

claus<sup>e</sup>match

eBook

# 2023 State of Compliance Technology Report



# About the survey

2022 has posed a number of challenges for businesses, and risk and compliance departments around the globe. Compliance and risk officers have had to juggle multiple priorities and adapt at speed to mitigate emerging risks and comply with new regulations, as the world fights to recover from the COVID pandemic and braces for a looming economic downturn. 2023 is also set to be a challenging year as, in addition to all issues already mentioned, Chief Compliance Officers and Chief Risk Officers have to deal with the fact that penalties and liabilities are getting increasingly personal, with executives being fined and prosecuted for the lack of supervision of policy, control and procedure adoption by staff.

So, with budget cuts, headcount freezes, market instability and regulatory developments happening faster than ever, how are compliance departments dealing with an ever-increasing influx of regulations and supporting their company's business objectives? **Is investment in compliance technology the way forward?**

In our latest survey, we collected data from 75 organizations across the UK, Europe, North America, the Middle East, Asia, and Australia, on how they are planning to invest in compliance technology in 2023.

The key objective of the survey, conducted between September and November 2022, was to find out:

- Top compliance **priorities** for 2023
- The **barriers** preventing organizations from achieving their compliance goals in 2023
- How the economic crisis has impacted compliance **budgets**
- The types of **compliance technology** companies are planning to invest in
- The comfort level of compliance professionals shifting to **cloud-based technology**

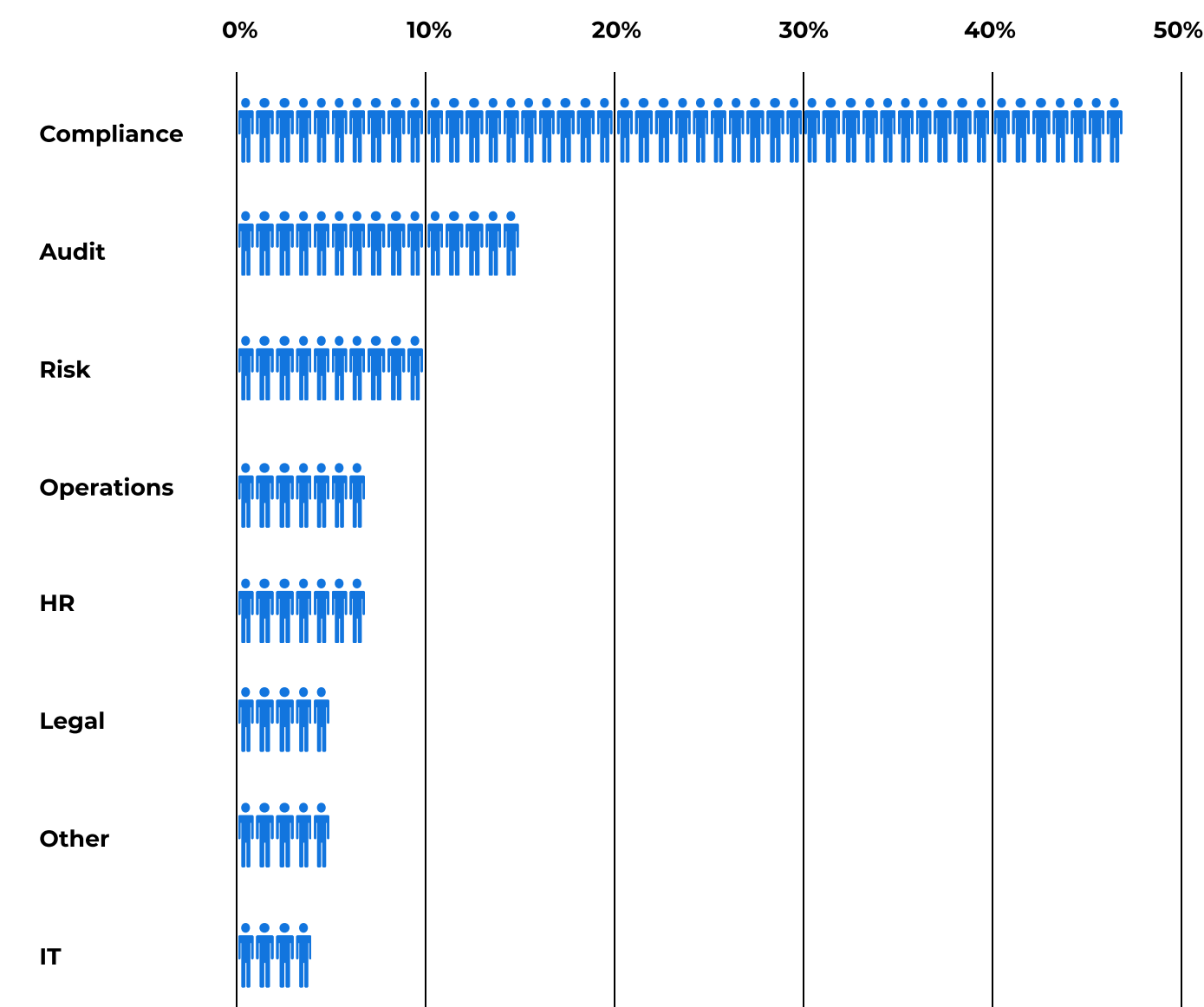
The following report highlights the main findings from the survey.

# Respondent Demographics

## Who participated in the survey:

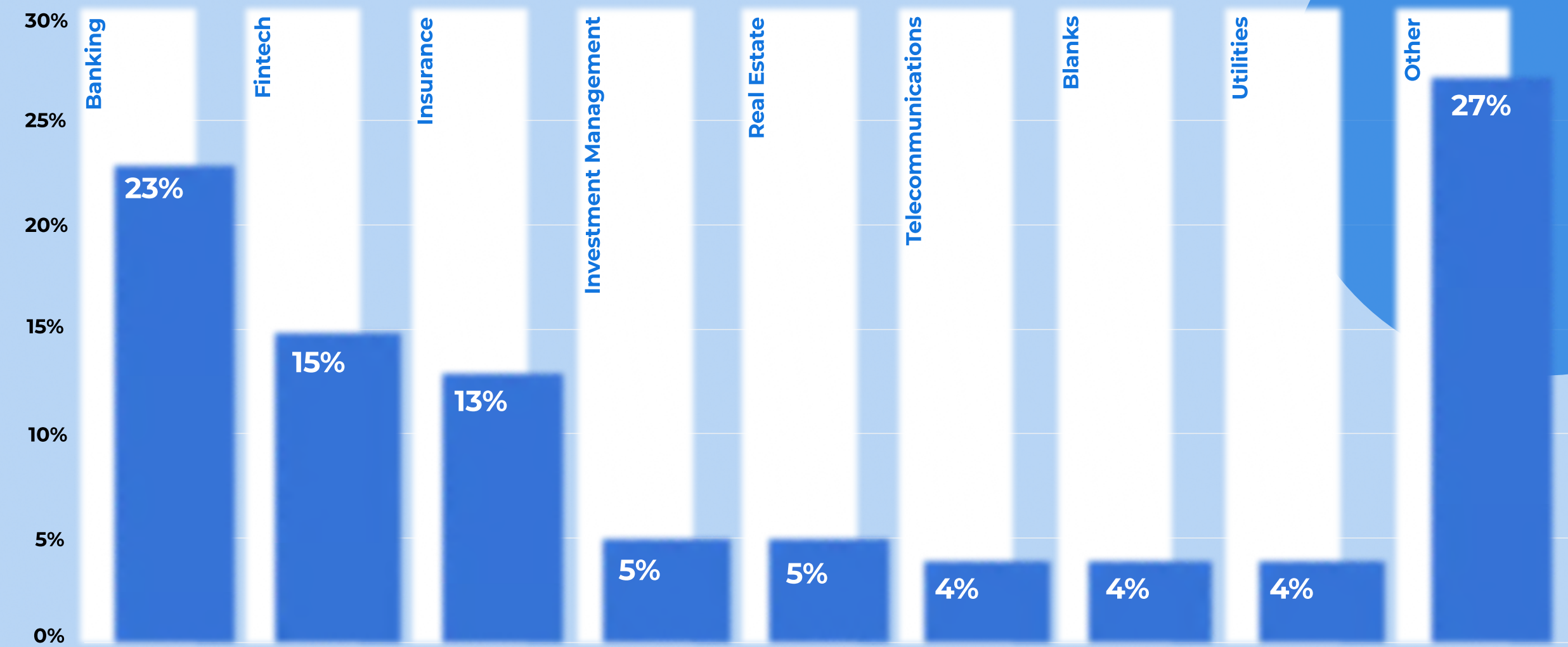
### Job function:

Respondents were primarily in the Compliance function (47%), followed by Audit (15%) and Risk (10%).



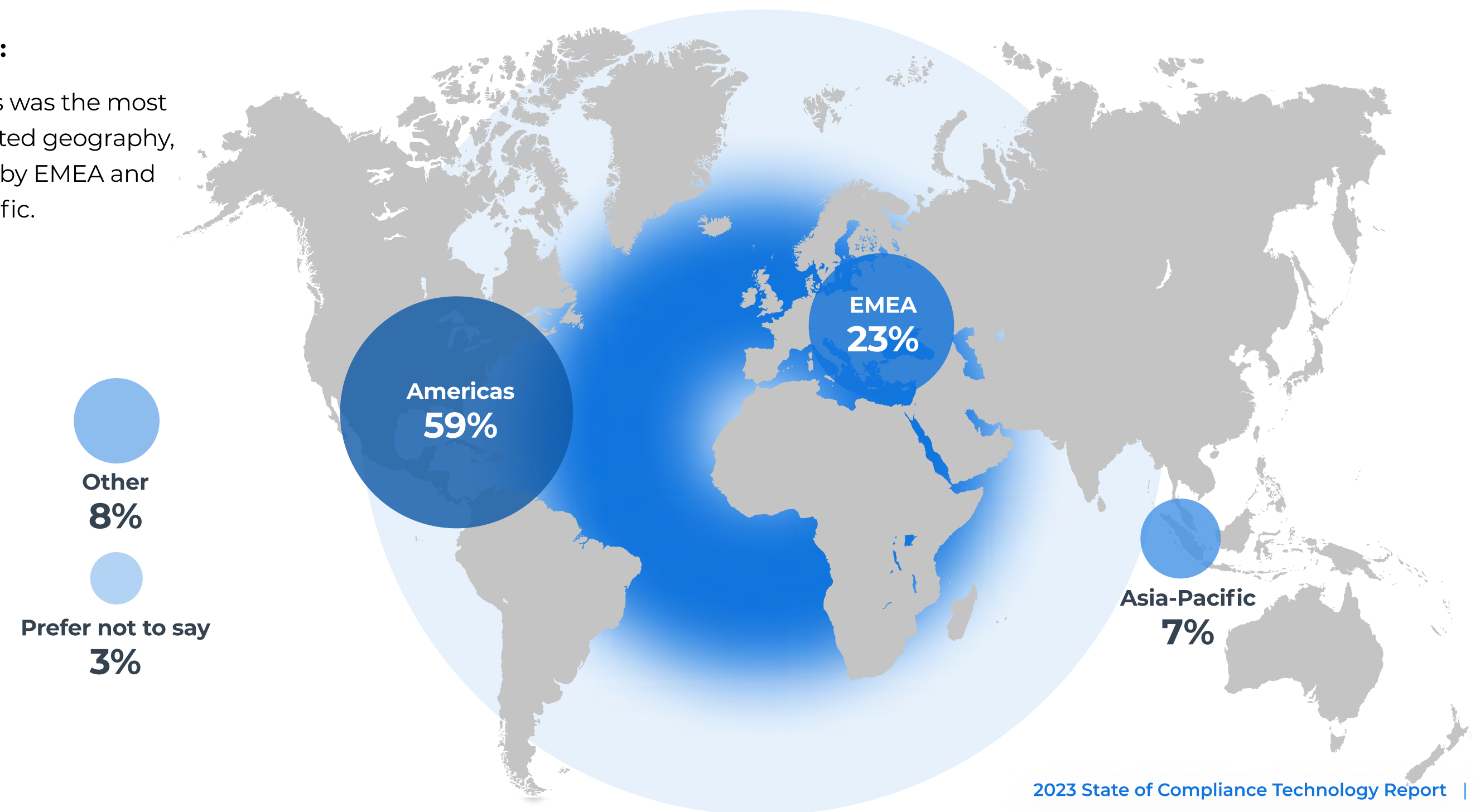
### Industry:

Survey participants were, in the vast majority, from the Financial Services space, with 57% of all responses coming from a combination of Banking, Fintech, Insurance, Investment Management and Payments sectors.



### Location:

Americas was the most represented geography, followed by EMEA and Asia-Pacific.





# Compliance trends: What we uncovered and 7 tips to address our findings

## Trend #1

### Investing in compliance technology and disseminating policies to the workforce are top compliance priorities for 2023

When it comes to compliance priorities for 2023, our survey uncovered multiple focus areas, including:

- **Investing in compliance technology** - 10% of responses
- **Communicating policies to all staff and driving adherence** - 10% of responses
- **Adapting your compliance to global data protection and privacy laws** - 9% of responses
- **Managing third party risk and vendor relationships** - 9% of responses

Other topics, such as automating regulatory reporting, mapping of regulations to policies, procedures, risks and controls, strengthening cybersecurity, and updating policies and procedures at the speed of current regulations followed suit, with 8% of the responses.

The responses highlight the vast variety of challenges companies face at the moment to stay compliant amidst the business and economic landscape, marked by instability. Investment in technology is pointed as the number one priority, though, tied with dissemination of policies to the workforce.

## Tip #1

# Understand your company's business objectives and identify what compliance needs to do to support them

Mapping your organization's current compliance state and the business objectives for the foreseeable future, and identifying gaps in strategy and technology to achieve them should give you a better understanding of where to focus your compliance efforts in 2023. We suggest that you ask yourself:

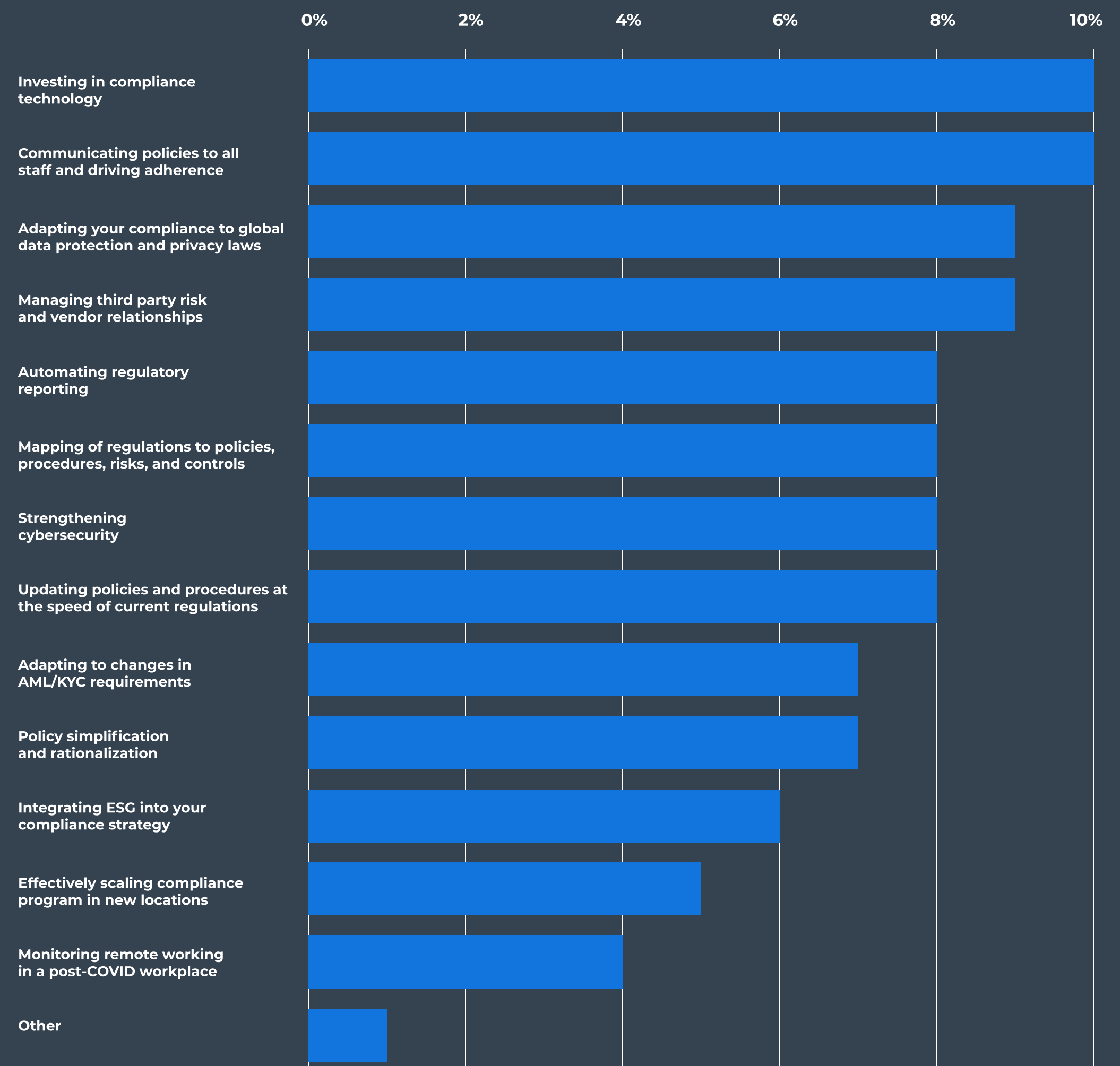
- **Are the key topics identified in the survey our priorities as well?** If not, what is keeping the compliance team up at night?
- **How can we make sure our priorities are addressed** and don't become an emerging risk in the new year?

- **Do we have a strategic plan in place?** If not, how can we go about putting one together and who needs to be involved?

- **Do we have the right technology to do our job right?** If not, where are the main gaps and how can we go about filling them in?

If you work for one of the companies looking to **improve their policy management and distribution process**, [here](#) is some food for thought on how **Currencycloud** is dealing with the matter and [here](#) is info on how **Barclays** has rolled out compliance to their global workforce.

What survey participants anticipate as their top compliance priorities in 2023.



## Trend #2

### Technology gaps and lack of budget are preventing teams from achieving their compliance goals in 2023

As well as with compliance priorities, different companies face different roadblocks when it comes to achieving their compliance objectives, depending on the current state of their compliance program. However, our survey has identified that the 4 most common barriers to compliance success are:

- **Manual processes** - 16% of responses
- **Disconnected technology and legacy systems** - 15% of responses
- **Limited headcount** - 15% of responses
- **Budget restrictions** - 14% of responses

## Tip #2

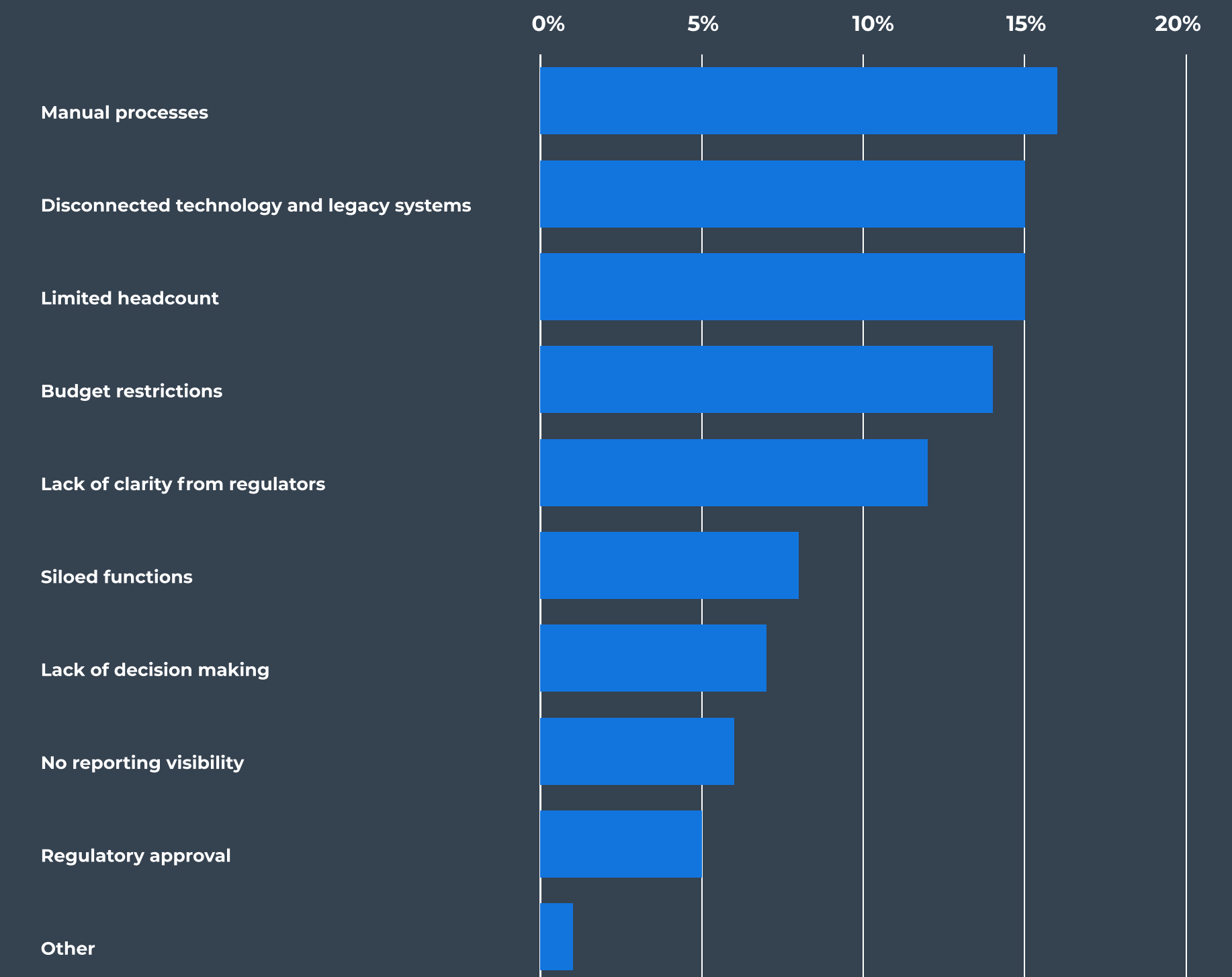
### Investing in the right technology can address the most cited barriers

When we take a closer look at the responses, it is fair to say that the main obstacles faced relate to **gaps in technology** and **lack of budget**. Although it might seem counterintuitive, the investment in the right **compliance technology can contribute to cost reduction** in the mid/long run, as it can:

- Help the company drive compliance and reduce exposure to significant fines and personal liability
- Automate and reduce human error for time-consuming tasks, and
- Drive efficiencies, without additional headcount.

It is key that compliance departments identify their priority areas for technology adoption, based on the potential risk for the business if the investment doesn't happen and the long-term cost savings that can be achieved.

Barriers preventing survey respondents from achieving their 2023 compliance goals.





### Trend #3

## 2022 saw a decrease in compliance transformation investment

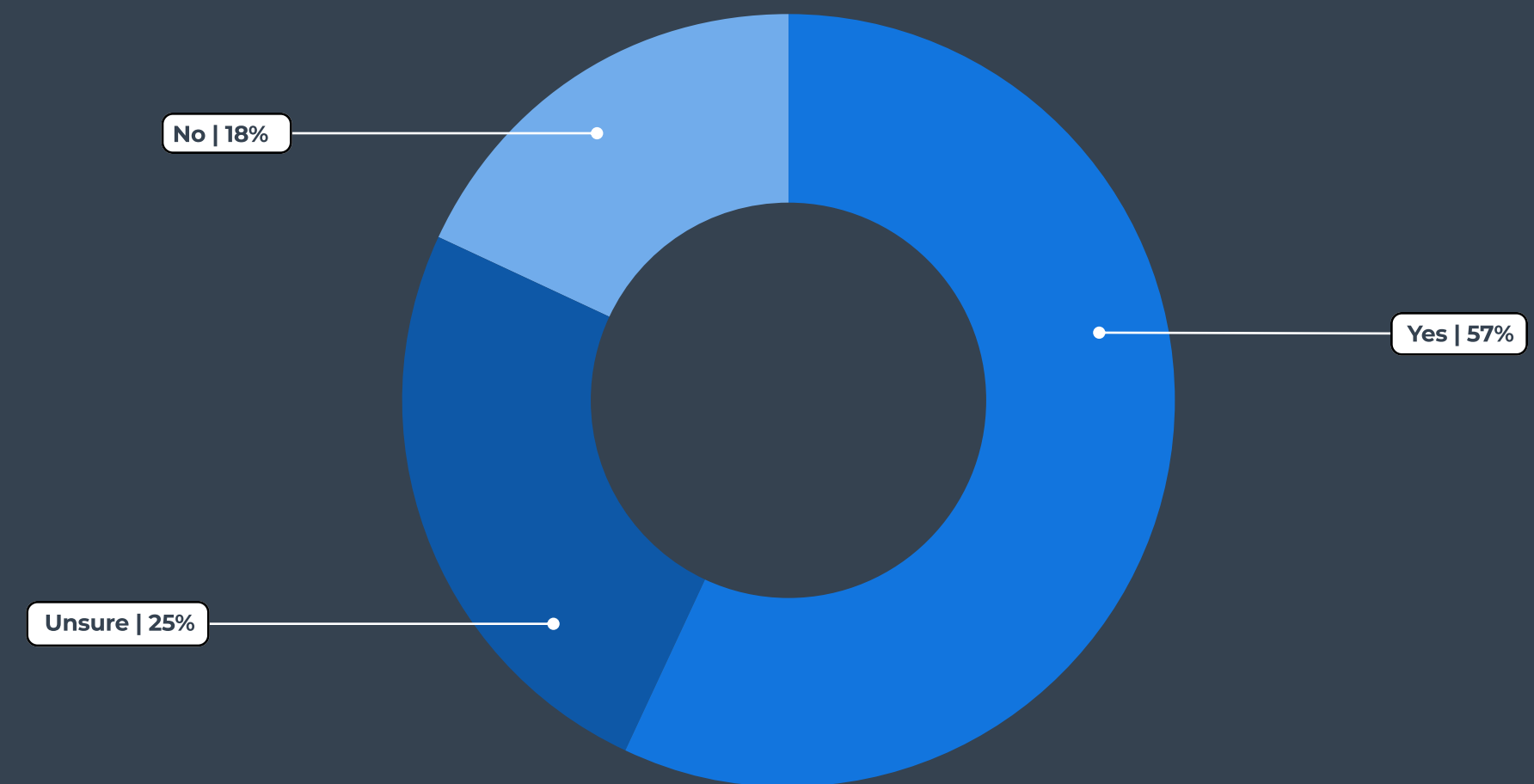
In early 2022, it appeared that the economy was finally recovering from COVID. Organizations had strong budgets to hire and invest, inflation seemed manageable, and companies expected to grow. However, the second half of the year caused many companies to be conservative when it came to compliance transformation, as evidenced in our report. The majority (57%) of respondents said that the current market trends reduced budgets or put a pause on compliance transformation in 2022.

### Tip #3 Prioritize investment in the right projects for 2023

While a cautious approach may be the most sensible route, there are technology investments that still need to happen, as they have the potential to help your company navigate this brewing storm and arrive safely to the other side. **Prioritization is the rule of thumb** here. While you might not be able to

invest in all projects needed for optimal performance, the risk of not investing at all is too high to embrace. Here is a [webcast](#) that shares **5 tips from compliance professionals on how to supercharge your compliance program in 2023** that might help you get started.

Have the current market trends reduced budgets or put a pause on compliance transformation?



## Trend #4

### Compliance technology budget has a positive outlook in 2023

It is a relief to see that, despite the economic downturn, 41% of survey respondents were confident that their compliance technology budgets would increase and 42% said it would remain the same. Only 17% of respondents stated their budgets would be decreased. This indicates that most companies are on the right path to understanding that **investment in compliance technology is essential to protect the business and its customers.**



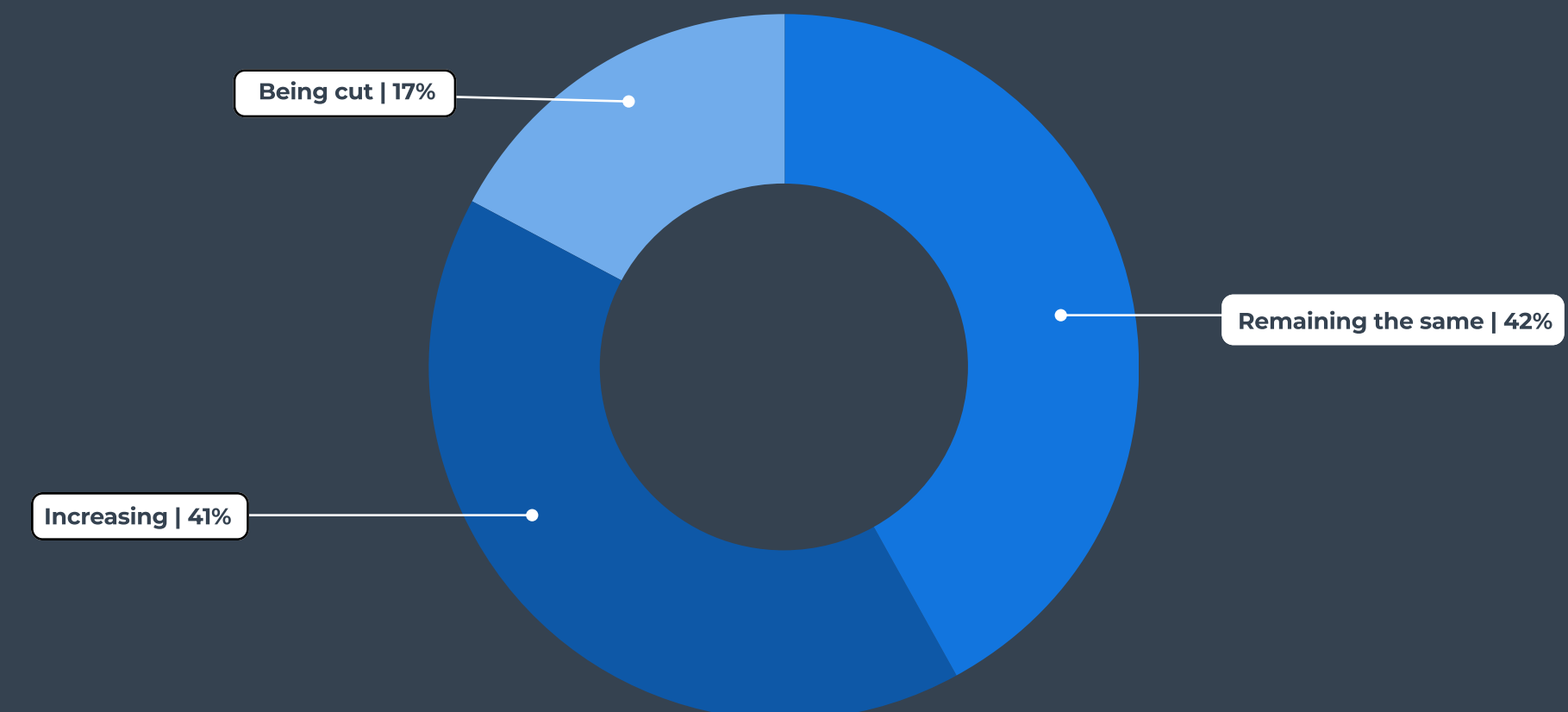
## Tip #4

### If you're not one of the lucky ones, demonstrate why your company should invest in compliance technology

If your company falls under the 83% of organizations that understand the importance of investing in compliance technology, your job is a bit "easier". You should be able to strategize and pick the right investment for your business in 2023. However, if you work for a company that has chosen to reduce their compliance

technology spend in 2023, you might need to prove that this is not the most sensible route in the long run. [Here's an article](#) that lists **7 reasons why you shouldn't cut compliance technology investments in an economic downturn**, that will shed a light on where to start to build a case for investment.

Is your budget for compliance technology in 2023...







## Trend #5

### Most companies are planning to invest in compliance technology in 2023

The majority of respondents (65%) said that they are either planning to invest in (44%) or open to exploring (21%) new compliance technology in the new year. This trend shows that companies around the globe seem to understand now that **manual processes and legacy technology just won't be enough to achieve a robust compliance program**. The area, once seen as a tick-in-a-box exercise, is beginning to be seen for what it really is, strategic and instrumental to the success of the business. And, as a strategic area, it can't function well without adequate tools in place to support it.

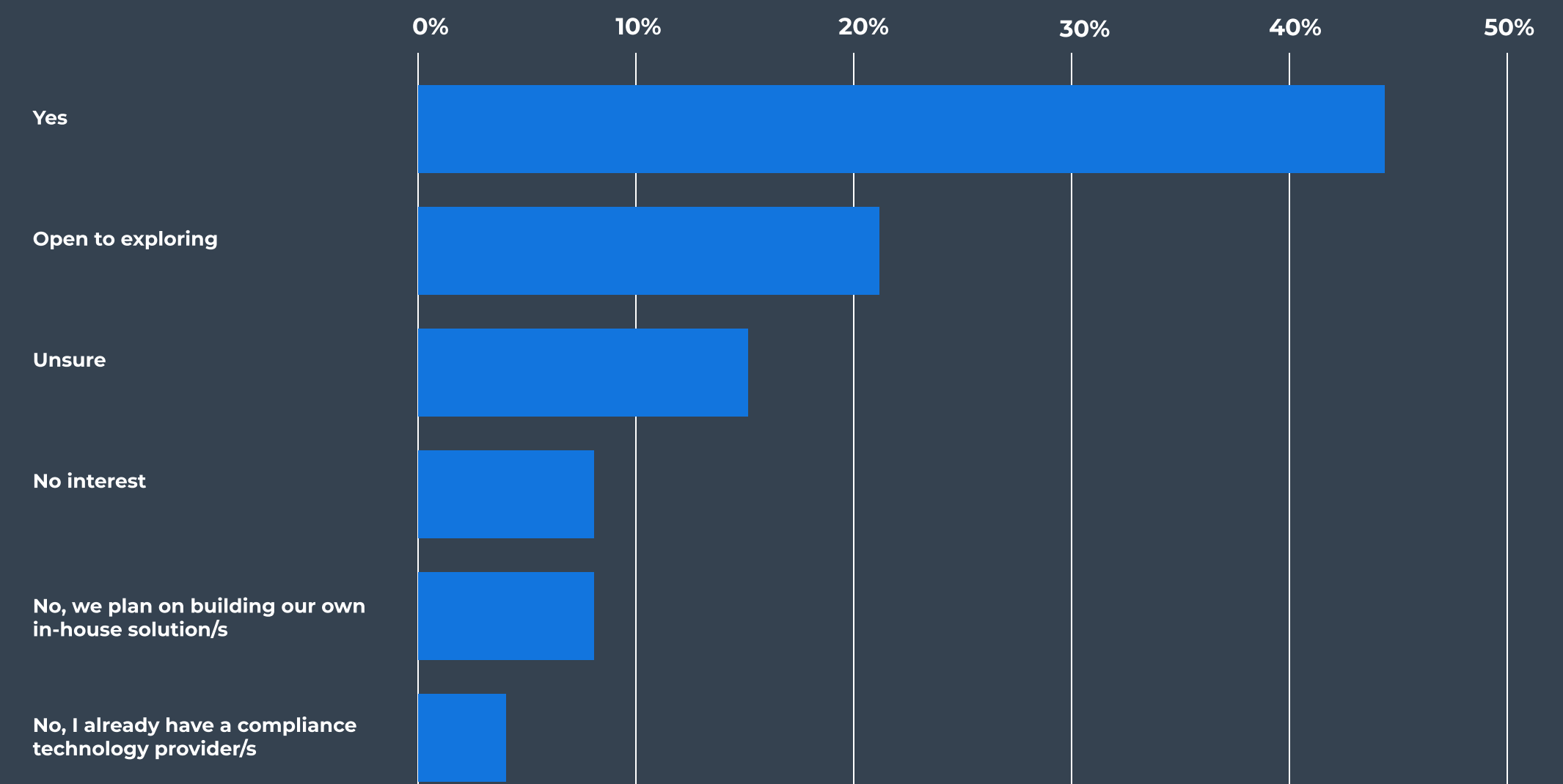
## Tip #5

### Work with your technology partner(s) to build a business case

Even if investing in technology is in your plans, the organization will surely be looking closely into what projects to approve in 2023, especially given the economic scenario. Make sure you put together a strong business case to back your investment request to the board and

receive the green light to proceed. Your trusted technology providers should be able to help you showcase the expected results of the adoption of a particular solution, and [this article](#) outlines **how to convince your executive team to purchase compliance technology**.

#### Are you planning on investing in compliance technology in 2023?



## Trend #6

# Compliance monitoring, risk management and regulatory change management are the top investment areas in compliance technology

The top compliance technology areas survey respondents are looking to invest in include: **compliance monitoring** (13%), **risk management** (12%), and **regulatory change management** (11%). **Compliance and ethics training** (10%), **cybersecurity** (10%) and **policy management** (9%) came next on the list. Areas like whistleblowing didn't seem to be a major concern, with only 1% of the responses.

## Tip #6

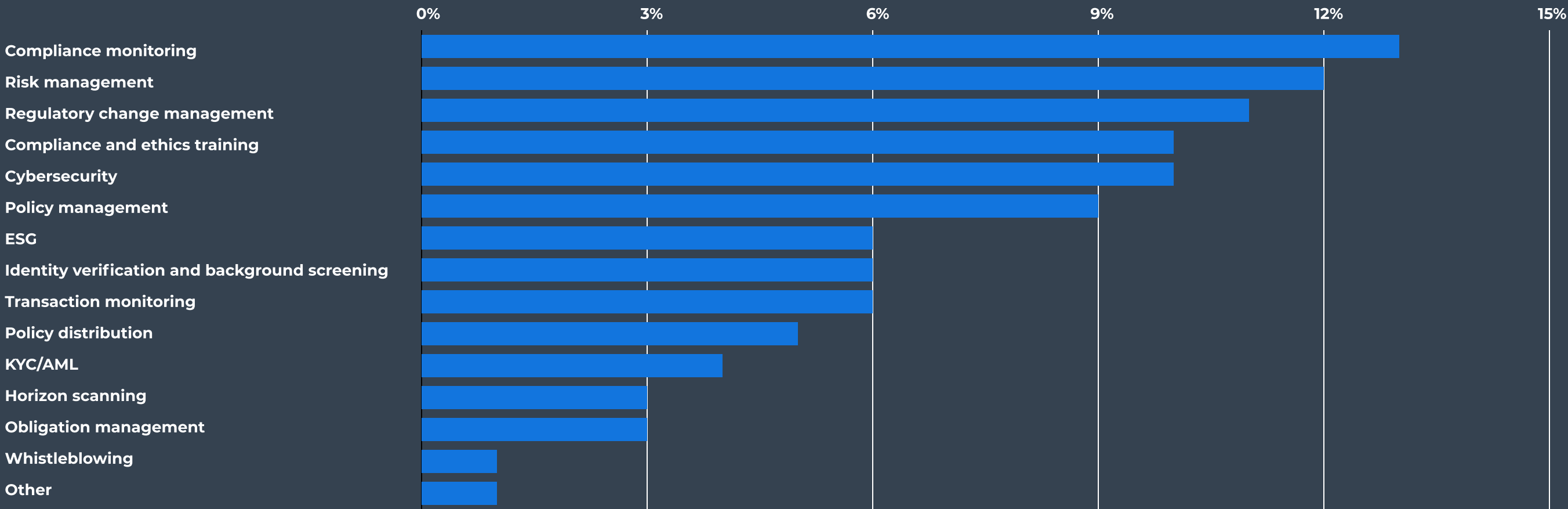
# Prioritization for compliance technology depends on the stage of an organization

When it comes to prioritizing compliance technology investment, it's important to understand that there isn't a one-size-fits-all approach. Each company will be at a different stage in their compliance maturity journey. For example, if you already have compliance monitoring solutions in place, it might be the right time to look for risk management or regulatory change management technology. If you have a global workforce, making sure they receive appropriate training and adhere to policies and procedures might be top of mind for you. If you are preparing

for an IPO or expanding to new geographies, you will certainly have different priorities, such as a central tool to manage your compliance documents.

Reach out to peers who work in a company of a similar profile to share investment plans and lessons learned from past technology projects. If your organization is looking for a policy management solution, take this [assessment](#) to **understand where you currently stand and what you need to do to achieve a fully mature policy management program.**

What type of compliance technology do you plan on investing in?



## Trend #7

### Cloud-based compliance technology is on its way to becoming widely accepted

Cloud technology is here to stay and compliance professionals seem to be getting used to it. Almost half of the respondents (45%) said they are comfortable with shifting to cloud-based compliance technology, while 40% professed to be more comfortable than before. A small number of professionals said they still feel slightly uncomfortable (9%) or not comfortable (4%).



## Tip #7 Embrace cloud-based compliance, safely

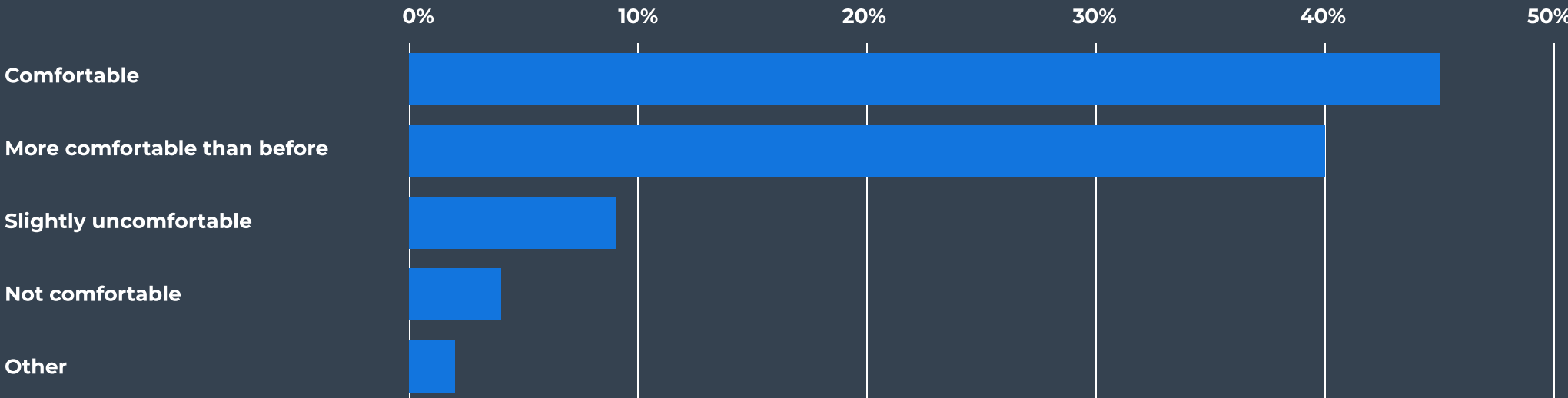
Software as a service (SaaS) compliance solutions can bring multiple benefits to the companies that choose to adopt them, such as lower implementation and maintenance costs. As with any new solution or vendor you evaluate, it is important to conduct all the relevant checks and make sure that the new provider is taking the necessary steps to protect your company and its data. A few items to consider before taking the plunge are:

- What is their uptime Service Level Agreement (SLA)?
- How is data security handled?

- How do they provide user and application security?
- What support is available, pre and post implementation?

If the vendor provides satisfactory answers to these questions, and others that you and the IT team will surely have, **cloud-based software can be an excellent option to digitize compliance processes and build a robust governance, without spending a fortune.** This [eBook](#) highlights **best practices for technology implementation.**

How comfortable are you shifting to cloud-based compliance products?





## Key takeaways

It is now almost impossible to build a robust compliance program without investing in technology. Compliance teams can't keep up with the current speed of the market and the volume of regulations if they rely solely on scarce human resources.

It is too expensive and risky to have highly qualified compliance professionals investing their time in manual, low-value tasks that are prone to human error. They need to be able to focus on strategic tasks and apply their expertise to make the right decisions for the organization instead.

**In a nutshell, in order to meet your regulatory obligations and safeguard the business, its reputation, bottom line and customers, the right compliance technology must be in place.**

**Here are 5 takeaways from our 2023 State of Compliance Technology Report:**

- 1. Companies are starting to understand that **compliance is a strategic area and requires strategic investment**** but there is still a long way before it receives the same attention as the front office.
- 2. In order to keep up with a multitude of compliance requirements, organizations will need to make the right investments in compliance technology.**
- 3. Prioritization is key.** Companies won't have the budget to invest in all projects at the same time, so you will need to choose wisely and explain your choices to get approval.
- 4. Each company will have different priorities,** based on their compliance program maturity level, business objectives and risk exposure.
- 5. Compliance technology is now a must-have and it's not just about driving efficiencies.** It plays a pivotal role in meeting regulatory requirements, building reputation, avoiding personal and corporate liability, and supporting business objectives.

# About Clausematch

Clausematch is a global regulatory technology (RegTech) SaaS provider helping organizations operate safely and bring compliant products to the market. Clausematch's AI-powered platform uses advanced metadata, which allows companies to better manage documents so they can quickly adapt to changes and new regulations, as well as build trust with their board and regulators.

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