Responsibility For Regulatory Change Within Asset Managers

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How do asset managers identify, assess, prepare for, and implement regulatory change? Who is responsible for each stage, and how do different teams work together to deliver?

The first thing to say when posing these questions is that there is no optimal model that will always work for every different asset manager. Asset management firms are all different in their corporate structure, size, operating model, regulatory responsibilities, etc. and need to determine their own optimal regulatory change approach. But in formulating that approach firms should consider:-

Horizon Scanning	Who should be responsible for monitoring the output from regulators, trade associations, legal firms, and other bodies in respect of regulation (either new or where existing regulations are being updated)? And how is this horizon scanning collated and communicated to appropriate stakeholders within the organisation?
Impact Assessment	Who is responsible for looking at the impact the regulation will have on the firm, and how the firm needs to accommodate it?
Change Management	Who is responsible for identifying the detailed steps to achieve compliance, and managing those steps to a successful conclusion? And what governance is put in place over the change process so ensure that it is handled correctly at every stage, including how key stakeholders are involved in, or kept informed of progress?
Implementation	Who is responsible for ensuring that the firm is fully prepared at the time of regulation coming into force, and then for ensuring ongoing compliance?

In looking at all the stages outlined above, firms should consider where responsibilities might lay for each. Some possibilities for internal teams might include:

Compliance Advisory	**It is hard to envisage Compliance Advisory not having some responsibility at every stage**
Operational Teams	Likely to be involved at every stage, but not necessarily to have direct responsibility for one
Regulatory Change Programme / Project	Likely to have a role at every stage, but in particular at the change management stage, where they are the most logical lead stakeholder

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In determining how your regulatory change framework should be constructed, there are many further questions that a firm should consider. A few of the main considerations are included here, but this is not an exhaustive list:-

1.	How does your firm fit into an overall corporate structure, and will any over-arching corporate parent dictate how you apply certain regulatory changes (if not all)?
2.	How is the regulatory change tracked within your overall governance framework, whether within the firm, or reporting to a higher corporate entity?
3.	Who is the regulation on, and what does it affect? Does the regulation apply to your firm, or directly to the client? Does it impact the investment process itself, is it an obligation upon the firm, where is it focused (e.g. on client outcomes, on prudential management, on financial promotions, etc.)?
4.	How do you prioritise regulatory change initiatives vs. other change projects in your firm from a cost, resource, and time-sensitive perspective?

It is important to allocate appropriate responsibilities for all stages of identifying, assessing, preparing for, and implementing regulatory change. Formal responsibilities properly documented will help demonstrate to regulators that your firm has considered this properly. There is no hard and fast rule that should apply, but as long as the thought processes behind the assignment of formal responsibilities has been appropriately considered and documented, and those responsible made fully aware of their responsibilities, you should have the foundations of a strong regulatory change governance model.

If you need any assistance, please contact ISC Ltd reg-change@iscltd.com