



**Choose Digital for
Compliance-New Era in Banking:
The Digital Revolution**



ABOUT OUR TOPIC AT THE EVENT

CHOOSE DIGITAL FOR COMPLIANCE

Choose Digital for Compliance-Moore Stephens participates at the 4th edition of New Era in Banking: The Digital Revolution

On 17th April 2018, the Romanian banking Institute(RBI),the leading training provider for the financial services industry in partnership with the Association of Chartered Certified Accountants (ACCA) UK, organized the conference: The 4th edition of New Era In Banking: The Digital Revolution and theme of conference was RegTech Driving Transformation in Banking.

The keynote speaker of the event was prof. Florin Georgescu, Ph.D., First Deputy Governor, National Bank. Amongst the other speakers were Mr. Alexander Metcalfe, Head of Public Sector Policy, ACCA, UK; Mr. Sergiu Manea, CEO, BCR Erste; Mr. Francois Bloch — CEO, BRD — Groupe Societe Generale; Mr. Michal Szczurek, CEO, ING Bank Romania; Mr. Florin Danescu, Executive President, Romanian Banking Association; Ms. Gabriela Nistor — Deputy General Manager, Banca Transilvania; Mr. Andrei Stan, Partner, Moore Stephens KSC; Ms. Maria Maxim, Partner, Wolf Theiss Romania; Ms. Rodica Tuchil5, Executive Director, Romanian Banking Association.

Mr. Andrei Stan, Partner, Moore Stephens KSC spoke: **“How Digital Solutions are Reshaping Compliance.”** Compliance work is increasing significantly, while in the last couple of years the compliance work increased by 490%, Usually the question is not what is to be done and when, but how it should be done. Taking advantage of compliance using digitalization can improve competitiveness by giving new nature of business conduct and enhance the overall client experience.

PRESSURE OF COMPLIANCE

"I have a simple strong belief. The most meaningful way to differentiate your company from competition, the best way to put distance between you and the crowd, is to do an outstanding job with information. How you gather, manage and use information will determine whether you win or lose"

**Bill Gates regarding the article o
Porter and Millar from 1985**

Most of the companies knows when and what needs to be implemented in the firm, but most of them does not know how to implement frameworks like IFRS 9, Re-thinking credit risk, PSD II ,MiFID II , BASEL III (Conservation Buffer) / BASEL IV etc and this is where consultancies like Moore Stephens plays an important role.

European financial regulation will take a big leap forward in 2018. The implementation of MiFID II and PSD II will change the legal framework for investment services and electronic payments

IFRS 9

The Standard includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting.

PSD II

enables bank customers, both consumers and businesses, to use third-party providers to manage their finances.

MiFID II /MiFIR

package essentially aims to enhance investor protection and to increase transparency and integrity in securities trading.

Basel III

is set of reform measures, to strengthen the regulation, supervision and risk of the banking sector.





DIGITAL DISRUPTION IN COMPLIANCE

Compliance work gives you an opportunity to evaluate new information and build up around new core competencies for the business such as;

- Accessing and managing the right information
- Capturing the information and processing it
- Data warehousing
- New applications and score cards

BUSINESS AND DIGITAL ALIGNMENT

The term “Doing Digital Right” is very important. In order to embed digital transformation thinking and practice into the firm, the leadership has to align digital transformation planning with Business Strategy.

While there are definitions on how business should fit the IS/IT to build strong infrastructure and processes in order to strengthen the value of resources, usually ambiguous business processes are the source of superior IT performance.



Business Strategy & processes

Digital Solutions: IS & ITC

Digital Strategy plays a new role in driving the business community, while it is regarded for solutions to improve efficiency by engaging in Data Processing, it can sustain management with Management Information System, or in the New Era it can improve competitiveness where the integration of a digital solution can expand the value stream of a business: moving from marketplace to market space, shifting tangible product to services, engaging pro activity through pull solutions, integrating through use of open standards. All the steps and digital disruptions can provide a better client experience and facilitate companies to develop new core competencies making them competitive in a fast changing environment. Digital solutions can be the best business strategy if implemented correctly. It's a great opportunity to take existing core competencies and engage your stakeholders in ways never done before. In a number of vertically related industries, innovative investment such as digitalization take place at both upstream and downstream levels.

ENGAGING DIGITAL SOLUTIONS IN BUSINESS STRATEGY



DIGITAL DISRUPTION OF BANKING INDUSTRY

While banks recover from economic downturn (now by compliance costs), non-banks are capturing more aggressively the banking sector value chain, such as payments:

- PayPal
- Square and Stripe
- Apple Pay
- Google Wallet

The risk is that new entrants (non-banks) create service expectation and can limit the “bank to back-office utilities while non-banks become the face of their customers financial lives” (Peppard and Ward, 2016) . Though we believe that it also depends on customer's behavior as this upper edge is not enough to replace the trust physical bank provides but to some extent it can replace part of non-risk streams from the banks operation.



RegTech solutions can penetrate the peripheral regulatory requirements while compliance and risk will remain part of the core and generic competencies that a sustainable bank should prove in order to manage successfully.

RegTech Concepts

- Using solutions to address the compliance requirement, especially with the help of Cloud Computing (flexibility of costs, predictability, CAPEX to OPEX)
- Capturing new data and building up new business opportunity (i.e. IFRS 9 scoring model allow banks to better understand the behavior of some of the clients and incorporated new scenarios in their products)
- Banks can re-define client experience and compete its value chain with non-banks

RegTech Solutions

- **Identity Mind Global:** Provides anti-fraud and risk management services for digital transactions by tracking payment entities
- **Trunomi:** Securely manages the consent to use customer personal data
- **Suade:** Help banks to submit required regulatory reports without disruption to the banks' architecture
- **Silverfinch:** Connects asset managers and insurers through a fund data utility to meet Solvency II requirements
- **Passfort:** Automates the collection and storage of customer due diligence data.
- **Fund Recs:** Oversees how data is managed and processed by the fund industry

*Source-Investopedia



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Contact Information



Mamas Koutsoyiannis

CEO (Romania/ Moldova)

Moore Stephens KSC

E: Mamas@moorestephens-ksc.ro



Andrei Stan

Partner (Romania/ Moldova)

Moore Stephens KSC

E: andrei.stan@moorestephens-ksc.ro

Moore Stephens KSC

Bucharest Office

014472, 175 Calea Floreasca,
Floreasca Tower building, 13th Floor,
District 1 Bucharest – Romania

T: +4 0374 490 074

F: +4 0374 094 191

E: info@moorestephens-ksc.ro

www.moorestephens-ksc.ro

Timisoara Office

30056, 1 Ionel Bratianu Square,
Bratianu Real Estate Timisoara –
Romania

T: +4 0374 490 074

F: +4 0374 094 191

E: info@moorestephens-ksc.ro

www.moorestephens-ksc.ro

Chisinau Office

MD 2004, 202 Stefan cel Mare Bvd.,
Kentford building, 9th floor Chisinau –
Moldova

T: +373 22 022 555

F: +373 22 022 556

E: info@moorestephens-ksc.md

www.moorestephens-ksc.md

Contact us:

 info@moorestephens-ksc.ro

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