

Within traditional Financial Services there is a common belief that regulation has fundamentally constrained the industry, but at the same time innovation through FinTech has blossomed. The Regulators do not believe regulation is a constraint to good business and have worked closely with FinTech. Something feels out of kilter!

Maybe it's time we focused upon the digital transformation of corporate governance to shift the industry towards being more agile and adaptive, no matter the complexity of regulatory and statutory matters.

A long time ago, one of the most important governance instruments was the Standard Operating Procedures. This was the bedrock for the conduct and performance of the people, including the way they dealt with machines and adhered to policies. Today, in Financial Services, most documented Standard Operating Procedures are no longer fit for purpose. Too many of these documents are kept on the 'shelves' for two purposes: simplistic training orientation and satisfying the auditors. The reality is most of the procedural knowledge is in people's heads, thus creating an over reliance upon managers, supervisors and subject matter expert interpretations of complex knowledge. This is somewhat of a worry in terms of the need for ensuring consistency and reducing subjective-based decisions.

By the very nature of regulatory documentation, it is difficult to use and easy to misuse. Documented Standard Operating Procedures have simply failed to keep pace with this level of regulatory complexity. This has led to deeply hidden systemic risks that typically only appear when things go terribly wrong. Naturally, there will be resistance to the views expressed. So here are three questions:

1. How many Standard Operating Procedures are there within the corporation?
2. How many have been subject to usability and understandability tests?
3. How many have been subject to algorithmic quality and completeness tests?

In our experience, the typical answers are:

1. Don't know
2. None
3. None

Digital transformation of corporate governance needs to include Standard Operating Procedures, but they have been treated as the poor relation for so long that even understanding their potential has been considerably diluted. However, as with any digital transformation it requires thinking in a different way. In this case it is culturally problematic for many reasons, especially as there is a preference for many to not have their knowledge to be digitalised and measured.

Contrary to general perceptions, the digital transformation of corporate governance, though not just restricted to financial services, has a strong ROI including:

1. Transparency and traceability through compliance automation
2. Safeguarding employees and customers alike
3. Material reductions in costs and conduct risks
4. Identification of new opportunities to grow services and revenues
5. Instant upskilling enabling workforce agility and adaptability
6. Better brand protection and reduced provisions for non-compliance

The digital transformation of corporate governance is a catalyst for profound change, but as always requires the strong leadership to shape a different sense making framework for going forward. Making a start is tough yet early transformative validation is relatively easy.

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