

# REGULATORY COMPLIANCE IS THE INITIATOR FOR INNOVATION

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## Key Facts

- › „COREinstitute published a study titled "The Primacy of Technology"
- › The use of new technology and technological know-how in management is critical to improving efficiency and opening up the potential of the market
- › Innovation through technological focus of the organization and regulation

## Report

The situation in the banking sector is still tense, and is becoming ever more so as a result of increasing regulation. In order to make use of regulatory compliance as a driver for innovation, the use of state-of-the-art technologies and agile approaches are just as important for success as a greater focus on IT know-how within the banks' management hierarchy. These are the findings of a recent study carried out by COREinstitute, Berlin.

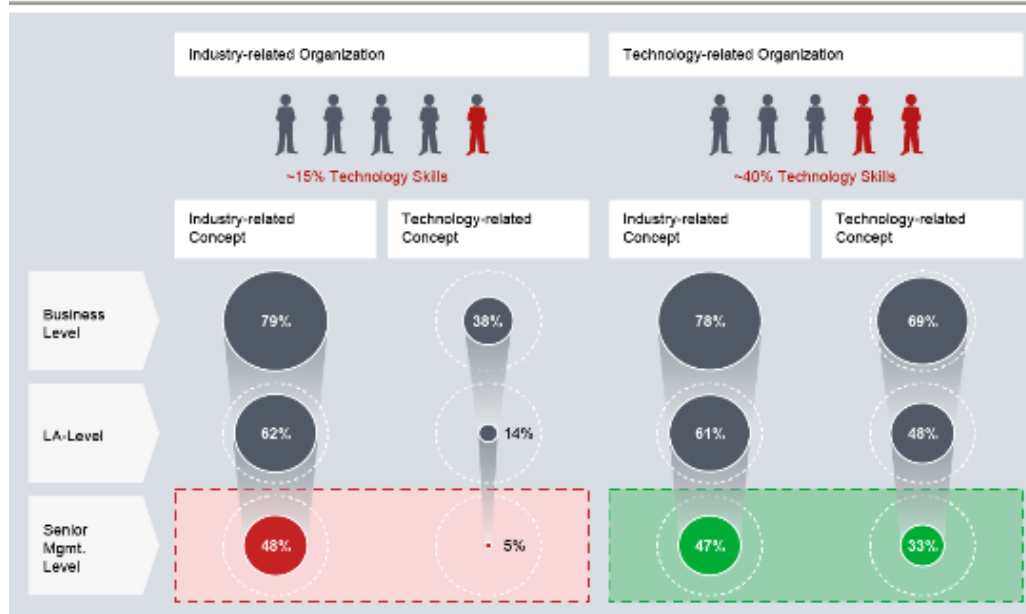
A change in consumer behavior, a period of low interest rates and new competitors are all signs of a profound transformation taking place within the finance industry. Banks are now forced to find more efficient methods and to tap into new business opportunities. The drastic situation in the German banking sector is illustrated by the massive number of redundancies announced as well as the latest assessment undertaken by the International Monetary Fund.

Banks have been faced with high financial burdens over the past few years as a result of the increased number of regulatory requirements. 42 EU regulations and directives have been enacted between 2009 and 2015; and this trend looks set to continue. Due to the continual drop in earnings, expenditure in specialist areas and IT will lead to significantly higher requirements on management in the banking sector.

Consequently, some banks are now beginning to take a different stance towards regulatory compliance in order to increase efficiency in terms of specialist fields and IT. They are thus managing to leverage high increases in efficiency from technological development and, at the same time, achieve flexibility in business development.

The acceptance of technological know-how in tackling challenges is necessary in order to overcome the regulatory requirements as primarily technological challenges. The committees and decision-makers in the banks concerned need to permit the modified inclusion of both technologies as well as technologists. Mastering technology sets the foundations for applying regulatory compliance as a motor for innovation.

Probability of Implementation Decision for Solution Concepts<sup>1</sup> (in Germany)



<sup>1</sup> Model calculation based on game theory assumptions, taking into account various degrees of understanding (and risk aversion) for industry-related and technology-related concepts  
 Source: COREinstitute 2016

Figure 1: Decision on Solution Concepts Related to Organizational Weighting

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International Monetary Fund



**Christian Böhning** is Managing Director of CORE. He possesses many years of consulting experience in the finance industry with a focus on the planning and steering of complex IT transformations. With CORE, Christian aims to establish a new dimension in consulting services for financial institutes by bringing together specialists and generalists in order to ensure success for our clients.

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