**

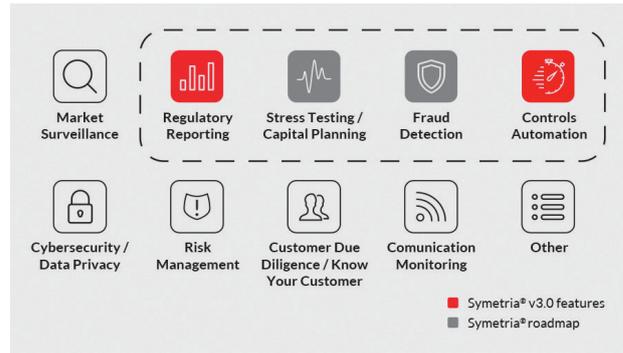
Speaking about competitiveness, Simões shares the company’s vision on what is the future for banking.

“Regulatory demand will get higher and we have, as of yet, failed to see the pace of regulation starting to decrease. Only the institutions that figure how to deal with this challenge will be able to survive the agility of new entrants, which have significantly less legacy to address. Banks need to focus on the customer. Providing best-in-class customer experiences will be the real differentiator for financial institutions in the future.

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“Banks need to do the same: deliver their clients what they need by decreasing the friction of dealing with money, fees, taxes and such things. The challenge is to do it while supporting the ecosystem of a traditional bank, and the high cost of compliance makes it hard to deliver change at the same rate as the new, agile entrants. A good compliance and reporting strategy is crucial.”



Symetria is a solution that helps financial institutions to address current and future regulatory reporting requirements.

**Will this mean that traditional banks are no longer required?**

“Online-only banks already existed before the financial crisis,” says Simões. “But after the recession, customers lost some of their trust in traditional banks and started to look for alternatives. Additionally, new generations expect a level of interactivity across multiple channels that has historically been hard to support by more traditional banks. If online-only banks were highly distrusted before the crisis, after it occurred, people started to realise that the big banks could also fail. The demand for banking alternatives allowed new players to gain their space in the market.”

With few, or no, brick-and-mortar branches, fintechs can afford to offer lower fees, higher savings and – most important of all – as they are not tailored to the traditional banking state of mind, a better overall customer experience.

“It is in customer experience that banks failed, and they still do,” says Simões. “Financial institutions need to be able to provide a fintech experience, using their extensive knowledge and data to leverage customer services, while ensuring the required compliance levels. Legacy does not rely only on systems, but also in products. They were formally delivered to many different customer segments, through many different channels.”

Simões explains the difficulty for banks in responding to customer expectations, “Banks’ systems were designed to run processes overnight. However, today’s customers expect things to happen in real time.”

Novabase provides four products that aim to enable banks’ systems to perform better and faster. Each product tackles one specific area of business – reporting, factoring and confirming, asset management, digital banking and the above mentioned regulatory compliance platform – and they are all designed using user-experience best practices. ■

**Further information**  
Novabase  
[www.novabase.pt/en](http://www.novabase.pt/en)

