

**Capco solutions – bringing value to the industry**

# **Integrated Safety and Soundness**

Design your approach to focus on risk, not rules “The devil is in the delta”



**CAPCO**

**FORMING THE FUTURE OF FINANCE**

## How has the global financial crisis changed your compliance management framework?

World events have dramatically reshaped the financial services industry, bringing a higher level of oversight and greater scrutiny of industry practices.

The effects are measured in the millions. In the last year, financial services firms paid over \$250 million in fines resulting from non-compliance to policy.

Private industry is challenged to implement Governance, Risk and Compliance (GRC) solutions that enforce the principles of “selling more safer” and “building business bumpers” that do not jeopardize the firm’s competitive position and economic value.

At the same time, public overseers are challenged with maintaining market integrity and protecting public interests while avoiding steps that would impede innovation or endanger a country’s competitiveness.

## How has the industry responded?

Public and private methods of measuring, monitoring and managing GRC deviate based on differences in mandates. Methods also vary on opinion, or how to structure risk and control business processes.

Multiple methods of internal and external examination provide a measure of compensating control that is a benefit.

In many cases, the difference represents inefficiencies for both the public and private partner that lowers overall control and significantly increases cost to the firm, customer and public.

## How can Integrated Safety and Soundness help you?

Capco’s solution for Integrated Safety and Soundness is designed to help you develop a GRC solution that provides the compliance framework you need without unduly hampering the business. This may include:

- “Book-ending” regulatory and legal oversight processes with industry-leading governance, risk and compliance tools and techniques  
**Facilitates request and response functions to operate at their most efficient levels**
- Lessons learned from both the public and private sector  
**Typically lowers the cost of governance risk and compliance significantly through a “devil’s in the delta” design approach**
- A less invasive approach to front office control  
**Fosters a culture of compliance which is the most efficient means of increased risk prevention**
- Baseline obligations approach  
**Allows for partial or complete outsourcing of policy and compliance management**
- A TQM (Total Quality Management) approach  
**Reinforces a measured and controlled response to compliance and business control**

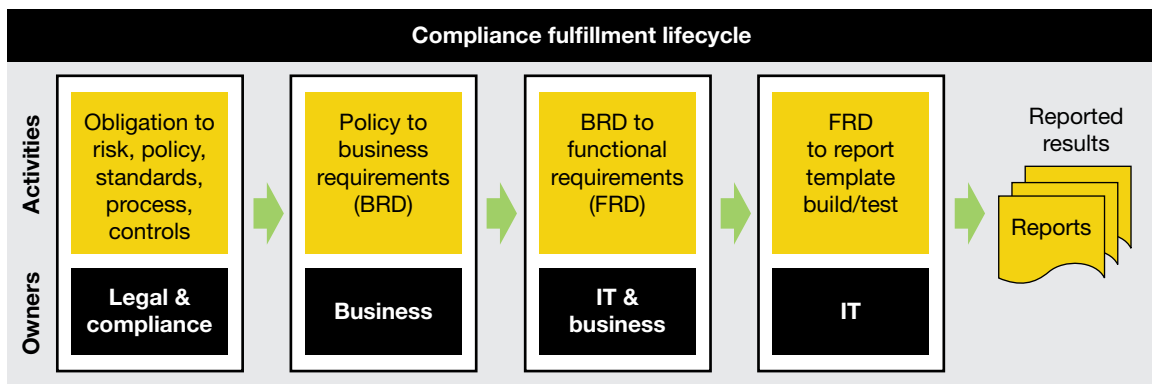


Figure 1. Compliance Management

Integrated Safety and Soundness provides transparency throughout the compliance lifecycle by managing/linking risks, rules, policies, requirements, controls and ownership

## How can Capco help?

Our domain expertise, audit independence and ownership means that Capco is one of the few firms positioned to straddle Washington and Wall Street.

Capco's experts work side-by-side with your team with well-targeted delivery resources and innovative delivery models to match your specific business needs.

Our proven approach is based on proprietary accelerators that are tried, tested and tailored for your unique compliance requirements.

## Capco's solutions

Capco's Integrated Safety and Soundness solution creates a compliance framework that offers an enterprise-wide view of processes and new, proactive approaches to addressing issues.

Our solution will help:

- Harmonize regulatory oversight processes with your GRC processes to create connection points between public requests and your response
- Establish a baseline of firm "obligations" that match statutory, regulatory and legal definitions of your responsibilities
- Integrate oversight processes with obligations through a data-driven, technically-enabled management and measurement framework
- Implement TQM metrics against the obligations inventory through analytics that prove to overseers that evolving weaknesses are identified and remediated
- Provide standard training, communications and response processes for GRC

## How has Capco helped others develop an effective regulatory framework?

### Situation

Through the merger of two financial management companies, a large financial management entity had to move from compliance with state regulations to compliance with federal regulations. The client's compliance framework was not robust enough to satisfy the changes in complexity resulting from added regulatory requirements. The client asked Capco to help design and build a compliance management function.

### Approach

Working in partnership with the client, our team of domain experts was able to:

- Confirm and update applicable regulatory requirements
- Develop controls to meet requirements
- Design changes to monitor and report at the department, business unit, line of business and enterprise levels
- Train client staff to perform the necessary compliance activities on an on-going basis

### Result

Our roadmaps are executed on time and on budget, achieving stated objectives in areas throughout the lifecycle including:

- Development of regulatory obligations based on the jurisdictions and products
- Populated requirements into an integrated safety and soundness solution with the set of obligations
- Designed a compliance operating model including obligation research, policy development, control and testing result data roll-up and regulatory and operational data analysis
- An updated set of policies and procedures with risk, controls and testing requirements for the accepted obligations
- Nearly 40 percent operational cost reduction for compliance personnel, increased transparency of risk, metrics that demonstrate compliance and increased operational effectiveness in response to audits and exam questions

**For more information,  
please contact:**

Sean Culbert  
Partner  
+1 212 284 8875  
Sean.Culbert@capco.com

John Armstrong  
Partner  
+1 647 788 2004  
John.Armstrong@capco.com

For general inquiries, contact us at +1 877 328 6868

## **About Capco**

Capco, a global business and technology consultancy dedicated solely to the financial services industry. We work in this sector only. We recognize and understand the opportunities and the challenges our clients face. We apply focus, insight and determination to consulting, technology and transformation. We overcome complexity. We remove obstacles. We help our clients realize their potential for increasing success. The value we create, the insights we contribute and the skills of our people mean we are more than consultants. We are a true participant in the industry.

Together with our clients we are forming the future of finance. We serve our clients from offices in leading financial centers across North America and Europe.

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