



Reimagining Real-Time CX in a DDO Compliant Landscape

The RegTech Ready CXO



For FSIs, the Design and Distribution Obligations (DDO) is the latest in a long line of regulatory changes, but it also presents an opportunity to improve customer offers and embrace a new generation of regulatory technology (RegTech) solutions. How they can derive the greatest benefit from DDO compliance was the topic of a virtual roundtable hosted by 6 Degrees Media and sponsored by Sitecore. Guests including The RegTech Association CEO **Deborah Young**, CBA Chief Compliance Officer **Kylie Rixon**, Deloitte Analytics Partner in Audit & Assurance **Sweta Shivdas**, and Sitecore Account Executive **Martin Botica**, joined with senior executives from Australian financial service industry (FSI) organisations to discuss the short-term impact of DDO and the long-term future of RegTech, and how FSIs can make the most of compliance requirements both today and into the future.



Top (left to right): Deborah Young, The RegTech Association, CEO; Kylie Rixon, Chief Compliance Officer, Commonwealth Bank of Australia. **Bottom (left to right):** Sweta Shivdas, Analytics Partner in Audit & Assurance, Deloitte; Brad Howarth, Journalist/Moderator.

The financial services industry is no stranger to new compliance requirements, with the Design Distribution Obligations (DDO) being the latest in a long list of measures designed to protect customers and enhance service levels.

The intent of DDO is to have FSIs take a customer-centric approach to designing products to ensure they are consistent with the objectives, financial situations, and needs of the people buying them.

While FSIs have always had this intention at heart, the introduction of DDO in early October makes it a regulated requirement, with the risk for penalties for non-compliance.

According to The RegTech Association CEO Deborah Young, DDO has meant that what was once a concern for product and marketing teams has now become a key consideration for all senior FSI executives.

“I think what’s clear is that commitment for these initiatives actually needs to come from the very top of the organisation,” said Young. “That might include IT, procurement, their innovation areas, and even their corporate ventures. So it really is a diverse set of stakeholders.”

For the Commonwealth Bank of Australia, Chief Compliance Officer Kylie Rixon said the program of work to implement DDO compliance had been taken

on by the product areas of the retail business, but with business stakeholders in distribution, product manufacturing, risk and compliance, and technology all deeply involved.

“The real intent of DDO is to make sure that you’ve got customers getting the right product and that that product services them through the lifecycle,” Rixon said. “And if their circumstances change or the product is not right for them through that lifecycle that the organisation’s able to help the customer identify that.”

The Cross-Check Countdown

While the work to achieve compliance has been significant, Young said FSIs gained some relief due to delays which held back implementation until October 5.

However, she said that despite the delays, some FSIs were still grappling with options right up until the last minute and as they strove to overcome issues of internal alignment or not having the right skills. However, Young said those barriers had also presented opportunities for innovative RegTech providers to offer solutions to fast-track compliance.

“The biggest barrier is actually procurement,” Young said. “That being said, we’re actually seeing a huge uptick in deployments right now – almost three and a half times the number of RegTech deployments are happening than there were in 2019.”

Sitecore Account Executive Martin Botica agreed that many FSIs had not moved swiftly to compliance, often due to the impact of the pandemic.

“Most of the organisations that I’ve been talking to are meeting the compliance requirements for October fairly close to the wire,” Botica said. “They’ve

downgraded their readiness from ‘we want to be structurally compliant for the long term’, to ‘just get over the line’. They’re not feeling super comfortable about those projects coming in on time.”

Some FSI executives in attendance indicated there was much work to be done in examining the future opportunities and setting appropriate courses of investment when it comes to both improving customer offers and aligning with regulatory requirements. One said they were currently seeking to understand how they could leverage technology to bring together all of the data points that their DDO activity was surfacing.

“We needed to understand the process and the operating model in terms of how we process and absorb that as an organisation before we start looking about investing in technology.”

Adapt with Agility

According to Deloitte’s Analytics Partner in Audit & Assurance, Sweta Shivdas, implementation of DDO had spurred additional investment in supporting technology, and these investments were likely to grow over time. They included investments in design, distribution, monitoring, record keeping, and complaints management, which in turn has required enhancement to CRM, governance, and monitoring tools.

But she said these investments were also driving longer term strategic thinking, and posed an important question for FSI executives.

“How do you bring all of that together from a data and technology perspective to build that end-to-end customer view, and use technology like artificial



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intelligence and machine learning to capture data from across these different platforms, to identify where the emerging risks or opportunities are?” she asked.

According to Botica, appropriate investment to align with DDO requirements could also help FSIs redefine their offers to customers.

“If you put the customer at the heart of your organisation – and DDO is trying to achieve that – that’s fundamentally a good thing,” Botica said. “Banks are leaving somewhere between \$200 billion to \$450 billion on the table globally through poor customer experience and personalisation. So if you can use DDO as a lever to improve the way that you go to market and improve the experience that you give to your customers, there’s a fairly significant revenue opportunity.”

Rixon indicated that for CBA there was a definite opportunity to align customers’ financial wellbeing with compliance requirements.

“There’s so much more investment now around using the data that financial services institutions have, coupled with AI or machine learning models, to have better engagement with customers,” Rixon said. “DDO just gives us a greater impetus and opportunity to do that, and greater investment as well, because it is compliance driven. So you’re going to get an increased investment together with your innovation budget.”

According to Young, The RegTech Association was now seeing heightened interest in emerging RegTech solutions as a means of more easily achieving their compliance obligations.

“What we’ve seen is that many of these challenges are faced by banks and financial institutions everywhere,” Young said. “So we’ve started to see some of the

banks partnering with offshore relationships to look at how they can approach some of these risks that all banks face in a non-competitive way.”

Young said the interest in RegTech was reflected in the growing interest from FSI executives in new providers and solutions, with more than 5000 executives across 40 countries attending RegTech industry events last year. “People have this appetite to learn what the solutions are that can solve these problems, including DDO,” Young said. “And they come to us because it’s a safe place to actually watch them from afar before they dive in and engage with them directly.”

Setting up the Guardrails for Value Outcomes

Rixon cautioned that despite the need to move quickly, it was vital that FSIs did not forgo proper product governance.

“If we think back to the Royal Commission, I think we’re at \$10 billion and counting in terms of the remediation cost of failing to get things right,” Rixon said. “There’s always a trade-off between having the right level of governance and oversight and approvals and speed to market, and service to customers. And obviously the more complex the organisation, the more difficult some of those barriers become.

“Where I’ve seen successful product governance is where there is not a ‘one size fits all’ approach, but where we try and implement a ‘guardrail’ approach, to ensure that products that have a broader target market and have less risk do not go through the same hierarchy of processes and approvals as those more risky products.”

If the right approach were taken, Rixon believed DDO could fulfill its purpose of improving customer

wellbeing and instil greater consideration of customer needs in the complete lifecycle of products.

“If organisations really think about that and focus on not just the front end, but everything through the lifecycle, they are then better placed to make sure that the customer goes into the right product, and then monitor whether that product remains right for them through the lifecycle,” Rixon said. “I think DDO is a positive thing for that, because it forces great sophistication and technology and automation through the whole lifecycles, and the customers will benefit from that.”

Shivdas said it was also important for FSIs to have a strong understanding of whether they were doing well with their compliance obligations, beyond the ambition of simply becoming compliant.

“Ideally it’s through the more positive customer engagement that you’ve got, and a greater understanding of your customers, to be able to really start to enhance that engagement process,” Shivdas said. “So rather than seeing DDO and other compliance initiatives simply as a tick box exercise, see it as that opportunity to better understand customers and drive a truly differentiated customer experience.”

For Botica, the challenge for many FSIs was to take an asset they already had – data – and make better use of it.

“We have all of the data available about our customers – who they are, what their individual financial circumstances are,” he said. “There shouldn’t be any excuse anymore to offer something to someone that we know is inappropriate. We can put in place technology and people processes, to ensure that we’re selling the right thing, to the right person at the right time.”

Next Steps

According to Shivdas, DDO ultimately represented a great opportunity for positive change.

“It’s a chance to move from that reactive end of the spectrum, with costly remediation, to a much more proactive, customer centric approach to product lifecycle,” Shivdas said.

“Where we work with our clients is in helping them to unpack those requirements and work with the product governance teams.”

And while she said that some of the opportunity to deliver on that promise might have been left behind in the initial rush to compliance, DDO represented a clear step in the right direction.

“This is going to be a journey, and the challenge is very real,” Shivdas said. “Post October, I think we’ll see firms pick up the conversations again and embark on a secondary wave of change.”

According to Young, FSI executives should also keep a close watch on RegTech developments to satisfy other emerging requirements, such as the rising interest in environmental, social and governance (ESG) requirements.

“We have a unique opportunity right now to do a mapping exercise between RegTech solutions and an overall ESG framework to help organisations achieve some of their goals,” Young said.

“ESG is something that you’re going to hear quite a lot about in the future, as well as how does RegTech fit within that, and we’re going to see if we can create some corridors in there to enable that more broadly.”



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