Thank you to the attendees from various companies across the financial services and technology sectors who took part in the “Future of Risk Management” collaborative session at the Innovation Lab at KPMG Ignition in NYC on November 13, 2019. With over 50 attendees, the night kicked-off with KPMG National Lead Regulatory Insights Principal, Amy Matsuo, highlighting KPMG’s top 10 key regulatory challenges of 2020. The evening proceeded to a thought provoking panel moderated by Kristin Haug from the Innovation Lab at KPMG Ignition. Panel topics included potential benefits and risks with ‘RegTech,’ considerations for operational resilience, data privacy and cloud security. We’d like to thank the panelists: Melissa Koch from InFront Compliance, Christine Lowthian from HSBC, Kathryn Van Nuys from Amazon Web Services, Catherine Cabrera from American Express, and Amy Matsuo from KPMG.

**10 key regulatory challenges of 2020 for financial services**

The financial services industry is adopting business and technology transformation at a pace that is challenging both regulators and public policy. As the U.S. enters an election cycle, the key regulatory challenges will be intertwined with the business imperatives of change and efficiency. The following are KPMG’s top 10 key regulatory challenges of 2020:

- Geopolitical change
- Divergent regulation
- Data protection and governance
- Operational resilience
- Credit Quality
- Capital and liquidity shifts
- Compliance agility
- Financial crime
- Customer trust
- Ethical conduct

**Discussion themes**

**RegTech**

**Current environment**

In an environment of rapid regulatory change, firms are leveraging RegTech to improve efficiencies in regulatory compliance. Other promising use cases include leveraging data analytics tools.

**Risk considerations**

Alongside the potential benefits they bring, firms should be cognizant of the potential risks associated with integrating these new tools in their environment, such as:

1. Third party risks from using external RegTech providers;
2. Internal preparedness and data quality in advance of automation;
3. Ensuring there is a robust organizational change management process in place.

**Operational Resilience**

**Current environment**

Globally, regulators are focused on Financial Services firms’ ability to demonstrate Operational Resilience. Horizontal regulatory exams in the U.S. are resulting in regulatory scrutiny and actions.

**Risk considerations**

Firms are becoming more reliant on third parties (e.g., cloud service providers, micro-service providers, etc.) for innovation and product development. The resulting interconnected business ecosystem poses systemic risk, driving the need for firms to have greater understanding and granular mapping of their end-to-end services.

**Data Privacy & Cloud Security**

**Current environment**

More financial services firms are transitioning to cloud because of the following benefits amongst others:

1. Agility and ability to test and pivot, resulting in quicker speed to market and innovation
2. Economies of scale, driving cost savings
3. Potentially more control and security than on premise configurations

**Risk considerations**

Robust Operational Resilience and third party risk management (TPRM) are required, to mitigate risks posed by the industry concentration of cloud service providers. Firms must also implement a proper control environment on their end.
Join in our Women of Risk Community (WORC) group on LinkedIn to continue the discussion at www.linkedin.com/groups/12090066


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