

## The Role of Regulatory Horizon Scanning within the Investment Management Regulatory Change Operating Model

In the complex and ever-evolving landscape of financial regulations, investment managers face significant challenges in maintaining compliance. Regulatory changes can impact various aspects of investment management, from portfolio construction and risk management to reporting and client interactions. To navigate this terrain, a robust regulatory change operating model is essential and central to this model is the implementation of a regulatory horizon scanning solution. This article explores how such a solution fits into the regulatory change operating model and supports investment managers in achieving compliance and their strategic business objectives.



### What is a Regulatory Change Operating Model?

A regulatory change operating model is a framework that investment managers use to systematically manage regulatory changes. The model usually encompasses these key components:

#### *Monitoring and Scanning*

Identifying upcoming regulatory changes and assessing their potential impact and, the opportunity to participate in consultations and discussions; potentially influencing the development of regulations to better align with industry needs and practices.

#### *Impact Assessment*

Evaluating how these changes affect the company's operations, strategies, and compliance requirements.

*Implementation*

Developing and executing plans to comply with new regulations, including policy updates, process adjustments, and training programs.

*Governance and Reporting*

Establishing oversight mechanisms to ensure ongoing compliance and documenting adherence to regulatory requirements.

*Continuous Improvement*

Regularly reviewing and refining the operating model to enhance its effectiveness.



*"Don't worry, Fred... the Business Analysts are on top of all the new regulations."*

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## How does Horizon Scanning fit into the Regulatory Change Operating Model?

Here's how regulatory horizon scanning typically fits into the regulatory change operating model. This table states the objective of each component along with a checklist of suggested actions to implement, to achieve the objective:

Operating Model Component	Objective	Suggested actions to achieve the objective
<i>Proactive Monitoring &amp; Identification</i>	To stay ahead of potential regulatory changes by identifying and assessing new regulations, amendments, and trends.	<ul style="list-style-type: none"> <li>✓ By subscribing to regulatory updates from relevant authorities (e.g., SEC, FCA).</li> <li>✓ By participating in industry forums and conferences.</li> <li>✓ By engaging with regulatory advisors and legal experts.</li> <li>✓ By utilising specialised software and services that provide regulatory updates.</li> </ul>
<i>Triage Process</i>	To efficiently & systematically handle the influx of regulatory changes.	<ul style="list-style-type: none"> <li>✓ By identifying relevant changes, quickly recognising which regulatory changes are pertinent to the company.</li> <li>✓ By prioritising changes based on factors such as how quickly the company needs to comply with the new regulation.</li> </ul>
<i>Impact Analysis &amp; Risk Assessment</i>	To determine the potential impact of identified regulatory changes on the company.	<ul style="list-style-type: none"> <li>✓ By conducting impact analysis to assess how changes will affect business operations, compliance obligations, and strategic goals.</li> <li>✓ By evaluating the risks associated with non-compliance or delayed compliance.</li> </ul>
<i>Strategic Planning &amp; Decision-Making</i>	To develop strategies and plans to address regulatory changes effectively.	<ul style="list-style-type: none"> <li>✓ By engaging senior management and relevant departments (compliance, legal, operations) in planning sessions.</li> <li>✓ By prioritising regulatory changes based on their potential impact and urgency.</li> <li>✓ By allocating resources and setting timelines for implementing changes.</li> </ul>
<i>Implementation &amp; Execution</i>	To ensure that necessary changes are implemented within the company to comply with new regulations.	<ul style="list-style-type: none"> <li>✓ By updating policies, procedures, and controls.</li> <li>✓ By training staff on new compliance requirements.</li> <li>✓ By implementing technology solutions to support compliance efforts.</li> </ul>
<i>Monitoring &amp; Review</i>	To continuously monitor the effectiveness of the implemented changes and ensure ongoing compliance.	<ul style="list-style-type: none"> <li>✓ By conducting regular audits and compliance reviews.</li> <li>✓ By monitoring for any further regulatory updates or changes.</li> <li>✓ By adjusting policies and procedures as necessary based on feedback and new developments.</li> </ul>
<i>Integration into the Governance Framework</i>	To ensure that regulatory horizon scanning is part of the company's broader governance structure.	<ul style="list-style-type: none"> <li>✓ By ensuring the active involvement of senior management, overseeing the horizon scanning process. This includes setting the strategic direction, providing resources, and ensuring alignment with business objectives.</li> <li>✓ By establishing committees or working groups responsible for regulatory change management. These should include members from senior management, compliance, legal, risk management, and operations.</li> <li>✓ By developing and documenting policies and procedures that define the roles, responsibilities, and processes for horizon scanning. This ensures consistency and accountability.</li> <li>✓ By implementing a reporting structure where findings from horizon scanning are regularly reported and, clear escalation paths for significant regulatory risks are established.</li> </ul>

## Conclusion

In the dynamic regulatory environment faced by investment managers, staying compliant requires a proactive and strategic approach. Regulatory horizon scanning solutions play a critical role in the regulatory change operating model by providing timely, comprehensive, and actionable insights into regulatory developments. By integrating these solutions into their operating model, investment managers can enhance their ability to anticipate and respond to regulatory changes, ultimately supporting compliance, operational efficiency, and strategic decision-making.