



Regulatory Compliance in Banking

TRANSFORM REGULATORY REQUIREMENTS FROM NECESSITIES INTO OPPORTUNITIES

Among the most highly regulated industries worldwide, banks face regulations and directives from legal authorities on an ever widening range of issues: transparency and risk management; terrorism financing and money laundering; harmonization of accounting and payments; and so on. Many banks see compliance merely as a burden and take only minimum measures to comply with law; however regulation also offers the opportunity to improve performance and profitability.

SOX, Basel II, IFRS, MiFID, SEPA, AML and KYC are just a few of the more well-known acronyms that describe regulations that banks around the world must comply with. And large implementation projects are only one side of the compliance coin, the other, daily business compliance processes is where

banks' three main challenges – time, costs and quality – often can have the greatest consequences. The time to analyze, escalate findings and report exceptions is getting shorter, complicated by increasingly complex tasks, limited resources and customer demands. Experts estimate that banks spend one third of their IT budget to comply with regulatory requirements – a significant opportunity for optimization and cost-savings. In addition, the quality of legal reporting becomes critical for the organization, as not only the reputation is at risk, but also sanctions for senior management are becoming more and more drastic.

Reducing implementation and processing times becomes very difficult without an overall compliance architecture. Missing or inadequate re-usable services definitions and

lack of data and application integration make every new compliance initiative a costly and risky effort. Furthermore, using spreadsheets or other home-grown tools to store compliance data without the proper authentication, audit-trail or non-repudiation mechanisms jeopardizes quality, as well as auditor and regulator sign-off.

Software AG addresses your compliance requirements using our fully integrated webMethods product suite - consisting of four major components:

- Service-Oriented Architecture (SOA) Governance & Registry
- Enterprise Service Bus (ESB)
- Business Process Management (BPM)
- Business Activity Monitoring (BAM)

"In a scramble to be 'compliant,' firms have implemented controls with little thought to their impact on the business. Thus, businesses end up either under-controlled – which leads to exposure to litigators and regulators – or over-controlled, which means overburdened business processes and ballooning costs."

- Michael Rasmussen, Forrester Research, Inc.,
Compliance Optimization: Defining the Right Level of Control, February, 2007

SOA Governance & Registry

This SOA-based compliance architecture serves many objectives: reduces redundancy, improves productivity due to service re-use, increases agility, decreases time-to-compliance and provides insight into compliance processes. SOA governance is the subset of IT governance. It establishes policies, controls, and enforcement mechanisms required for successful SOA adoption by giving IT visibility and control over their SOA development and deployment. The registry is the core component of modern, SOA-based compliance architectures, and documents the different compliance services. It helps identify services for re-use, manages the different compliance service versions, and ensures that services are operating according to specified policies, contracts and Service-Level Agreements (SLAs).

Enterprise Service Bus

With the ESB, you can create new business services from existing functionalities, e. g. to identify suspicious transactions and potential fraud. The ESB frees your business departments from the technology issues, so they can focus on solving business problems. Use and re-use of existing IT assets also reduces costs and increases quality when implementing new controls.

Business Process Management

Compliance processes require full control of each process instance, e.g. the status of an Anti-Money Laundering (AML) exception. BPM makes it easier to manage AML workflows between the bank and legal authorities and include internal and external services to the organization. Thus, you maximize your flexibility to quickly adapt the process to new legal requirements

Business Activity Monitoring

Most financial institutions perform periodic audits to ensure compliance. But this method of spot-checking does not ensure total compliance. BAM transforms the way you monitor internal controls from periodic, manual tests to continuous, always “on” monitoring and alerts, which ensure procedural and financial violations are escalated and addressed quickly. It also helps to predict potential compliance failures through analysis of trends against historical data. Chief Financial Officers and finance managers can detect abnormal process behaviors before they become compliance violations.

BANKING

Expertise in payments, foreign exchange, lending, online banking, and AML compliance for leading organizations such as Bank of America, Wells Fargo and Bank of Montreal.

SECURITIES

Expertise in fixed-income, securities, corporate actions and cross-border trades for leading organizations such as Superpartners and Morgan Stanley.

INSURANCE

Expertise in claims processing, agent automation, underwriting and customer self-service for leading organizations such as MetLife, American Fidelity Assurance and Canada Life.

To find the Software AG office nearest you, please visit www.softwareag.com

ABOUT SOFTWARE AG

Software AG is the world's largest independent provider of Business Infrastructure Software. Our 4,000 global customers achieve business results faster by modernizing, automating and improving their IT systems and processes to rapidly build measurable business value and meet changing business demands. Using our solutions, organizations are able to liberate and govern their data, systems, applications, processes and services – achieving new levels of business automation and transparency.

Our industry-leading product portfolio includes best-in-class solutions for managing data, developing and modernizing applications, enabling service oriented architecture, and improving business processes. By combining this proven technology with industry expertise and best practices, our customers improve and differentiate their businesses – faster.

Software AG – Get There Faster

© 2008 Software AG. All rights reserved. Software AG and all Software AG products are either trademarks or registered trademarks of Software AG. Other product and company names mentioned herein may be the trademarks of their respective owners.