

5 Stress-Busting Tips for Mastering New Regulatory Changes

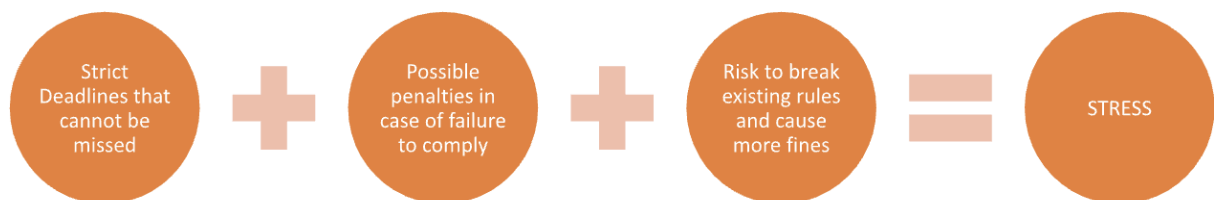
The regulatory landscape has become increasingly complex, with a steady stream of regulations creating high levels of change management and operational challenges. Financial organizations face significant stress due to regulatory burdens and must navigate a challenging regulatory environment. To address these burdens, it is essential for the organization to build the right processes and have the right specialists on the team. In this article, we share some best practices based on our 25 years of experience implementing regulatory changes for blue-chip financial firms.

More regulatory changes, more stress

NO DOUBT regulatory requirements are always a stress for every company in the area where change is introduced. The reasons are:

- **Deadlines:** All regulatory requirements are time-sensitive.
 - In certain cases, companies are given sufficient time to implement the required changes with no rush.
 - Sometimes, these changes are so significant that the deadlines get very tight.
 - Always, the defined deadlines are immovable, elevating the priority of regulatory compliance over other organizational programs and initiatives.
- **Sanctions:** Deadlines don't make regulatory requirements any different from other planned changes/enhancements/new features that companies constantly introduce. But the associated possible sanctions do. Generally, non-compliance with the regulatory requirements can result in sanctions, such as fines, enforcement actions, or proceedings. For instance,
 - Organizations that breach GDPR can be fined up to 4% of their annual global turnover or €20 million (whichever is greater).
 - Financial Institutions failing to comply with Anti-Money Laundering (AML) rules in the United States can be imposed with penalties from \$5,000 per violation to \$1,000,000, or 1% of the financial institution's assets, whichever is greater, for every day the violation occurs.
- **Areas of impact:** In most cases, the regulatory requirements are specific to certain areas or countries. This becomes a real challenge for multinational corporations as the regulatory changes introduced in one country must not impact other subsidiaries. This forces organizations to introduce exceptional cases into their business flows, making them more complex and prone to regression failures.

By consolidating all three elements of this puzzle, it becomes very clear where the stress comes from:



More AI-powered technologies, more regulatory changes

NO DOUBT, we should anticipate more regulatory requirements coming soon. There is a growing trend to leverage AI technologies to automate repetitive tasks; analyze large datasets, improve efficiency, productivity, decision-making processes, and various other applications. As AI technology advances and becomes more pervasive, there are increasing discussions and initiatives regarding regulatory frameworks to ensure its ethical and responsible use. While specific regulations may vary by region and jurisdiction, there are several key areas where the regulatory requirements are being considered or already in development:

- **Data privacy and protection:** Regulations such as the General Data Protection Regulation (GDPR) in the European Union and the California Consumer Privacy Act (CCPA) in the United States already impose strict requirements for the collection, processing, and storage of personal data, which AI must comply with.
- **Transparency and explainability:** There is a growing demand for transparency and explainability in AI systems, particularly in high-stakes applications such as healthcare, finance, and criminal justice. Regulators are considering requiring AI developers to provide explanations of how their algorithms make decisions and mechanisms for auditing and validating AI systems.
- **Bias and fairness:** There's a growing focus on mitigating bias in AI systems, ensuring fairness in decision-making, and implementing mechanisms for monitoring and addressing bias over time.
- **Accountability and liability:** As AI systems become more autonomous and make decisions that impact individuals and society, questions arise about who is responsible for AI-related harms.
- **Ethical guidelines:** In addition to formal regulations, efforts are being made to develop voluntary ethical guidelines and principles for AI development and deployment. These guidelines, such as the OECD Principles on Artificial Intelligence and the IEEE Ethically Aligned Design, aim to promote ethical considerations in AI research, development, and use.

In essence, the regulators ensure AI is used responsibly, ethically, and transparently. So, the more we incorporate AI-powered technologies in our daily processes, the more regulatory changes we should anticipate soon:



5 Stress-Busting Tips from Our Experience

There are several proactive measures we can undertake today to enhance our readiness for future regulatory changes and alleviate the associated stress levels:

Tip 1: Know your system architecture, data flows, and services

It is a common practice to focus mainly on documenting business processes. At the same time, the underlying architecture remains either not documented or covered on a very high level. This includes and not limited to:

- Database schemas, tables, views, and cross-references between them
- Stored procedures and functions
- Replications and Jobs
- Services

While this approach does save some time and costs during the release, it is a bad practice in the long term. With every new layer of functionality added, the lack of proper documentation of the system's architecture and underlying services will result in:

- Increased development time
- Higher maintenance costs
- Difficulties in maintaining data integrity
- Higher troubleshooting efforts
- Increased risk of errors or inconsistencies in the system.

Based on our experience:

- Comprehensive and well-maintained documentation about system architecture, data flows, and interactions between different applications and services is essential to the software development process. It ensures the system's long-term maintainability and scalability.
- Opting against this practice in favor of immediate cost savings undermines one's ability to react effectively and promptly to future changes.

Tip 2: Keep your business process documentation up to date

In trying to speed up the delivery process and reduce costs, we often tend to detract from the importance of maintaining the existing documentation about business processes. We prefer to submit new requirements for a change in the process and skip any documentation maintenance steps like:

- Linking existing impacted requirements
- Updating the existing business process documents
- Reviewing and correcting help topics, FAQs, and training materials

This ineffective tactic leads to excessive and conflicting documentation over time, resulting in the absence of a singular "golden source" of documents that everyone can rely on.

Based on our experience:

- An hour sacrificed today to update existing documentation will save a week tomorrow for business analysis and impact assessment.
- It is essential to track every change. However, it is even more crucial to ensure proper links between related changes and organize them properly by areas of change.
- The better our processes are documented, the faster impact analysis can be conducted, and the lower the associated risks.

Tip 3: Ensure proper test coverage

Regression libraries are as important as the requirements and business documents they cover. We often underestimate the importance of well-maintained regression libraries for future enhancements and change requests. We keep adding more test cases to the existing library instead of focusing on reviewing and optimizing the existing cases, and we end up with a permanently growing test scope and the time required to ensure quality.

Based on our experience:

- Constantly growing regression libraries are a recognized phenomenon in software development. Implementing the proper strategies to manage and maintain regression test suites effectively is very important.
- While test automation requires upfront investment in developing test scripts and infrastructure, it can lead to long-term cost savings by reducing the time and resources required to prove that new changes do not introduce unintended side effects or regressions. Test automation is essential for improving software testing processes' efficiency, reliability, and scalability.
- Well-maintained and balanced test libraries ensure high confidence in test coverage within minimal timeframes.

Tip 4: Invest in your SDLC process improvements

A well-established Software Development Life Cycle (SDLC), supported by the right tools and infrastructure, requires constant investments. However, it also helps minimize costs associated with software development by reducing inefficiencies, avoiding rework, and optimizing resource utilization. It enables organizations to adapt to changing market demands, drive innovation, and maintain a competitive edge in the rapidly evolving technology landscape.

Based on our experience:

- A well-established process ensures consistency, predictability, and efficiency throughout the software development life cycle, from initial requirements gathering to deployment and maintenance. However, to remain effective over time, it requires constant adaptation to new methodologies, guidelines, and best practices.
- Utilizing appropriate software development tools is essential for streamlining workflows, automating tasks, and improving collaboration among team members.
- Having reliable and scalable infrastructure is crucial for enabling efficient development, testing, and deployment of software solutions. This includes development, testing, pre-production, production environments, servers, databases, cloud services, networking infrastructure, and necessary resources to support this.
- Quality is critical to software development, ensuring that solutions meet functional requirements, perform reliably, and provide a satisfactory user experience. A well-established process emphasizes quality assurance practices such as code reviews, testing, and continuous integration/continuous deployment (CI/CD), resulting in high-quality software products that meet customer expectations.

Tip 5: Onboard right people

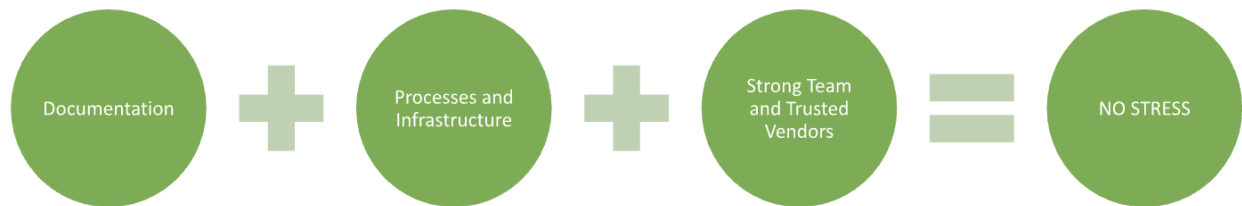
All the above measures are impossible to achieve without proper resources onboarded. Engaging experienced vendors offers numerous benefits compared to solely depending on internal resources.

Based on our experience:

- **Experienced Business Process Analysts** who understand regulatory changes well will better analyze the affected processes, reduce project risks, and ensure successful outcomes.
- **Experienced Business System Analysts** will transform business requirements into well-structured, detailed, and granular functional requirements and maintain your technical specifications throughout the entire product lifecycle. They will ensure that all the documentation is up to date,

any dependencies are respected, and any assumptions and caveats are captured and communicated to stakeholders.

- **Experienced Data Analysts** will meticulously examine the current data flows and document any necessary changes to the existing data models to accommodate business needs and features. They will reduce negative impacts on the existing business data by maintaining its integrity and uniqueness. They will also help teams make proper data-driven decisions on improvement initiatives by providing data usage and conflict analysis reports.
- **Experienced Service Analysts** will outline service contracts, assumptions, dependencies, and anticipated data structures. They will create and upkeep Service Requirement and Mapping Documents while defining non-functional requirements to ensure client expectations are met regarding performance, scalability, availability, and security.
- **Experienced Test Managers, Test Leads, and Manual and Automation Specialists** will bring a wealth of specialized knowledge and expertise in best quality assurance practices, methodologies, and tools. They will create more efficient and effective outcomes and help avoid common mistakes in test process organization.
- Overall, specialized vendors can offer flexible staffing arrangements and can adjust resources and deliverables to accommodate unplanned scope changes.



Contact Allied Testing to find out how we can help you establish proper SDLC processes, improve your documentation, optimize resource utilization, ensure higher reliability, customer satisfaction, and competitiveness in the market, and, ultimately, reduce your stress!