

The Benefits of a Tailored Regulatory Horizon Scanning

Regulatory Horizon Scanning is a hot topic, but with so many variables out there, and so much regulatory material to sift through, wouldn't it be better to use a tailored service for your horizon scan specifically to your firm's own needs? This could replace your firm's existing and largely manual process. It would save time, effort, and money to have a tailored view of the regulatory horizon delivered to you, outlining the key upcoming regulations that will apply to your firm, eliminating the need for hours of manual "filtering" before finally deciding whether certain regulation will impact you or not.

How does tailoring work?

Filtered searching is all around us, and we take it for granted in our daily lives. For example, when looking for a new car or home online, we apply the website filters to clear out the excess noise (e.g. location, price, etc.) Why wouldn't we do something similar to eliminate the "regulatory noise" when looking for future regulatory impacts?

The filtering isn't quite as simple as looking for a car or house, but the principles are the same. In this case, the filter needs to be significantly more intricate to drive out the very specific exposure to regulation that will impact a (for example) Asset Management firm. There will be multiple questions about the firm that need to be fed into the tailoring "filter", both as the firm stands currently, and for any future plans that the firm might have which would pull in additional regulatory pressures.

However, once the filter has been constructed, and approved by the firm as accurately representing its operational interests, it can be run and will produce an exact fit for the firm of the latest known upcoming regulatory impacts. This can be done as a regular repeating exercise, but the "filter" will need to be updated for any changes to the firm.

What are the key advantages of tailoring?

- **Time** – Eliminate time taken exploring regulatory announcements that ultimately have no impact on your organisation.
- **Effort** – Resources deployed on exploring these regulatory "dead-ends" can be deployed into more fruitful endeavours.
- **Cost** – If more fruitful endeavours are not an option, resource cost can be reduced. The regulatory team can run "leaner". A tailored regulatory horizon scanning service need not be particularly costly.
- **Early notice** – When a firm is planning future change (whether regulatory or discretionary) having an idea of what regulatory project change resources will be required and when (plus any contention for them) will help a firm to plan its total future change portfolio more effectively.
- **Independent Verification** – Even if you decide to stick with your existing manual regulatory horizon scanning, the tailored solution can be used to independently verify that your manual process has produced the right results.

What about the size of each regulatory impact on the firm?

The tailoring filter will be able to give a high-level indication of the impact of a particular regulation on the firm, but there are some caveats that should be considered: -

1. **Clarity** – a horizon scan that identifies that in (for example) 3 years-time a new regulation will hit the firm, but the details around that regulation are not yet available (e.g. the consultation has not yet concluded, or even been formally circulated) cannot be expected to provide an accurate prediction of the impact. However, as regulation is firmed up, and comes closer, the impact can be more accurately estimated.
2. **Detail** – even for a well-defined piece of regulation, an impact analysis based on the horizon scanning filter can only go so far. It will not be able to tell you every facet of the business that will be impacted, and the finer detail of what you must do to comply. For that level of analysis, it will require human intervention to review the deeper impact of the regulation and formulate a plan of attack.

Horizon Scanning will never replace a full Impact Analysis exercise. They are two different things. For a proper Impact Analysis, a firm will need to use internal or external resources to fully understand the impact to the firm, the size of the change programme required, including resources, costs, software requirements, etc., and make plans accordingly.

Conclusion

The volume of regulatory change is increasing, both from individual regulators, (in diversity), and in fragmentation across multiple regulatory jurisdictions. Together with new investment concepts (e.g. ESG, Tokenisation, etc.), and with greater access to data via new technologies, there will only be more and more regulation to negotiate. There will come a breaking point, at which a firm will recognise that a tailored service for their horizon scanning must be the way forward. If so, why delay? Consider it now.

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