



TALOS advising the financial services industry

How to cherry pick the right consultants for your regulatory projects?

Regulatory risks are extremely difficult to judge and if these risks materialise the impact on any financial services company can be dramatic. Responsible managers will seek the best available expertise to help mitigate such risks and ensure compliance for the future. It comes as no surprise, therefore, that such projects are often awarded to a single 'knows-all-does-all' consulting company with a well-known obvious brand. What TALOS has observed on numerous occasions is that, that during the course of a project, the initial decision has been revised and a mix of companies brought in. We believe that the right approach - choosing the right external partners from the outset - will help you to achieve compliance in a pragmatic way while keeping time and costs under control.

About this article

We consider this article to be relevant for those who take decisions on how, and by whom, regulatory projects are implemented in their organisation – people working in and leading compliance departments, strategic project units, those in charge of change management and heads of supply management.

How to cherry pick the right consultants for your regulatory projects?

We will describe four key phases we typically come across during our work for clients, on projects related to e.g. FATCA, AIE or MiFID. We focus for each phase on how to identify consultants and external partners that best match the specific requirements in terms of expertise, know-how and last but not least value for money.

Regulatory Analysis

This phase is of crucial importance as it lays the foundations for the entire project. Any analysis done and conclusion drawn at this stage will impact all work done later and can rarely be reversed or if so, only at major effort and cost.

The key deliverable of this phase is a clear insight into the high-level implications of new laws and regulations for your company. Who may be best to help you on this? The 'genuine' experts. You may have them in-house but often they are absorbed by daily business. So we recommend to go for the large renowned law firms, expert lawyers or very senior consultants with specific expertise. If going external look for those with particular know-how around existing and new regulations and with direct access to the responsible authorities. Such individuals may even be members of boards or groups invited to preview regulatory drafts. Hence, they can help to seek further clarification or engage with the respective authorities to explain how a change in regulation will impact companies affected.

Such expertise is expensive. And sometimes not available when you need it most, as your competitors will have the same requirements for external support at the same time as you. We advise getting the best specialists in early, but only exactly for their specific know-how. Project-related work should not be done at the experts' rates. A project manager with regulatory project experience will suffice. If you have

an in-house legal department, involve them as much as possible in this phase so internal know-how is further built up and the specialists are only needed again for ad-hoc analysis or certification. Last but not least - beware: many consulting companies will claim to be able to cover this phase in its entirety. In reality legal advice from 3rd parties will end up on your bill, one way or the other.

With a sound analysis of the situation complete, it is time for the next phase – determining the impact on your organization and 'getting things done'. In practice, the phase is normally split in two stages. For conciseness we have merged them into one.

Business Impact and Implementation

Now you need to find out how exactly your daily business will be directly impacted and what in detail needs to be reviewed and adapted - from products to processes, organizational set-up and systems, to re-drafting forms and templates. For this you need hands-on consultants. What you do not need is theoretical 'would-should-could' consulting slowing down your organization with endless meetings and leaving you wading through piles of indigestible material. Those helping (the word says it) you at this stage should be consulting companies strong in delivering groundwork.

Make your choice carefully. Which firms have delivered for you in the past? What do your colleagues in the industry say, where are the hidden gems in consulting? Which company is best at redesigning processes, which at adapting systems? Where do you get the best value for money? Which consultants drop the pen after 8 hours, which show flexibility? Where do you pay a large overhead and ivory research towers? Who has already done what lies ahead of you or even better, knows your company? It's not necessarily the 'usual suspects'.

TALOS

Publication

Take a closer look at the smaller consulting companies operating in your region, bringing in expert know-how and highly motivated consultants willing to go the extra mile. Set-up sub projects and work streams per topic and assign them to those who have a particular niche of expertise. You need consultants that are smart enough to understand the outcome of the previous phase, experienced enough to identify critical areas of impact and hands-on and humble enough to actually deliver, even if this includes re-writing client letter templates and coordinating their translation.

Remediation of Legacy Business

Often preparing for the future is not enough when it comes to fulfilling regulatory requirements. It is equally important to deal thoroughly with the past. If not, the past may come to haunt you at the worst possible moment and even negate the positive work you have done hitherto. Depending on the size of your business, e.g. hundreds or thousands of KYC records, transactions or client files may need to be reviewed and remediated.

For this, substantial manpower is needed to conduct a “hands-on”, meticulous review of your firm’s data. Attention to detail is crucial, but such work does not need to be done by strategy consultants. To us this can best be met by putting a task force in place consisting of e.g. paralegals, or even very senior students supported by an expert. Task force members can be brought in on flexible terms, including early ramp-down – or ad hoc increase if required – often this review stage unearths some serious “skeletons in the closet”.

Such a task force cannot operate as a standalone unit in your project. A senior consultant should coordinate, making sure timelines are met and relevant updates are given to steering bodies. But working in this phase with a mix of

externals as described above constitutes a massive lever to control cost without sacrificing on timely delivery or quality.

Verification and Certification

You brought in the best for analysing regulation, you picked the right consulting companies per work stream to help you through transformation to your target operating model. An efficient yet effective task force has remediated your legacy business. Done? No, unfortunately not. Compliance is not a one-off exercise, publishing policies does not do the job even if everybody in your organisation once a year clicks on ‘yes, read and understood’. One way to ensure compliance going forward is to develop a control framework covering all relevant key processes linked to a particular regulation. To develop and implement such a control framework it is essential to have the best partners. We see two types of consultants for this.

First, it's the “hands-on” guys again. They need to understand your business in detail and should have a solid track record in building controls as well as handling large, often global control registers. An audit background is not a must. Controls shall be built with the buy-in of those later owning and performing them. But controls need to be tested continuously, sometimes even on a yearly basis. And those having built them shall not be the ones testing them. For testing it may very well make sense to add a big name to the team, i.e. a global consulting company with a strong track record in auditing, before internals take over. Their confirmation of effectiveness of your controls will provide you with the comfort of an initial ‘rubber stamp’ of a top brand, top reputation company in this field.

But who is coordinating all this, you may ask. With a “one stop shop” I don't have to take care of making various companies and individuals

TALOS

Publication

work together. We are adamant on the following: do not leave it all to externals. No matter with whom you work and how many parties the overall team may consist of – you will have to be in the driving seat yourself anyway. Make sure you have a strong internal person spearheading the initiative and pulling the strings. An external 'shadow PM' will back up and do the work, but having the internal in this role is crucial for increased acceptance and buy-in from your employees, reduced resistance towards change and a means of ensuring critical momentum beyond project end. Yes, even regulatory projects have an end...

And what if they start fighting amongst themselves? We firmly believe that you can measure the degree of professionalism of a consulting company by how well its consultants are able to integrate and cooperate in a multi-company team with different individuals and diverse backgrounds.

Last but not least: Cherry Picking and Supply Management

"Supply Management will never let me do this. We have global framework agreements with a few big players and there is no way around it". Often, the main reason for having global framework agreements with big players is the so called 'Bundling Effect' - doing more business with few leads to better conditions. Being ourselves experts in Supply Management for financial services companies, we agree with this approach in principle. However, our long-term experience shows that even the reduced rates of the big players may not compete with the terms offered by smaller gems in the market. This is one of the reasons why several of our clients have deliberately enlarged their vendor universe and engaged smaller consulting companies. With their expertise, competitive rates, flexibility (e.g. in participating in vetting and

tender processes) and often ability to bring a fresh viewpoint on how to address the challenge, small consulting companies can be attractive to both the business as well as Supply Management - a classic "win win".

Conclusion

In this article, we have outlined some key phases of regulatory projects and what type of external service provider may best fit. All of the above has been proven to work, it is a summary of observations and lessons learned from on-the-ground work we did over years with some of the largest (Private) Banks operating in Switzerland and abroad.

You share our views or you see things completely differently? Let's exchange experiences! Write us an email to the address below and we will revert to you immediately.

With best regards
Matthias Greiller

shapenewstandards@talos-consultants.com

TALOS

Publication

Who we are

TALOS is continuously striving to shape new standards in management consulting. As a specialized consulting boutique of Swiss origin, we are serving the European financial services industry from our local offices in Zurich and Luxembourg.

Founded by experienced management consultants in 2008, we have grown since then to a renowned consulting company with a complementary service offering across various disciplines.

With our tailored hands-on approach, we accompany our clients in mastering the fundamental challenges the industry is facing.

We are a trusted partner for our clients helping them to increase their organizational effectiveness and operational efficiency.

We strive to be recognized as one of the leading management consulting boutiques for the European financial services industry.

Zurich

TALOS Management Consultants
Bleicherweg 45
CH-8002 Zürich

Luxembourg

TALOS Management Consultants
5, Rue Heienhaff | 2nd floor
L-1736, Senningerberg

www.talos-consultants.com

www.shapenewstandards.com

Your Contact

Matthias is a Partner at TALOS and looks back on almost two decades of experience in the financial services industry. Before joining TALOS in 2010, he has been working in private banking for two major Swiss banks and as a management consultant at Mitchell Madison Group. The focus of his work lies in the areas of regulatory and compliance as well as on sales management related topics.

Matthias Greiller

Partner
Regulatory & Compliance
+41 44 380 14 40

If you want to contact him with regards to this article please use the following email address:
shapenewstandards@talos-consultants.com

