



The Cost of Compliance Report 2025

From Alert to Action

The true cost of regulatory compliance



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CONTENTS

FOREWORD FROM THE FOUNDER AND CEO	5
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EXECUTIVE SUMMARY	6
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STRATEGIC IMPERATIVES FOR CHIEF LEGAL, CHIEF RISK, AND CHIEF COMPLIANCE OFFICERS	8
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STRATEGIC PRIORITIES FOR EXECUTIVE ACTION: 6-24 MONTHS	10
---	-----------

INTEGRATED RISK-REGULATORY OPERATING MODEL	12
---	-----------

EXECUTIVE GOVERNANCE AND OVERSIGHT	13
---	-----------

2025 SURVEY FINDINGS	16
-----------------------------	-----------

Introduction	16
--------------	----

Horizon Scanning	18
------------------	----

Regulatory Change Management	22
------------------------------	----

Technology	33
------------	----

Strategic Outlook and Benchmarking	40
------------------------------------	----

Effectiveness of Risk and Compliance Management	45
---	----

Ideal Global Regulatory Change Management Model	48
---	----

Personal Liability	49
--------------------	----

Greatest Compliance Challenge in the Coming Year	52
--	----

Final Thoughts	54
----------------	----

About the Report	55
------------------	----

About CUBE	57
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“ We are delighted to launch this year’s Cost of Compliance Report at what is a pivotal time for compliance and risk professionals across the financial services industry. We take great pride in producing and taking the reins of this highly respected industry report, following our acquisition of Thomson Reuters Regulatory Intelligence and Oden businesses in January 2025.

At CUBE, we recognise that sustained industry engagement and collaboration are essential to shaping the future of compliance and risk in an increasingly complex global regulatory environment. In the third quarter of 2025, we surveyed over 2,000 senior compliance and risk officers across the globe to ascertain the most pressing issues they are facing today and over the next 12 months.

It is clear that the participants are navigating a hugely divergent regulatory landscape. Trade wars, unprecedented tariff changes and a myriad of ever-changing ESG legislation are placing pressures on businesses like never before. Thankfully, we remain optimistic about the potential of harnessing AI and look forward to helping our customers use this technology to stay ahead of regulatory change, mitigating any risk with a precision and agility that was previously unthinkable.

I hope you enjoy reading the results of this report and would like to express my sincere thanks to the brightest minds of the global regulatory compliance and risk industry for participating in our survey.

”



Ben Richmond, Founder and CEO

EXECUTIVE SUMMARY

Financial services regulation is back in the spotlight as governments seek to simplify rulebooks to drive growth and reduce unnecessary or unduly complex requirements. Simplification will still require effective change management, innovative technological solutions and creative business development. A continuing supervisory focus on personal accountability for senior individuals overlays this shifting landscape, alongside the need for firms to navigate geopolitical uncertainty.

A key element in managing potential regulatory change is keeping the business informed of relevant developments. Some 16% of respondents said they report on potential regulatory change to their executive and board. **Regulators have been vocal in their expectations that the board should have a clear line of sight to regulatory change, and a persistent lack of updates about emerging regulatory change could be considered to reflect weakness in a firm's approach to risk and compliance.**

There are broad common themes with significant regional variation in the concerns and challenges faced by more than 2,000 senior risk and compliance practitioners surveyed worldwide:

Practitioners expressed significant concern regarding the limited resources available for regulatory change management, which could cause delays in evaluating the effects of a potential change and undermine perceived effectiveness. More than a fifth of respondents (21%) reported that their regulatory change management approach was somewhat ineffective (e.g. frequent delays and resource constraints) and/or highly ineffective (e.g. causing regular deadline breaches and creating compliance risk). A total of 7% considered their approach to be highly ineffective. The challenge will likely intensify, with 60% expecting the cost of regulatory change management to increase in the next 12 months.

Geopolitical uncertainty is driving business change. Respondents were asked how, over the next 12 months, geopolitical tension would affect their approach to compliance. There were regional variations in perceived effect. Of the overall survey population, a quarter (25%) reported that significant strategic change would be required, and 8% cited fundamental business model implications.

Personal accountability for senior individuals is a continuous challenge, with firms rolling out a range of policies. This includes seeking to increase engagement on regulatory policy decisions about compliance challenges to help mitigate the growing potential for senior manager liability.



Firms are increasingly deploying artificial intelligence (AI) tools to help with all aspects of regulatory change management, from horizon scanning to the implementation and embedding of change. The vast majority (98%) of respondents reported having at least some degree of automation in their regulatory change management process, with 38% having automated more than half. Despite resource constraints, firms must invest in automating as much of their regulatory change management process as possible. This will help ensure firms get the best result from their skilled compliance function, enabling it to add more value in monitoring, oversight, regulatory relationship management and board engagement.

Data governance is seen as the greatest compliance challenge in the coming year, and it must become a core competency for firms, encompassing the management of collection, processing, accuracy, retrieval, consistency and security. Such governance covers who has responsibility throughout the data lifecycle and the processes, policies, standards, methodologies and metrics that are used for ensuring effective data management and security protocols for maintaining confidentiality. Specifically, data governance should consider localisation, the type of information a firm has, the basis of retention, location and method of storage.

52% reported an average of 2-3 weeks to complete an initial impact assessment for new regulatory developments

98% reported having at least some degree of automation in their regulatory change management process

60% expect the cost of regulatory change management to increase in the next 12 months

21% reported that their regulatory change management approach was somewhat and/or highly ineffective

The ideal global regulatory change management operating model is seen as being automated end-to-end, with standardised impact assessments supported by central coordination and oversight and executed with local expertise. Critical elements include seamless, cross-functional coordination, clear lineage and traceability between regulations and downstream controls and continuous feedback to define clear ownership.

RISK AND REGULATORY CHANGE MANAGEMENT

Strategic Imperatives for Chief Risk, Chief
Compliance and Chief Legal Officers

CURRENT STATE ASSESSMENT

The regulatory change management landscape presents escalating challenges that demand immediate strategic attention across the three lines of defence. Our research reveals that 74% of financial institutions require over one year to move from regulatory change identification to full implementation, with nearly one-third reporting 18-24 month cycles. This extended timeline can create significant control environment gaps, where regulatory obligations exist but corresponding risk controls remain unimplemented or inadequately tested.

Control environment synchronisation represents a critical vulnerability, with institutions struggling to maintain real-time alignment between evolving regulatory requirements and operational risk frameworks. The traditional approach of sequential implementation—regulation to policy to procedure to control—creates extended periods where risk exposure exceeds acceptable tolerance levels. 60% of organisations anticipating higher compliance costs in the coming year must invest in control framework modernisation to maintain effective risk management.

while automation adoption has reached near-universal levels at 98%, control environment digitisation lags significantly. Only 38% of institutions have automated more than half of their regulatory change management processes, and even fewer have achieved end-to-end traceability from regulatory requirement through business process to control testing. This gap creates blind spots in risk identification and measurement, limiting the Chief Risk Officer's ability to provide accurate risk reporting to senior management and boards.

CRITICAL RISK HORIZONS

Data governance emerges as the primary forward-looking risk, driven by converging pressures from artificial intelligence deployment, privacy regulations, and cybersecurity requirements. For Chief Risk Officers, data governance represents both a compliance obligation and the foundational infrastructure for effective risk management.

Regulatory expectations for data quality, lineage, and localisation have intensified significantly, creating new compliance obligations that directly impact risk data aggregation capabilities and stress testing accuracy.

The control environment faces unprecedented strain from multiple vectors: regulatory complexity, technological disruption, and operational model evolution. Risk management frameworks must simultaneously address traditional financial risks while incorporating new categories of risk from digital transformation, climate change, and geopolitical instability. **Personal accountability risk is escalating**, with 16% of firms increasing senior-level engagement in policy decisions to manage individual liability exposure. Among large institutions, this figure rises to 30%, reflecting heightened regulatory focus on individual accountability regimes that directly impact risk governance structures.

End-to-end risk visibility has become both a regulatory expectation and operational necessity. Regulators increasingly expect institutions to demonstrate clear line-of sight from business strategy through risk appetite to operational controls, with the ability to stress-test and scenario-plan across this entire chain. This requires sophisticated data lineage capabilities that most institutions have yet to achieve.

OPERATIONAL BOTTLENECKS REQUIRING IMMEDIATE ACTION

The most significant operational constraint lies in **impact assessment delays**, where 52% of institutions require 2-3 weeks for initial assessment, with 27% needing 1-2 months. From a risk management perspective, this delay creates extended control gaps where new regulatory requirements exist but corresponding risk controls remain undefined or unimplemented. This bottleneck is particularly problematic given fixed regulatory deadlines and represents the greatest opportunity for control environment improvement.

Control framework fragmentation compounds operational challenges, with risk management, compliance, and legal functions often maintaining separate systems and processes for tracking regulatory changes. This creates **multiple sources of truth** and limits the ability to perform integrated risk assessment across regulatory domains. Cross-border coordination friction continues to drive substantial costs, with 14% of organisations citing cross-jurisdictional alignment as a primary cost driver, while simultaneously creating control environment complexity that increases operational risk.

Risk data lineage inadequacy represents a fundamental constraint on effective risk management. Most institutions cannot trace regulatory requirements through to specific business processes and corresponding controls, limiting their ability to assess regulatory risk exposure accurately. This gap becomes critical during regulatory examinations, where supervisors expect clear demonstration of control effectiveness aligned to specific regulatory obligations.

STRATEGIC PRIORITIES FOR EXECUTIVE ACTION



Immediate Priorities NEXT 6 MONTHS

Launch Enterprise Data Governance Initiative with Risk Integration: Secure board sponsorship for comprehensive data governance uplift covering policy frameworks, ownership structures, lineage tracking, retention management, and localisation compliance. Position data governance as the foundation for risk data aggregation and reporting (BCBS 239 compliance), stress testing accuracy, and model risk management. Establish clear data lineage from regulatory requirements through business processes to risk measurements, enabling dynamic risk assessment as regulations evolve.

Implement End-to-End Regulatory-to-Control Digitisation: Extend automated capabilities beyond monitoring to include full regulatory change lifecycle with integrated control framework updates. Map regulatory obligations to specific business processes, corresponding risk controls, and testing scenarios. Ensure every regulatory requirement links to measurable risk metrics, control testing procedures, and risk appetite thresholds, creating dynamic risk dashboards that reflect regulatory compliance status.



Medium-Term Strategic Initiatives 6-18 MONTHS

Industrialise Impact Assessment with Control Gap Analysis: Deploy standardised assessment templates with embedded legal, compliance, and risk control impact analysis. Implement AI-assisted triage capabilities to compress the 14-60 day assessment window while simultaneously identifying control environment gaps. Require risk impact assessment for every regulatory change, including identification of new controls needed, existing controls requiring modification, and interim risk management measures during implementation periods.

Establish Integrated Risk-Regulatory Governance Framework: Implement mandatory decision registers, periodic training refresh requirements, and documented rationale for key regulatory and risk management judgements. Develop integrated risk-regulatory committees that ensure regulatory changes are assessed for risk impact before implementation, with clear escalation procedures for conflicts between regulatory requirements and risk appetite.



Future-State Preparation 12-24 MONTHS

Deploy “Highest Common Standard” Risk Control Architecture:

Implement design principles that default to the most stringent requirements across jurisdictions while maintaining unified control testing standards. Establish global control standards that can be stress-tested consistently across markets, with local adaptations documented and risk-assessed to ensure no dilution of overall risk management effectiveness.

Build Risk-Integrated Programme Management Capability:

Resource regulatory change management as a formal portfolio with dedicated risk PMO capacity for stakeholder engagement, evidence capture, control implementation tracking, and change-effectiveness testing. Ensure risk management representation in all regulatory change initiatives, with specific accountability for assessing control environment impact and maintaining risk visibility throughout implementation.

Prepare for Technology-Enabled Risk Transformation:

Develop comprehensive model governance frameworks for AI deployment in risk management, including bias monitoring, human oversight requirements, and deployment guardrails. Implement real-time regulatory change impact modelling, predictive control gap analysis, and scenario-based stress testing of regulatory compliance under various market conditions. Initiate quantum-readiness planning for cryptographic migration while ensuring risk management systems can adapt to technological disruption.

Achieve Dynamic Risk-Regulatory Alignment:

Build capability for real-time assessment of regulatory changes against risk appetite, automatic identification of control framework adjustments needed, and predictive modelling of regulatory risk exposure. Establish risk management as the central nervous system connecting regulatory requirements to business operations, enabling proactive risk management rather than reactive compliance.

INTEGRATED RISK-REGULATORY OPERATING MODEL

● **First Line Integration:** Business units equipped with real-time regulatory change notifications linked to operational risk assessments, enabling immediate identification of process and control impacts. Risk appetite cascaded to include regulatory compliance metrics alongside traditional risk measures.

● **Second Line Synchronisation:** Risk management and compliance functions operating from shared regulatory change repository with integrated control testing calendars, unified risk-regulatory reporting, and joint accountability for control environment effectiveness. CRO leadership in establishing risk-regulatory committees with decision-making authority.

● **Third Line Optimisation:** Internal audit programmes designed to test both regulatory compliance and control effectiveness simultaneously, with audit findings feeding back into risk assessment processes and regulatory change impact analysis.

CONTROL ENVIRONMENT DIGITISATION REQUIREMENTS

Regulatory Requirement Mapping: Every regulation decomposed into discrete, testable control objectives with clear business process linkage.

Risk Control Traceability: Direct line-of-sight from regulatory obligation through business activity to specific control testing, with automated gap identification.

Dynamic Risk Assessment: Real-time impact analysis of regulatory changes on risk appetite, control effectiveness, and business operations.

Integrated Testing Scenarios: Stress testing capabilities that incorporate regulatory compliance requirements alongside traditional financial and operational scenarios.



EXECUTIVE GOVERNANCE AND OVERSIGHT

Recommended Board-Level Metrics

QUARTERLY REVIEW

Process Velocity and Control

Synchronisation: Time from regulatory alert to initial impact assessment completion; time from impact assessment to control implementation; percentage of changes meeting internal implementation deadlines with effective controls in place.

Risk-Regulatory Alignment: Percentage of regulatory changes with completed risk impact assessments; control gap closure rates; regulatory risk exposure relative to risk appetite.

Automation and Integration Maturity: Percentage of risk-regulatory lifecycle automated; end-to-end traceability completeness from regulation to control testing; integration effectiveness between risk and regulatory change management systems.

Data Governance and Risk

Infrastructure: Coverage assessment of regulatory-risk data lineage; risk data aggregation capability scores; stress testing accuracy metrics incorporating regulatory scenarios.

Control Environment Effectiveness:

Percentage of regulatory requirements with mapped and tested controls; control testing coverage rates; regulatory examination finding resolution effectiveness.

Senior Manager Risk-Regulatory

Oversight: Decision register utilisation for risk-regulatory decisions; mandatory training completion for risk-regulatory interface; issue escalation and resolution metrics across both domains.

CALL TO ACTION

The regulatory change management function has evolved from operational necessity to strategic risk management capability, ensuring that evolving compliance obligations are seamlessly integrated into the firm's risk management framework without creating control gaps or blind spots.

Organisations that successfully achieve risk-regulatory integration will develop sustainable competitive advantage through faster regulatory adaptation, reduced compliance costs, enhanced risk management effectiveness, and superior regulatory examination performance. The window for proactive transformation is narrowing as regulatory intensity continues to accelerate while risk complexity increases exponentially.





Executive leadership must treat risk-regulatory change management as a unified strategic capability requiring dedicated investment in integrated technology platforms and collaborative operating models. The traditional siloed approach is no longer viable where regulatory changes directly impact risk exposure and control effectiveness. The imperative is clear: build integrated capability now, or face escalating control gaps and strategic blind spots that threaten institutional resilience.

INTRODUCTION

Regulatory change ebbs and flows, and the international environment is in a state of flux, with the post-2008/9 financial crisis reforms now being questioned as overly burdensome. The rapid evolution of technology is enabling increasingly automated solutions and myriad new products alongside a geopolitical risk landscape that is driving uncertainty.

Many jurisdictions are seeking to boost growth by simplifying requirements and encouraging innovation. It is fundamental for the future of systemic financial stability that simplification avoids deregulation. Simplification implies enhancing regulatory efficiency and reducing compliance burden while maintaining resilience; deregulation means weaker rules and toothless supervision at the expense of risk management and stability.

Good policymaking and effective change management are a two-way street between regulators and those they regulate. The wave of change will require scrutiny from firms and effective implementation to achieve the benefits of simplification without creating undue risk.

The Cost of Compliance Report 2025 focuses on the methods that financial services firms use to manage all phases of regulatory change.





But the fact that the benefits of regulation and supervision outweigh the costs overall does not mean that all regulation and supervision delivers more benefits than costs. Rules and requirements and supervisory interventions do need to be consistently considered and re-considered in terms of costs vs benefits.

Remarks by Mary-Elizabeth McMunn

DEPUTY GOVERNOR, CENTRAL BANK OF IRELAND, APRIL 2025

Jurisdictions cannot achieve financial stability alone. A globally interconnected system requires global cooperation and engagement. The FSB's broad and varied membership makes it uniquely placed to deliver on its mandate. This is important in both good times and bad. It is vital that policymakers can act collectively in response to a global shock. We should not take this capability for granted, particularly against the backdrop of geopolitical tensions and rising fragmentation risk.

Letter to G20 Finance Ministers and Central Bank Governors

FROM ANDREW BAILEY, CHAIR, FINANCIAL STABILITY BOARD, JULY 2025

The current rules are not there because the framework has intentionally been made too complex. Rules and procedures are there for a reason.

Speech by Claudia Buch

CHAIR OF THE SUPERVISORY BOARD, EUROPEAN CENTRAL BANK, JUNE 2025

Over the past several years, the banking industry has faced an onslaught of proposed and final regulations and guidance, materials that require a significant time commitment to review, to comment on and to implement. Many times, these require changes to policies and procedures or risk-management practices.

Speech by Michelle W. Bowman

GOVERNOR, U.S. FEDERAL RESERVE BOARD, FEBRUARY 2025





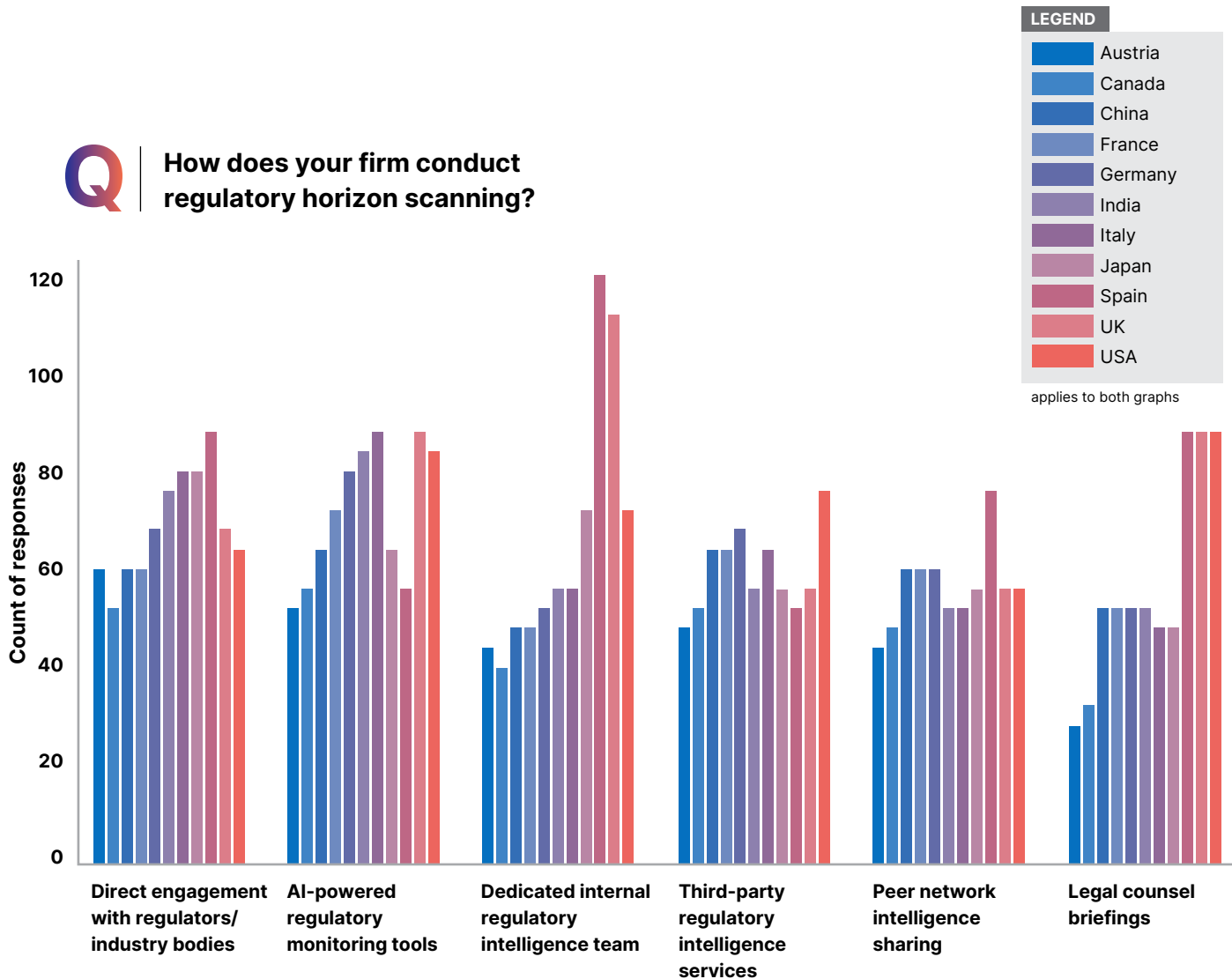
The Cost of Compliance Report 2025



In particular, 13% of respondents reported using AI-powered monitoring tools specifically to support regulatory horizon scanning, and the same percentage was reported for those using integrated regulatory change management.



How does your firm conduct regulatory horizon scanning?



The Cost of Compliance Report 2025



We know from our joint surveys with the Bank of England that 75% of firms have already adopted some form of AI. But most are using it internally rather than in ways that could benefit customers and markets. We understand from our own experience of tech adoption that it's often internal processes that are easier to develop.

Remarks by Jessica Rusu

CHIEF DATA, INFORMATION AND INTELLIGENCE
OFFICER, UK FINANCIAL CONDUCT AUTHORITY,
JULY 2025



There is a wide array of regulatory developments to track. In terms of new rules, guidance and consultations, the vast majority of respondents (82%) reported tracking between 26 and 100 developments per month, with 39% tracking between 51 and 100 developments monthly.



Keeping pace with new regulations on automation, artificial intelligence and digital platforms requires a strong governance and ethical framework.

Compliance Director, Germany

SURVEY RESPONSE ABOUT THE GREATEST COMPLIANCE CHALLENGE EXPECTED IN THE NEXT 12 MONTHS

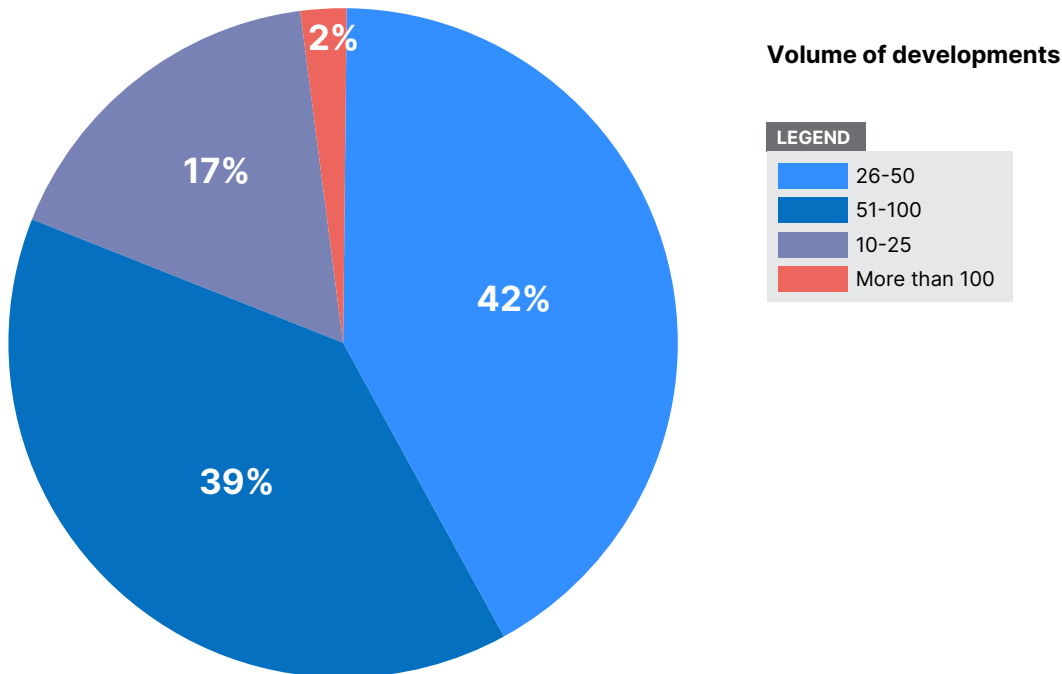
The integration of AI enables organisations to conduct predictive regulatory risk analysis and generate reports.

Chief Risk Officer, Canada

SURVEY RESPONSE ABOUT THE GREATEST COMPLIANCE CHALLENGE EXPECTED IN THE NEXT 12 MONTHS



On average, how many regulatory developments does your firm track per month across all jurisdictions to consider a potential impact to your business?



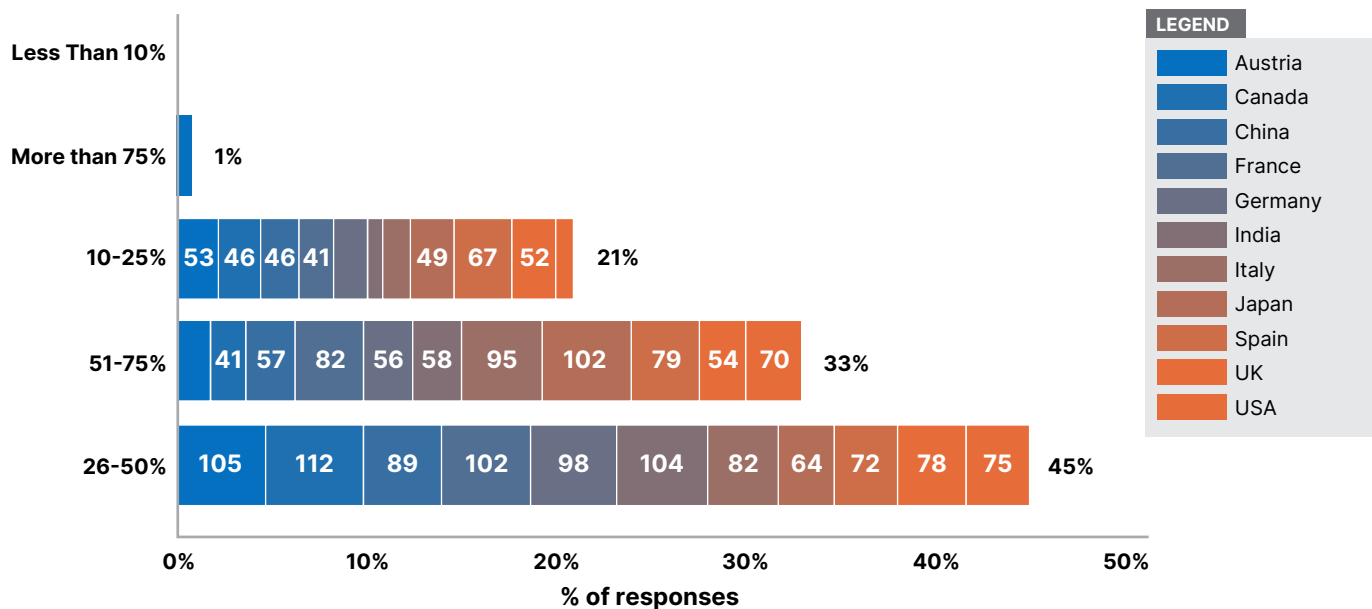
All information on regulatory change is useful, even if it is only to build background knowledge and awareness. Regulatory tracking and horizon scanning must be targeted to minimise the review of changes that would require no action by firms. Some regulatory events, such as speeches and the publication of guidance, must be

tracked even if they only require ensuring that operations align with supervisory expectations. Firms will also follow enforcement actions to learn lessons. They may face no actionable requirements after the consideration of relevant fines and sanctions.

A fifth of all firms (21%) reported that less than 25% of tracked developments required action, suggesting that the targeting of horizon scanning could usefully be reviewed and the focus sharpened. Firms in France (7%) and Italy (10%) were outliers, with notably fewer reporting that less than 25% of tracked developments required action, which suggested a potentially clearer focus on developments requiring them to act.



What proportion of regulatory developments identified through horizon scanning ultimately require action by firms?



We may well have reached the high watermark for regulation, as the focus on growth and competitiveness across key financial centres drives regulatory simplification. In this evolving environment, standards are a mechanism — complementing national rulebooks — to promote consistent standards of conduct in global markets.

Christopher Rich, General Counsel, London

FINANCIAL MARKETS STANDARDS BOARD - CUBE

INTERVIEW JULY 2025

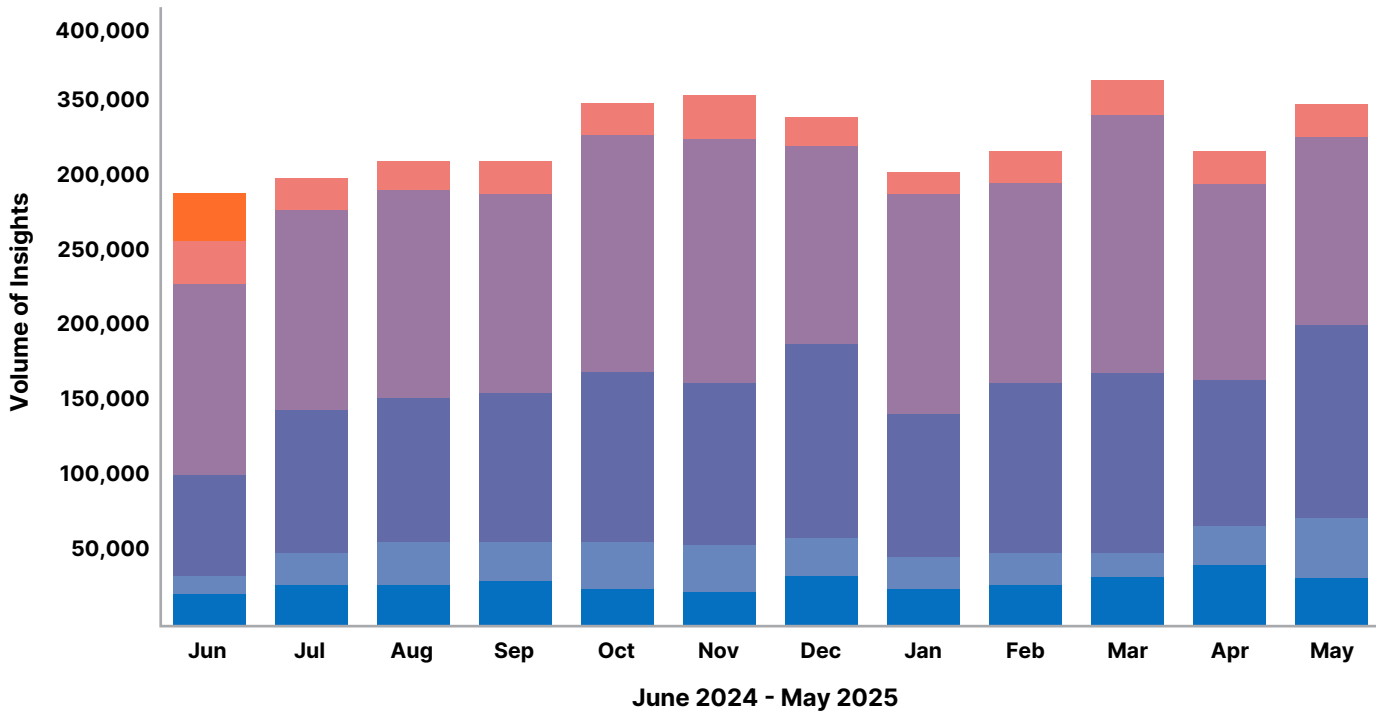
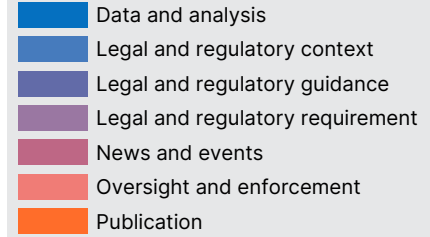


REGULATORY CHANGE MANAGEMENT



**Publication of Regulatory Insights by CUBE
across all global jurisdictions over 12 months**

LEGEND



The Cost of Compliance Report 2025

The potential effects of a proposed regulatory change require careful consideration to ensure firms have assessed all ramifications. Firms reported using a range of methodologies for assessment, including AI and technology-assisted analysis (17%) and a standardised assessment framework (17%).

A total of 16% of respondents reported using third-party regulatory consultants to help assess emerging reforms. There was regional variation in the reported use of third parties, within Germany (54%) and the United States (25%). Relying on third parties for compliance expertise might create additional challenges if not subject to a

robust governance framework. Furthermore, the use of that external expertise does not exempt financial institutions from regulatory obligations and liabilities.

Firms should build in-house compliance resources to facilitate regulatory change assessments and identify associated business development opportunities.



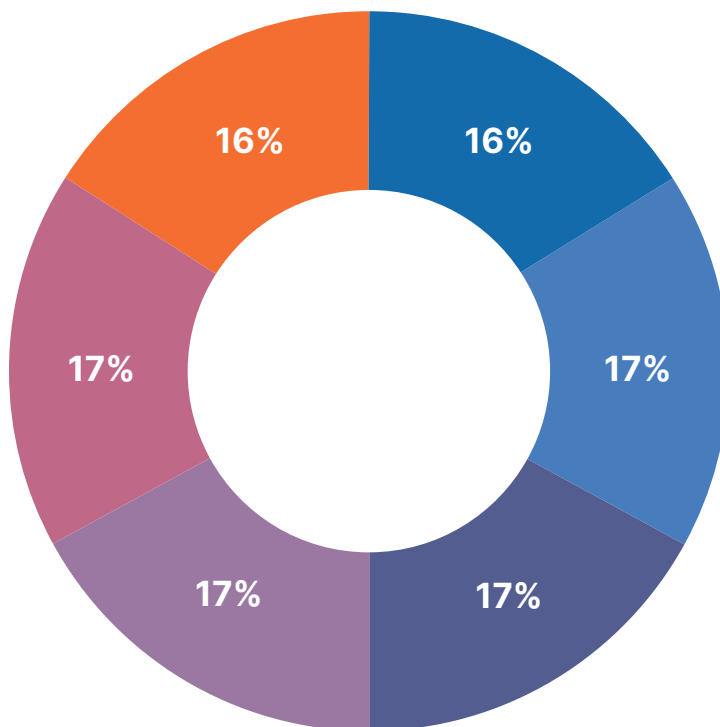
Adapting to fast-evolving, cross-border and AI-related regulations is likely the greatest compliance challenge in the next 12 months, due to uncertainty and increased scrutiny.

Director of Regulatory Change, India

SURVEY RESPONSE ABOUT THE GREATEST COMPLIANCE CHALLENGE EXPECTED IN THE NEXT 12 MONTHS



How do firms assess the potential impact of emerging regulatory changes?



LEGEND

- Cross-functional impact assessment
- AI/technology-assisted impact analysis
- Standardised impact assessment framework
- Jurisdiction-specific assessment teams
- Business line self-assessment
- Third-party regulatory consulting



A strong governance structure is the backbone of regulatory change management.

Chief Legal Officer, United States

SURVEY RESPONSE ABOUT THE IDEAL GLOBAL REGULATORY CHANGE MANAGEMENT OPERATING MODEL



A key element in managing potential regulatory change is keeping the business informed of relevant developments. Multiple communication methods are in use. Some 16% of respondents said they report on potential regulatory change to their executive or the board. Given the need for up-to-date knowledge and awareness at the most senior levels of a firm, consideration should be given to incorporating relevant

regulatory reforms into regular risk and compliance updates sent to the board and other management bodies. Regulators have been vocal in their expectations that the board should have a clear line of sight to regulatory change, and a persistent lack of updates about emerging regulatory change could be considered to reflect weakness in a firm's approach to risk and compliance.



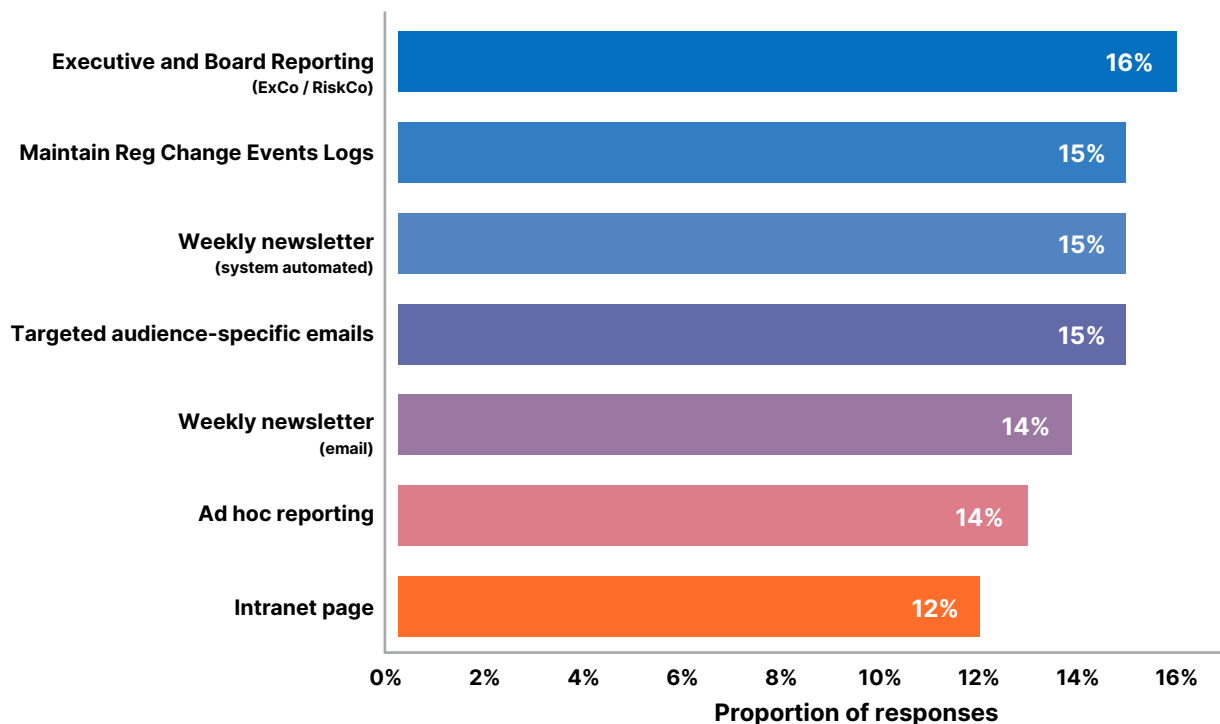
A regular, quarterly regulatory risk workshop to engage senior leaders in identifying upcoming compliance threats.

Chief Legal Officer, France

SURVEY RESPONSE ABOUT THE IDEAL GLOBAL REGULATORY CHANGE MANAGEMENT OPERATING MODEL



How do firms report upon the potential impact of emerging regulatory changes?



Policymakers dictate timelines for regulatory change. Accordingly, it is incumbent on firms to be prompt in their evaluation of likely effects. Of the overall respondent population, 52% said the average time between identifying a regulatory development and completing an initial impact assessment was two to three weeks. A total of 27% reported a one- to two-month interval, with distinct regional variations. Australia (16%) and Canada (16%) were at one end of the range, with France (42%) at the other. Undue delays in assessing the need to incorporate regulatory change will, in turn, reduce the time available for implementation. These survey responses suggest that French firms should consider devoting more resources to the evaluation process to give themselves the best chance of achieving on-time compliance.



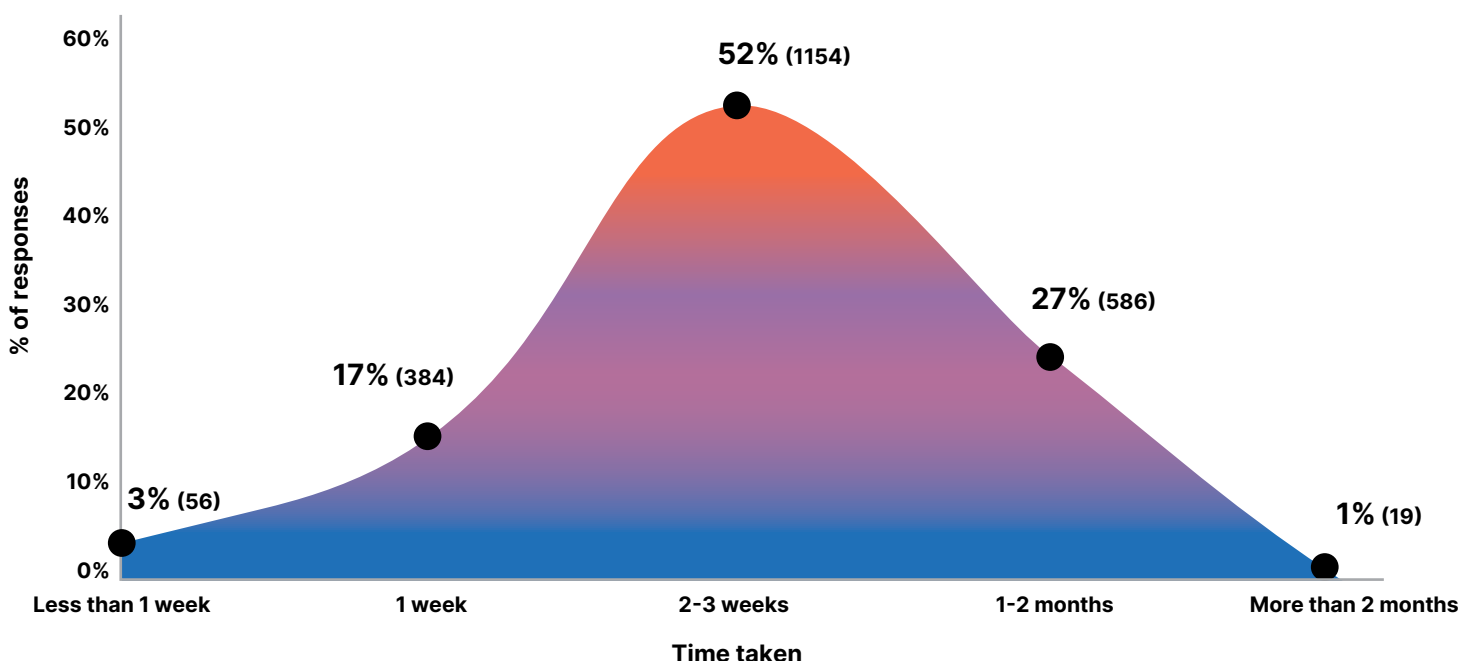
Regulations must evolve to address emerging risks without stifling innovation or growth. This iterative process ensures the regulatory framework remains relevant, effective and supportive of both stability and dynamism in the financial system.

Speech by Tolga Yalkin

ASSISTANT SUPERINTENDENT OF REGULATORY RESPONSE, OFFICE OF THE SUPERINTENDENT OF FINANCIAL INSTITUTIONS (CANADA), NOVEMBER 2024



What are firms' typical timelines from identifying regulatory change to full implementation and embedment of changes?





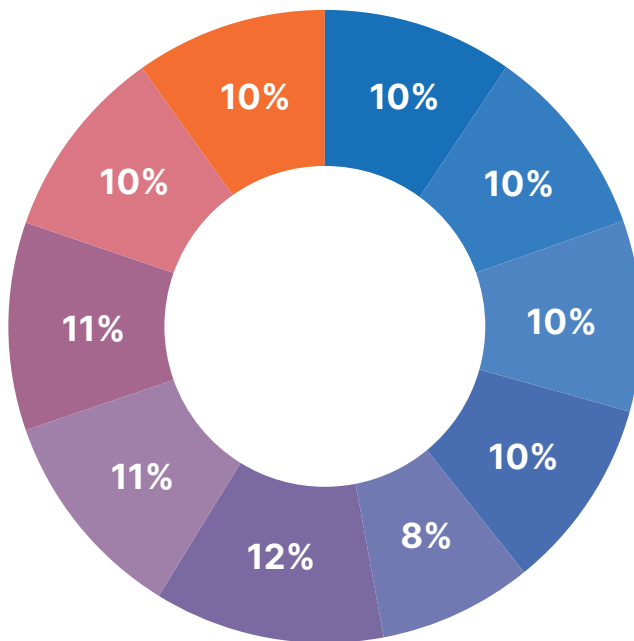
Firms should consider several complexities when evaluating the potential effect of regulatory change. Respondents considered that assessing and managing effects on business-critical operations and/or a firm's operational resilience was the greatest complexity (12%), with several other areas close behind, including unclear regulatory guidance, interpretation and translation challenges (11%) and conflicting jurisdictional requirements (10%). The 8% who cited resource constraints as their greatest complexity is a potentially major concern. Resource scarcity may be a factor in the 27% of respondents who reported taking one to two months to evaluate effects. Firms must consider investing in solutions to compensate for resource limitations. **Well-implemented automation tools will save money and improve speed, efficiency and effectiveness, thereby reducing the risk of non-compliance.**

Timely implementation of regulatory change is driven by regulators and will vary depending on the specific change in question.

A total of 74% of respondents reported taking more than a year from regulatory change identification to full implementation and integration. This process can include consultation periods, consideration of comments and feedback from regulators, promulgation of final rules and implementation deadlines. Even among European Union member states with nominally similar approaches to regulation, timeline variations exist from a firm's perspective.

A total of 31% of all respondents reported a typical 18- to 24-month period between a firm's identification of regulatory change and full implementation. Country-specific results for the proportion of firms operating within this timeframe included Germany at 35%, France at 52%, Italy at 48% and Spain at 33%.

Q Which factors create the greatest complexities for firms in assessing regulatory change?



Too often when we see problems in the market, there are cultural failings in firms. Behaviour like bullying or harassment going unchallenged is one of the reddest flags – a culture where this occurs can raise questions about a firm's decision-making and risk management. Our new rules will help drive consistency across industry and support the vast majority of firms that want to do the right thing to deepen trust in financial services.

🔗 **Comments by Sarah Pritchard**

DEPUTY CHIEF EXECUTIVE, UK FINANCIAL CONDUCT AUTHORITY, JULY 2025, BEFORE EXTENDING NON-FINANCIAL MISCONDUCT RULES TO 37,000 MORE FIRMS BY SEPTEMBER 1, 2026

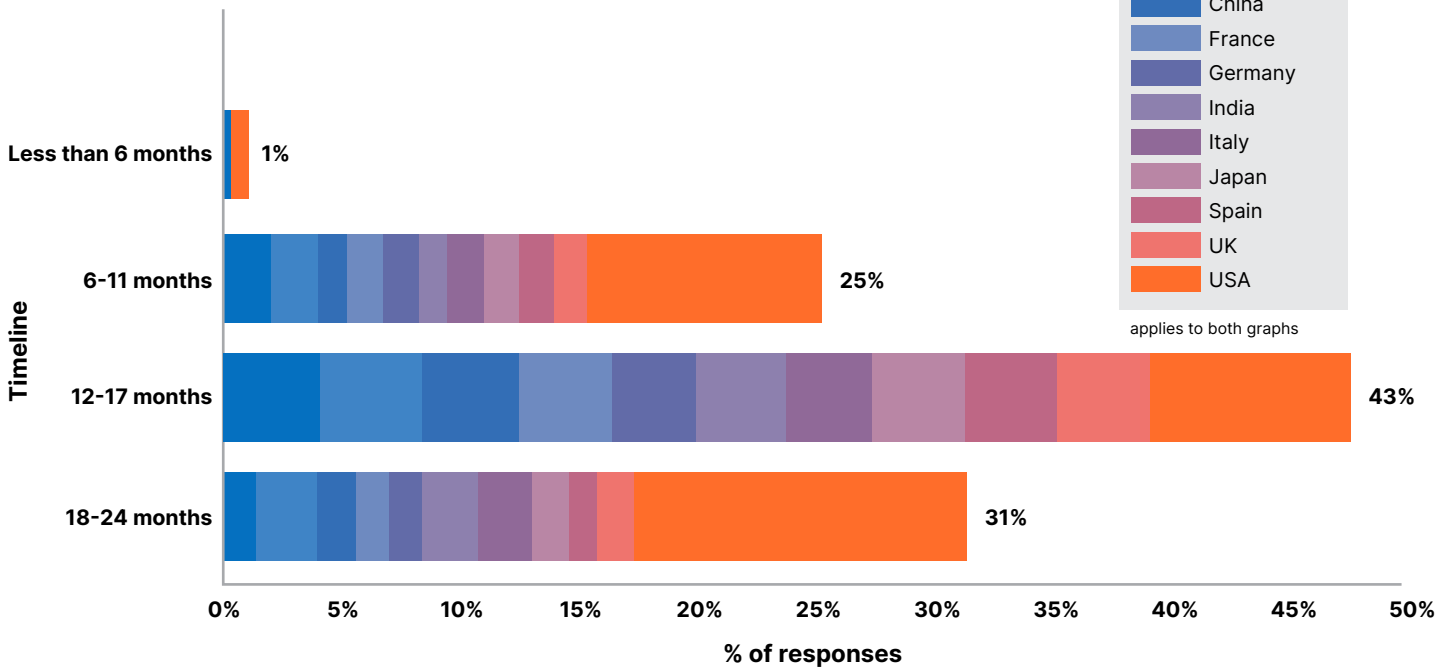


LEGEND

■	Cross-business line dependencies
■	Interaction with existing regulations
■	Timing/implementation deadlines
■	Technology/data system implications
■	Resource constraints
■	Assessing/managing impact to business-critical operations and/or the firm's operational resilience
■	Assessing/managing impact to policies, business processes and the control environment
■	Unclear regulatory guidance/interpretation/translation issues
■	Conflicting requirements between jurisdictions
■	Cost-benefit analysis requirements



What are firms' typical timelines from regulatory change identification to full implementation and embedment of changes?



The biggest compliance challenge we expect to face within the next year is keeping up with rapidly changing regulations and keeping our internal structures and systems up to date.

Chief Risk Officer, Japan

SURVEY RESPONSE ABOUT THE GREATEST COMPLIANCE CHALLENGE EXPECTED IN THE NEXT 12 MONTHS

Adopt a comprehensive regtech solution to track, monitor and enforce regulatory changes worldwide.

Director of Regulatory Change, Italy

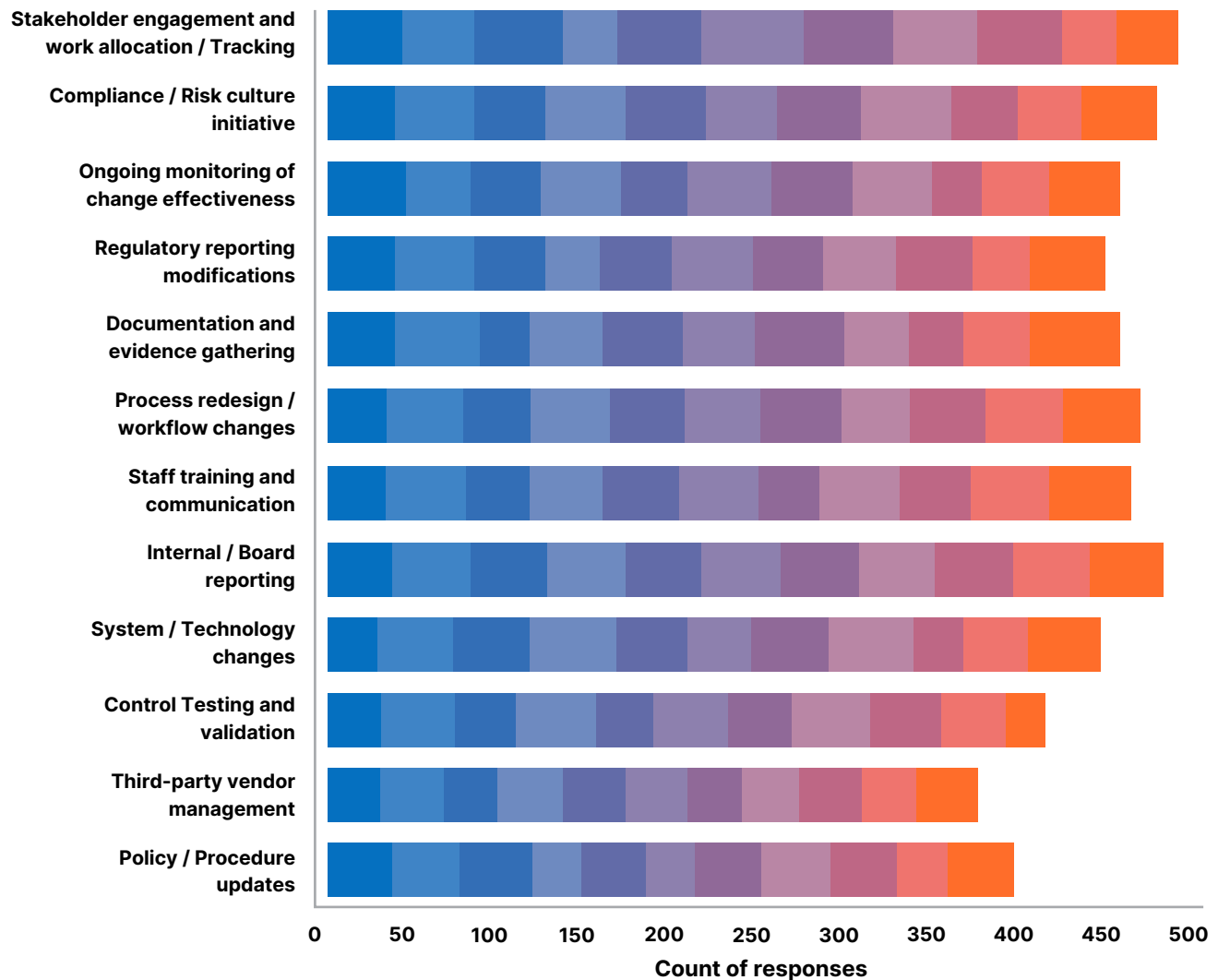
SURVEY RESPONSE ABOUT THE IDEAL GLOBAL REGULATORY CHANGE MANAGEMENT OPERATING MODEL

Significant resource consumption occurs when considering the implementation and embedding of regulatory change, primarily via project management. A total of 9% of respondents considered that stakeholder engagement and work allocation tracking consumed the most resources. Some 8% said the most resource-intensive activities included documentation, evidence gathering, continuous change effectiveness monitoring, compliance/risk culture initiatives and/or process redesign and workflow changes.





Which implementation / embedment activities consume the most resources in a firm's regulatory change process?



Compliance budgets determine the resources devoted to regulatory change management. A total of 63% of firms said they allocate more than a third of their compliance spending to such activities, with 15% allocating more than half. Regulatory change management is vital for achieving compliance, but there is far more to the role than adapting to reform. **As the responses showed, the ideal global regulatory change management operating model involves automating as much of the regulatory change management process as possible, enabling compliance to add more value through monitoring, oversight, regulatory relationship management and board engagement.**



A unified digital platform integrating AI and human oversight to monitor, assess and implement regulatory changes across jurisdictions efficiently.

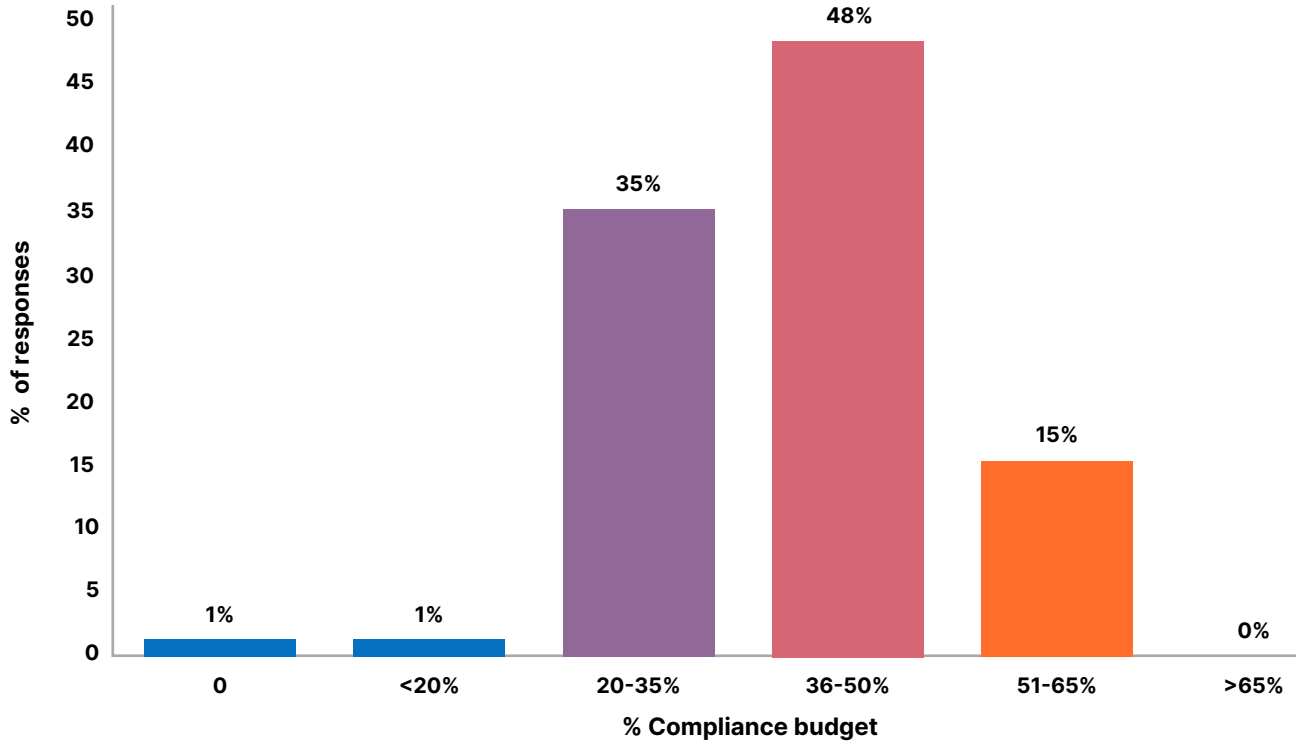
Chief Legal Officer, India

SURVEY RESPONSE ABOUT THE IDEAL REGULATORY CHANGE MANAGEMENT OPERATING MODEL





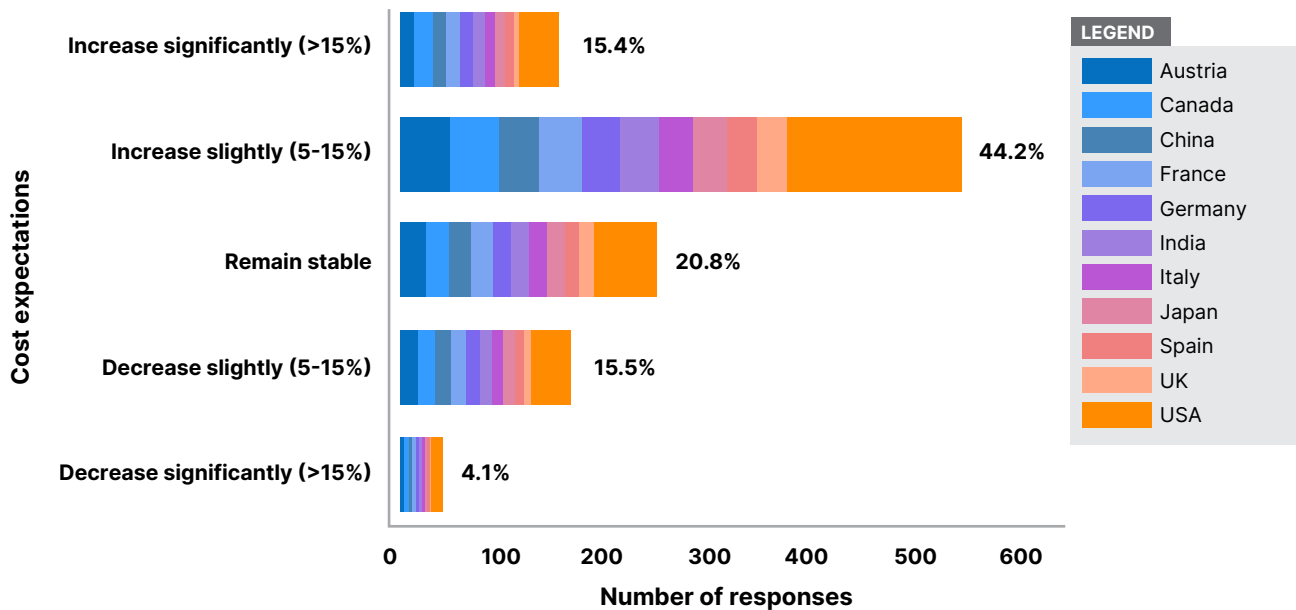
What percentage of firms' total compliance budget is dedicated to regulatory change management activities?



Streamlining the approach to regulatory change management is important, with 60% expecting the cost to increase in the next 12 months and 21% predicting a plateau. There are distinct regional variations in jurisdictions where costs are expected to rise by more than 15%. In Germany, 34% of respondents expect costs to rise significantly, in contrast to just 3% in the UK.



Firms' expectations for the cost of regulatory change management over the next 12 months?





The main factors affecting regulatory change management costs are consistent, with technology and system modification at 15% and cross-jurisdictional coordination at 14%.

When considering how to manage conflicting regulatory requirements between jurisdictions, a quarter (24%) of all respondents said their firms chose to apply the highest common standard internationally. Regional variations show the UK (17%) at one end and Germany (34%) at the other.

Some 16% of all respondents said they reacted to conflicting regulatory requirements by lobbying for harmonisation, including 11% in China, 21% in France and 20% in Spain and the United States. Lobbying is a worthwhile, long-term investment for firms. It takes time, but it can be valuable for shaping policy and

preventing the unintended and often costly consequences of poor rulemaking. To direct lobbying efforts appropriately, firms must understand the origin of rules and requirements. Many financial services policy directives emanate from supranational standard-setters, such as the G20, the Financial Stability Board and the Bank for International Settlements.

Lobbying must augment consultation feedback. Firms should invest in skilled resources to respond, in detail, to all relevant consultations and discussion papers. Even if the probability of influencing a shift in the regulator's approach is small, it will disappear altogether if firms fail to respond.



A global compliance team sets standards, while regional teams handle jurisdiction-specific implementation.

Chief Risk Officer, Canada

SURVEY RESPONSE ABOUT THE IDEAL REGULATORY CHANGE MANAGEMENT OPERATING MODEL

Global regulators are rapidly increasing their compliance requirements, making legal differences and cross-border collaboration mechanisms more difficult.

Compliance Director, China

SURVEY RESPONSE ABOUT THE GREATEST COMPLIANCE CHALLENGE EXPECTED IN THE NEXT 12 MONTHS



24% chose to apply the highest common standard internationally

17% UK Regional variation

34% Germany Regional variation



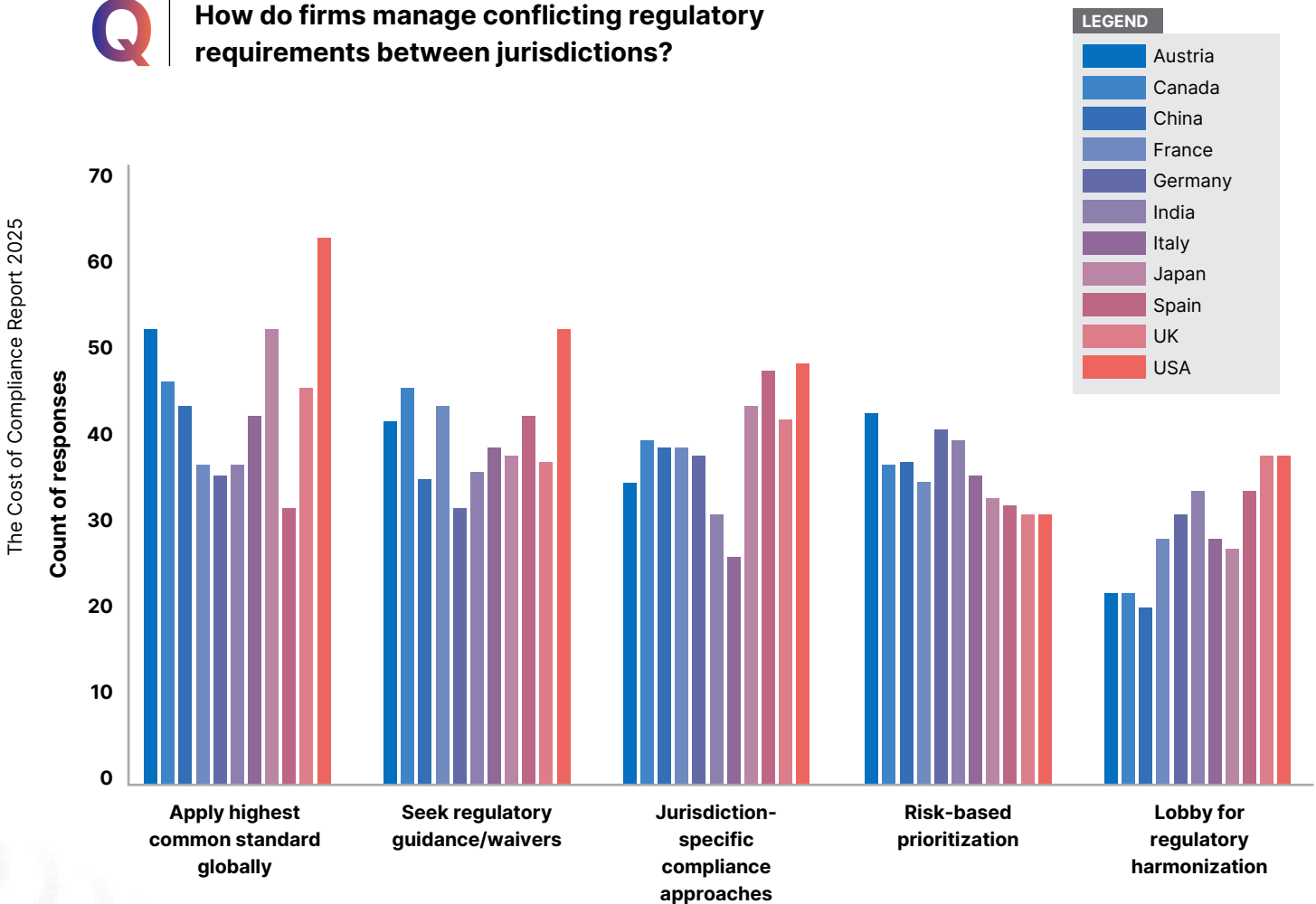
Historically, institutions have found executing the risk-based approach challenging... circulars and guidance are not enough, so our supervision in recent years has placed a much stronger emphasis on industry engagement and focus on supporting the outcomes we are trying to achieve.

🗣️ Speech by Carmen Chu

EXECUTIVE DIRECTOR OF ENFORCEMENT AND ANTI-MONEY LAUNDERING, HONG KONG MONETARY AUTHORITY, MARCH 2024



How do firms manage conflicting regulatory requirements between jurisdictions?





TECHNOLOGY



Indisputably, AI is rapidly transforming the financial sector, particularly in the areas of compliance, market surveillance and regulatory enforcement. What once seemed the creative imaginings of science fiction or fantasy novels and films — forward-looking notions of a futuristic world — has now become a practical and increasingly essential tool across the financial market ecosystem.

Speech by Kristin N. Johnson

COMMISSIONER, U.S. COMMODITY FUTURES TRADING COMMISSION, JULY 2025

Regtech: over half of serious compliance failures reported to the EBA's EuReCA database involved the improper use of regtech tools. Despite its potential to enhance compliance, regtech is often poorly implemented due to lack of expertise and oversight.

Opinion and report

ON MONEY LAUNDERING AND TERRORISM FINANCING RISKS AFFECTING THE EU'S FINANCIAL SECTOR, EUROPEAN BANKING AUTHORITY, JULY 2025



Financial services have always embraced technology and innovation. Software solutions are playing an increasingly pivotal role in delivering products and shaping internal operations. The unprecedented pace and scale of innovation can increase risk when it is implemented and managed unsafely. In parallel, firms must ensure that their existing technology and systems are resilient to outages, data breaches and cyberattacks, thereby reducing the risk of non-compliance, business disruption and customer harm.

Regulators are generally technology-neutral when developing rules, often adopting a “same risk, same rule” approach.

AI is and will remain under heightened scrutiny from regulators. One policymaking example comes from the International Association of Insurance Supervisors, which published an application paper in July 2025 about AI supervision. Among other things, the paper outlines additional governance and conduct responsibilities for senior leaders overseeing AI-related operations, risk management, compliance and fair customer treatment.



CUBE captured and published 157 financial services regulatory insights between June 2024 and May 2025, outlining new laws, rules and regulations relevant to the use of artificial intelligence. This volume has almost doubled from the previous year.

Data sourced from CUBE Enterprise RegPlatform

The paper sets supervisory expectations that senior managers must establish procedures for addressing AI-specific challenges. Such procedures should ensure effective governance, including mechanisms for monitoring AI performance, detecting biases and taking prompt corrective action. This should include implementing procedures for addressing problems known to be more difficult to address when deploying an AI system, such as:

Achieving clear lines of accountability by considering who is responsible for the AI model.

Ensuring human oversight provides objective control.

Providing transparency about objectives and how short- and long-term rewards are balanced for AI systems that use reinforcement learning.

Achieving effective communication strategies when the underlying system is, by nature, opaque and complex.

Establishing appropriate recordkeeping, particularly when the basis of future decisions could change autonomously.

Setting clear guardrails for when an AI system can or cannot be deployed.



That's the challenge. We have yet to create the regulatory architecture, language or strategy that will enable us to regulate confidently and in real-time a group of technologies that is evolving as rapidly as we're seeing. In the meantime, regulators will need to be bolder and more imaginative about how we use our existing powers." [...]

Talking up the benefits of AI must be accompanied by showing customers how it makes their lives better. And more than that, AI innovation has to actually make your customers' lives better and not just be a marketing or data-gathering tool. And that requires careful attention to ethics when introducing these systems to ensure customers actually benefit over the long term.

 Speech by Joe Longo

CHAIR, AUSTRALIAN SECURITIES AND INVESTMENTS COMMISSION, JULY 2025



When asked about their ideal regulatory change management operating model, respondents demonstrated a clear preference for automated and scalable solutions.



Automated notifications of applicable regulatory changes by country and sector.

Compliance Director, UK

SURVEY RESPONSE ABOUT THE IDEAL REGULATORY CHANGE MANAGEMENT OPERATING MODEL

13%

said they use integrated regulatory change management platforms

13%

using AI-powered monitoring, workflow administration tools and automated policy systems

12%

firms reported deploying AI-enabled controls, policies and/or obligation drafting

Having a scalable framework in place to address nuanced regulatory changes as your organisation expands and enters new international markets.

Chief Legal Officer, Japan

SURVEY RESPONSE ABOUT THE IDEAL REGULATORY CHANGE MANAGEMENT OPERATING MODEL



Firms have adopted technology solutions to manage various aspects of regulatory change. Some 13% said they use integrated regulatory change management platforms, in addition to 13% using AI-powered monitoring, workflow administration tools and automated policy systems.

A total of 12% of firms reported deploying AI-enabled controls, policies and/or obligation drafting, again highlighting the increasing use of AI for compliance and risk management.

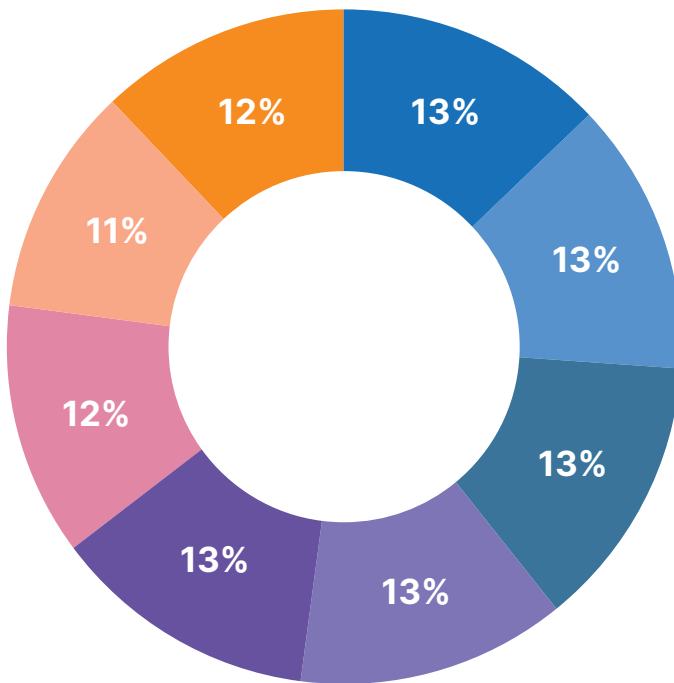


Technology will continue to be a key thematic driver and enabler of change in wholesale markets. It will be a source of new or heightened risks, as well as a means to monitor and mitigate such risks.

Christopher Rich, General Counsel

LONDON, FINANCIAL MARKETS STANDARDS BOARD, CUBE INTERVIEW JULY 2025





What technology solutions are used by firms for regulatory change management?

LEGEND

- Integrated regulatory change management platforms
- AI-powered regulation monitoring
- Automated policy management systems
- Workflow/project management tools
- Regulatory reporting automation
- AI-enabled controls, policy and/or obligations drafting
- Risk assessment modelling tools
- Document management systems



AI has great potential to assist firms in ensuring compliance with their regulatory obligations. Data integrity, data quality and governance are critical to using AI. You don't want [AI training] data to be manipulated the wrong way, and you don't want bad actors accessing that data and then manipulating it for the wrong purposes. There are benefits, like cost, compliance efficiency and accuracy, but there are also risks.

Emmanuel Givanakis, Chief Executive

ABU DHABI GLOBAL MARKET FINANCIAL SERVICES REGULATORY AUTHORITY, CUBE INTERVIEW JULY 2025



The vast majority (98%) of respondents reported at least some degree of automation in their regulatory change management process, with 38% having automated more than half. For firms employing between 100,001 and 200,000 staff, 54% reported having automated

more than half of their regulatory change management process, rising to 63% for those with more than 200,001 employees. The data shows that the largest firms are the most complex but have also seen the benefits of investing in process automation.



Integrating AI responsibly into compliance and risk management to meet new operational and regulatory expectations.

Chief Compliance Officer, Australia

SURVEY RESPONSE ABOUT THE GREATEST COMPLIANCE CHALLENGE EXPECTED IN THE NEXT 12 MONTHS

In recent years, the advent of increasingly sophisticated artificial intelligence (AI) technologies has promised to enable faster, more efficient, reduced-cost supervision and compliance capabilities... As we consider the possibilities, we also need to be mindful of the risks. As AI tools become further integrated into organisational processes, especially those that relate to critical compliance or surveillance functions, those organisations, as well as regulators, need to have appropriate assurances that the tools will operate safely and reliably.

Speech by Kristin N. Johnson

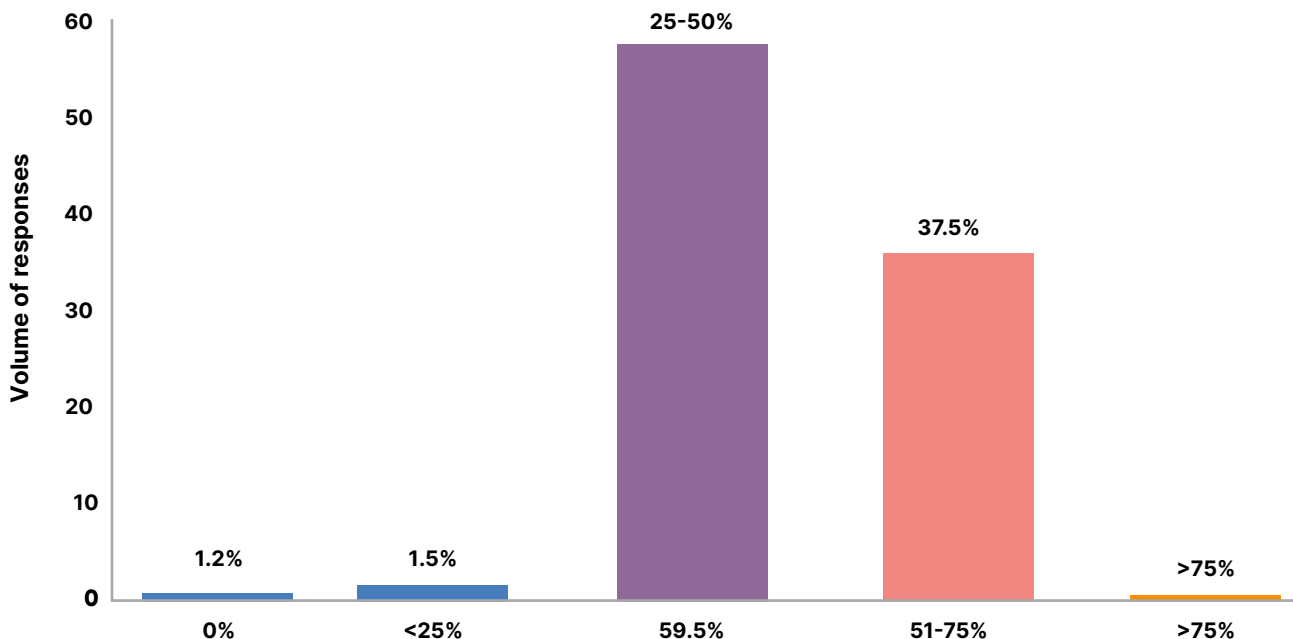
COMMISSIONER, U.S. COMMODITY FUTURES TRADING COMMISSION, JUNE 2025



Technology adoption often creates a ripple effect. As a particular approach or solution is deployed successfully by the largest firms, it becomes widely considered good or better practice. This drives two outcomes: first, it informs regulatory expectations about the potential benefits of automation; and second, it is seen as vigorously user-tested, and smaller firms are more likely to adopt it.



What proportion of regulatory change management processes have firms automated?





Challenge of quantum computing

In July 2025, the Monetary and Economic Department of the Bank for International Settlements published paper no. 158, drafted as a roadmap for quantum-readiness in the financial system. The paper bluntly presents the uncertainty and complexity associated with migrating cryptographic infrastructure. Firms “must urgently initiate preparations today,” it said.

The concerns originate from news that quantum computers may, as early as the next decade, “break” today’s widely used encryption protocols. This could threaten international stability and make quantum computing a critical cybersecurity threat for central banks and financial institutions.

STRATEGIC OUTLOOK AND BENCHMARKING

Uncertainty created by rising geopolitical risk presents a multitude of problems, challenges and opportunities for financial services firms to consider.

Respondents were asked how, over the next 12 months, they expected geopolitical tension to affect their approach to regulatory compliance. A quarter (25%) said significant strategic change would be required, with 8% citing fundamental implications for their business models. Two distinct regional outliers emerged in both responses. Some 18% of respondents in India said they expected business model effects from geopolitical risk, compared to 52% in Canada.



Geopolitical risk and cyberattacks are the most frequently cited risks among leaders of financial institutions operating in the UK. The belief that global economic integration would support long-lasting geopolitical stability has been severely shaken.

Speech by Carolyn Wilkins

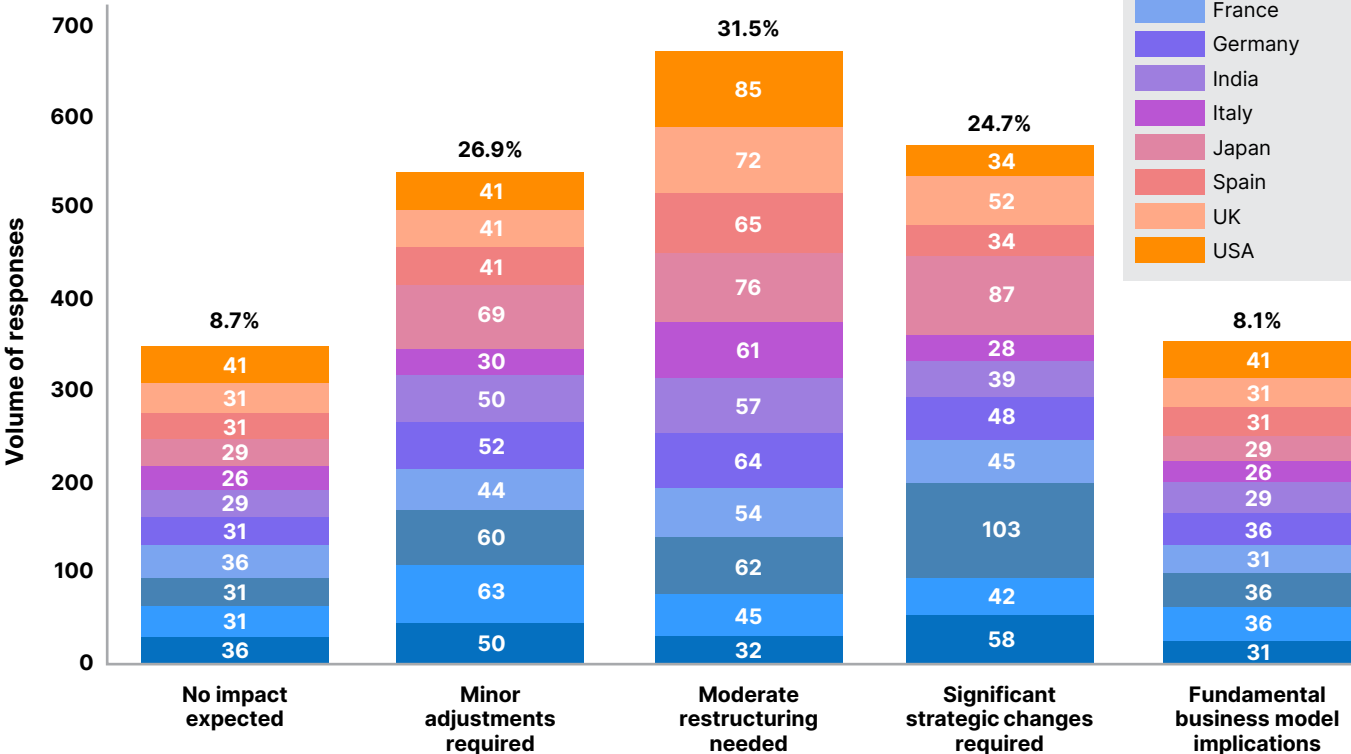
EXTERNAL MEMBER OF THE FINANCIAL POLICY COMMITTEE, BANK OF ENGLAND, JANUARY 2025



The Cost of Compliance Report 2025



Over the next 12 months, how significantly do firms expect geopolitical tension to impact their regulatory compliance approach?



There was a near-even spread of perceived concern about geopolitical or cross-border regulatory challenges posing the greatest risk. One-eighth said their top risks would likely stem from uncertainty about cryptoasset frameworks, data localisation, privacy requirements, increased senior manager liability and/or escalating geopolitical tension. A total of 11% considered trade finance and export controls to be the most significant risk arising from geopolitical and cross-border regulatory challenges.

Regional outliers surfaced in Asia. Some 15% of respondents in China said the pace of geopolitical escalation posed the most risk. In Japan, the same proportion cited data localisation and privacy requirements as their top risk, joining 22% of all surveyed firms with more than 200,001 employees.



Geopolitical shocks could lead to unstable financial markets, disruptions to trade and supply chains or threats to operations and security — in short, they have the potential to affect every part of a bank's business. Banks should analyse their own business models, geographical coverage and sectoral exposures to better understand how geopolitical risk could affect traditional risk categories, such as credit, market, operational, liquidity and funding risks.

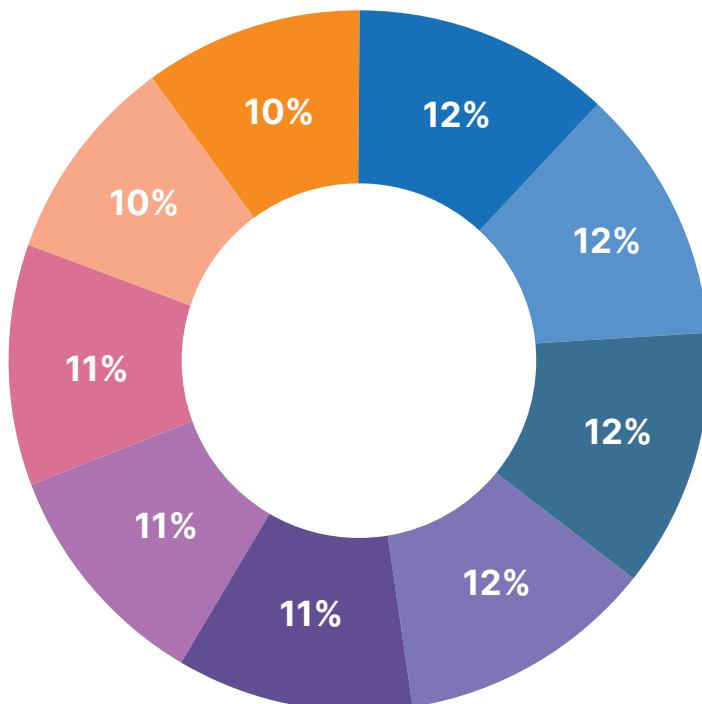


Speech by Sharon Donnery

SUPERVISORY BOARD MEMBER, EUROPEAN CENTRAL BANK, APRIL 2025



Which geopolitical / cross-border regulatory challenges pose the greatest risk to your firm?



LEGEND

- Crypto / digital asset regulatory uncertainty
- Data localisation / privacy requirements
- Increased personal liability for senior managers
- Speed of change in geopolitical tensions
- Trade finance / export controls
- Jurisdictional / regulatory conflicts
- Operational resilience requirements
- ESG / climate regulatory fragmentation
- Sanctions regime compliance

An aerial photograph of the London skyline at sunset. The River Thames flows through the center, with numerous bridges crossing it. In the foreground, there are historic buildings with red-tiled roofs and a large modern building with a glass facade. In the background, the city skyline is visible, including the Shard and other skyscrapers. The sky is filled with soft, golden light from the setting sun, with some clouds catching the light.

A total of 10% of respondents said digital asset/crypto regulation would likely generate the most significant compliance challenges over the next two years. The same proportion also expressed concern about market conduct, consumer protection, AI governance and ethics and capital and liquidity requirements.

Increased personal accountability for senior individuals was identified by 9% of respondents as their greatest likely compliance challenge over the next 24 months. The same proportion indicated concern about data privacy, localisation, ESG, climate risk requirements and anti-money laundering modernisation. China was an outlier, with only 6% of respondents there expressing concern about ESG and climate risk rules.

Firms must carefully consider the prioritisation of compliance risk management over the next two years. Given the scope of potential change and associated uncertainty, reviewing a firm's control infrastructure is likely to be a prudent investment. Reassessing preventive and detective controls, including how they are balanced, would put firms in a better position to maintain compliance and mitigate future headwinds.



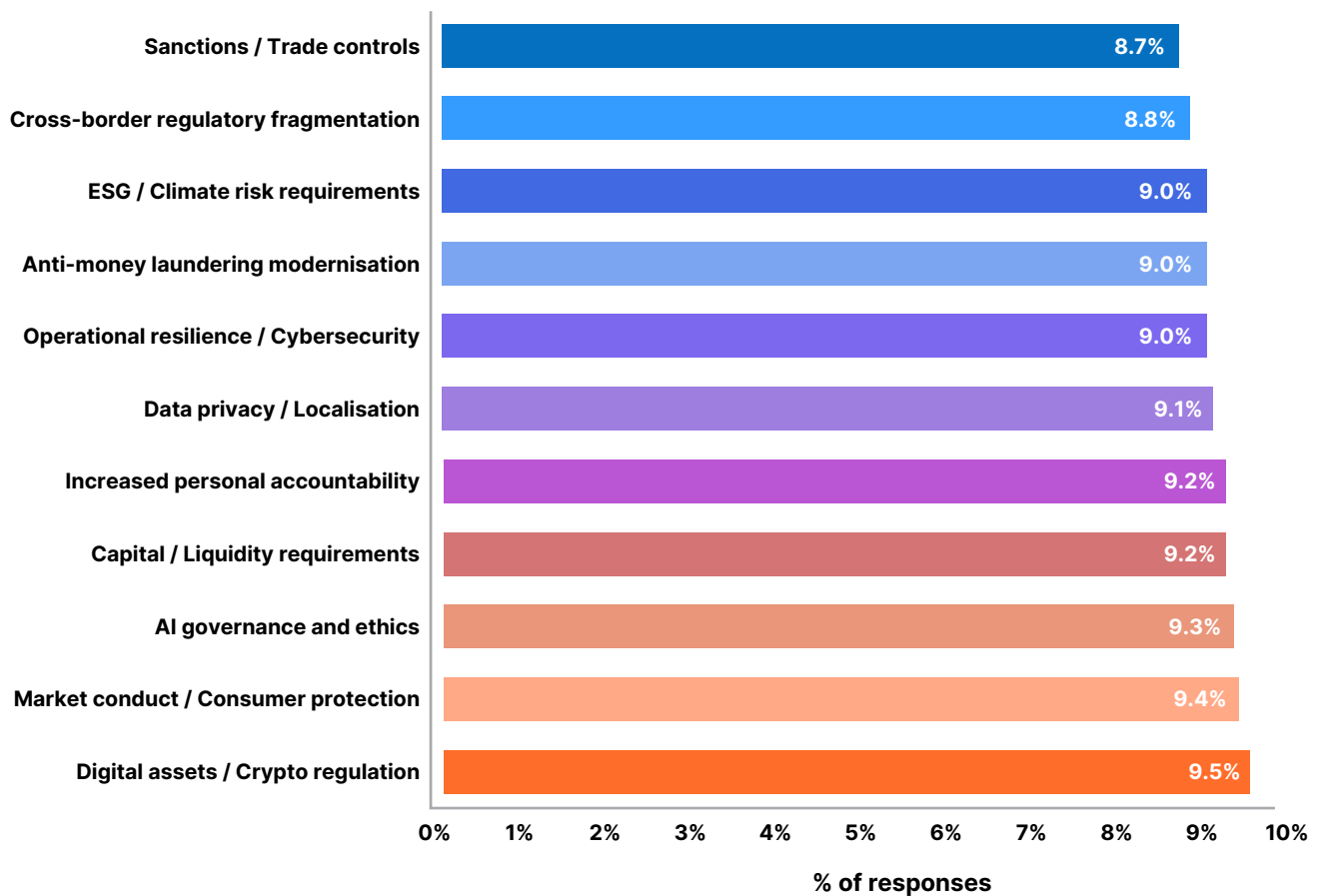
Keeping pace with constantly changing environmental regulations and environmental sustainability expectations.

Director of Regulatory Policy, China

SURVEY RESPONSE ABOUT THE GREATEST COMPLIANCE CHALLENGE EXPECTED IN THE NEXT 12 MONTHS



Which regulatory themes will create the greatest compliance challenges over the next 24 months?





Firms must carefully consider the prioritisation of compliance risk management over the next two years. Given the scope of potential change and associated uncertainty, reviewing a firm's control infrastructure is likely to be a prudent investment.

Reassessing preventive and detective controls, including how they are balanced, would put firms in a better position to maintain compliance and mitigate future headwinds.

Recalibration of regulations. Following the [Chancellor of the Exchequer's] November 2024 Mansion House speech arguing that some regulatory changes after the [2008/9 financial crisis] had gone too far, the government published remit letters for key financial authorities, emphasising the importance of supporting growth and competitiveness. Reviewing financial regulations is warranted to simplify complex and outdated rules, but should be conducted cautiously to avoid creating new financial vulnerabilities and be well communicated. The primary objectives of financial authorities should remain safety and soundness, and any competitiveness objective should be subordinate to these.

🔗 Extract from International Monetary Fund staff report about the UK, July 2025



EFFECTIVENESS

Assessing and communicating the effectiveness of a firm's risk and compliance infrastructure is a core function. Efficacy assessments provide insight into a firm's state of compliance and should cover preventive controls, detective measures and overall approach, as defined by its policies and procedures.

Effectiveness is also a key consideration in regulatory change management. As a matter of concern, 21% of respondents reported that their regulatory change management approach was somewhat ineffective (e.g. frequent delays and resource constraints) and/or highly ineffective (e.g. consistently failing to meet deadlines and creating compliance risk). Only 7% considered their approach to be highly ineffective.

Spanish and German firms face significant challenges in their approach to regulatory change management. For German firms, 41% said their approach was either somewhat or highly ineffective, and 23% said it was highly ineffective. Among Spanish firms, 41% reported that their approach was either somewhat or highly ineffective, with 5% describing it as highly ineffective.



Much regulatory weakening occurs simply when regulators fail to keep pace, while at other times, there is a deliberate action to lower regulatory burden that ends up miscalculating the risk involved. Let me be clear here that, when I refer to regulatory weakening, I mean not only direct deregulatory actions by regulators or legislators, but also failure of the regulatory framework to keep up with changing circumstances.



Speech by Michael S. Barr

GOVERNOR, U.S. FEDERAL RESERVE BOARD, JULY 2025

Periodic analysis of the legal horizon, to educate the organisation on emerging regulations and impending disruptions, enabling its strategies to adapt early.

Chief Legal Officer, Spain

SURVEY RESPONSE ABOUT THE IDEAL REGULATORY CHANGE MANAGEMENT OPERATING MODEL

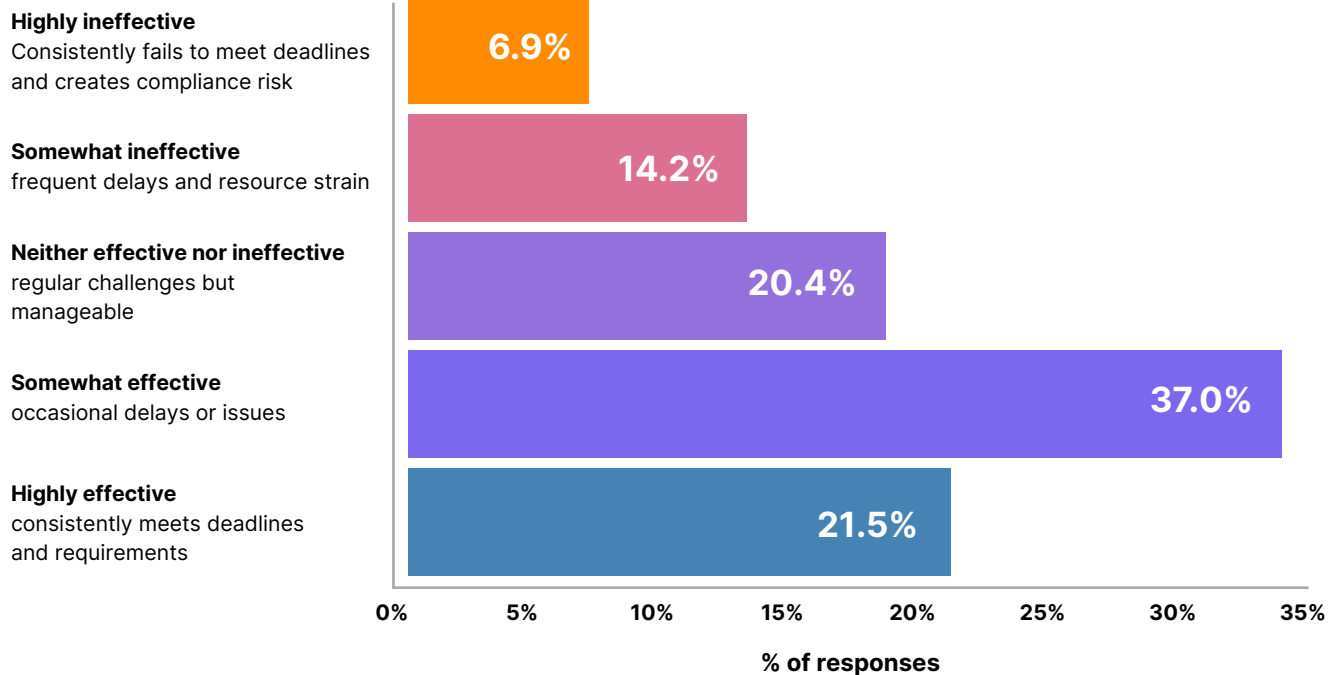


Efficacy concerns may reflect resource scarcity. As highlighted on page 27, 8% of firms reported that the greatest complexity in regulatory change was driven by resource constraints. **Another likely ramification of inadequate resourcing is the 27% of respondents who reported taking one to two months to assess the effects of regulatory change.** This delay could be a key contributor to the perceived ineffectiveness of a firm's approach to managing regulatory reform.

A total of 10% reported that better follow-up engagement to ensure that changes are effectively embedded and working as intended would yield the most meaningful improvement to their firm's regulatory change management capability. Again, under-resourcing was identified as a problem by 9% of respondents who said boosting resources and expertise would most significantly upgrade that capability.



How do firms assess the effectiveness of their regulatory change management approach?



Language barriers or translation issues in compliance documentation can create accidental violations in international teams.

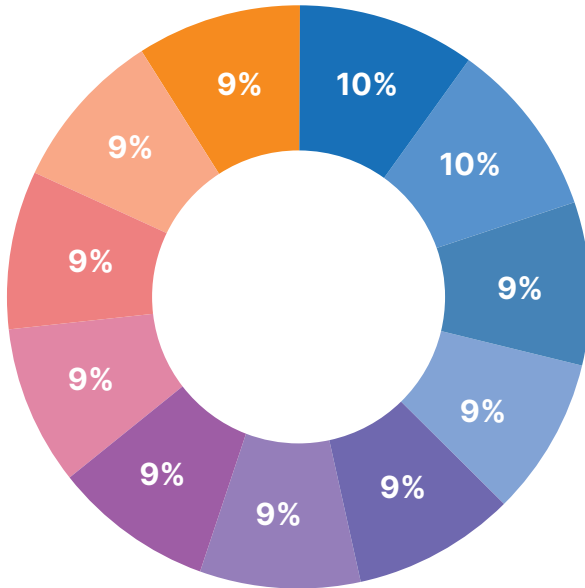
Director of Regulatory Policy, France

SURVEY RESPONSE ABOUT THE GREATEST COMPLIANCE CHALLENGE EXPECTED IN THE NEXT 12 MONTHS





What, if anything, would most improve firms' regulatory change management capability?



LEGEND

- Better follow-up to ensure all change is effectively embedded
- Improved impact assessment tools/processes
- Better integration with business operations
- Better regulatory intelligence/horizon scanning
- Enhanced cross-jurisdictional coordination
- Enhanced regulatory stakeholder relationships
- Improved data insights for decision-making/prioritisation
- More automated implementation workflows
- Improved project management capabilities
- Enhanced engagement at senior manager/board level
- Increased dedicated resources/expertise

A total of 10% said **better impact assessment tools and processes would have the most positive effect**, and 9% cited automated implementation workflows. Firms may therefore wish to prioritise enhanced engagement with senior managers and board-level executives to try to secure additional resources.

IDEAL GLOBAL REGULATORY CHANGE MANAGEMENT OPERATING MODEL



It should be a combination of centralisation, regionalisation and AI-driven automation to ensure seamless global business.

Chief Risk Officer, China

SURVEY RESPONSE ABOUT THE IDEAL REGULATORY CHANGE MANAGEMENT OPERATING MODEL



The free text survey responses highlighted that the ideal regulatory change management operating model is multi-faceted. It would eliminate friction and inconsistency from processes and deliver an integrated project management capability that encompasses horizon scanning, impact assessment, implementation and embedding.

To meet these criteria, a regulatory change model must fully integrate with the business, receive appropriate financial resources and be supported by senior managers.

A critical factor in delivering effective change is the audit trail. It enhances

visibility and provides evidence that a firm has considered all potentially relevant regulatory changes and that all systems, control infrastructure, policies, procedures and training have been updated as needed. Audit trails can also inform board reports about change management efficacy and compliance results.

Effective regulatory change management can be a meaningful change that shifts a firm's strategic compliance approach from box-ticking to an active, enterprise-wide pursuit. Automation is the determining enabler.



What does an ideal global regulatory change management operating model look like?





PERSONAL LIABILITY

Accountability regimes have proliferated worldwide, many drawing inspiration from the UK's Senior Managers and Certification Regime. **Senior managers play a crucial role in delivering effective governance, thereby ensuring compliant operations. Regulators are using individual accountability regimes to drive better, more risk-aware behaviour that improves customer outcomes and promotes financial stability.** Such regimes have codified previously stated regulatory expectations about senior managers being expressly responsible for activities under their control.

A total of 16% of respondents reported increasing their engagement on compliance challenges related to policy decisions to manage potential senior individual liability. That figure rises to 18% for Australian and German respondents and 30% among all firms with more than 200,001 employees.

16%

of respondents globally reported increasing their engagement on compliance challenges

18%

for Australian and German respondents

30%

among all firms with more than 200,001 employees



Our enforcement action isn't just about firms; it's also about individual accountability and responsibility. It is important that senior leaders at the firms we regulate are open, transparent and honest with us and are held to account where their actions, or indeed their failure to act, results in harm.

Speech by Therese Chambers

JOINT EXECUTIVE DIRECTOR OF ENFORCEMENT AND MARKET OVERSIGHT, UK FINANCIAL CONDUCT AUTHORITY, APRIL 2025

Responding to increased accountability for compliance breaches among executives will elevate board-level oversight concerns.

Chief Risk Officer, Australia

SURVEY RESPONSE ABOUT THE GREATEST COMPLIANCE CHALLENGE EXPECTED IN THE NEXT 12 MONTHS

Accountability means owning actions and outcomes. It means admitting when you have fallen short and taking steps to measure up.

Speech by Simone Constant

COMMISSIONER, AUSTRALIAN SECURITIES AND INVESTMENTS COMMISSION, NOVEMBER 2024

Increased scrutiny from shareholders and regulators demanding direct, executive-level accountability.

Compliance Director, Japan

SURVEY RESPONSE ABOUT THE GREATEST COMPLIANCE CHALLENGE EXPECTED IN THE NEXT 12 MONTHS

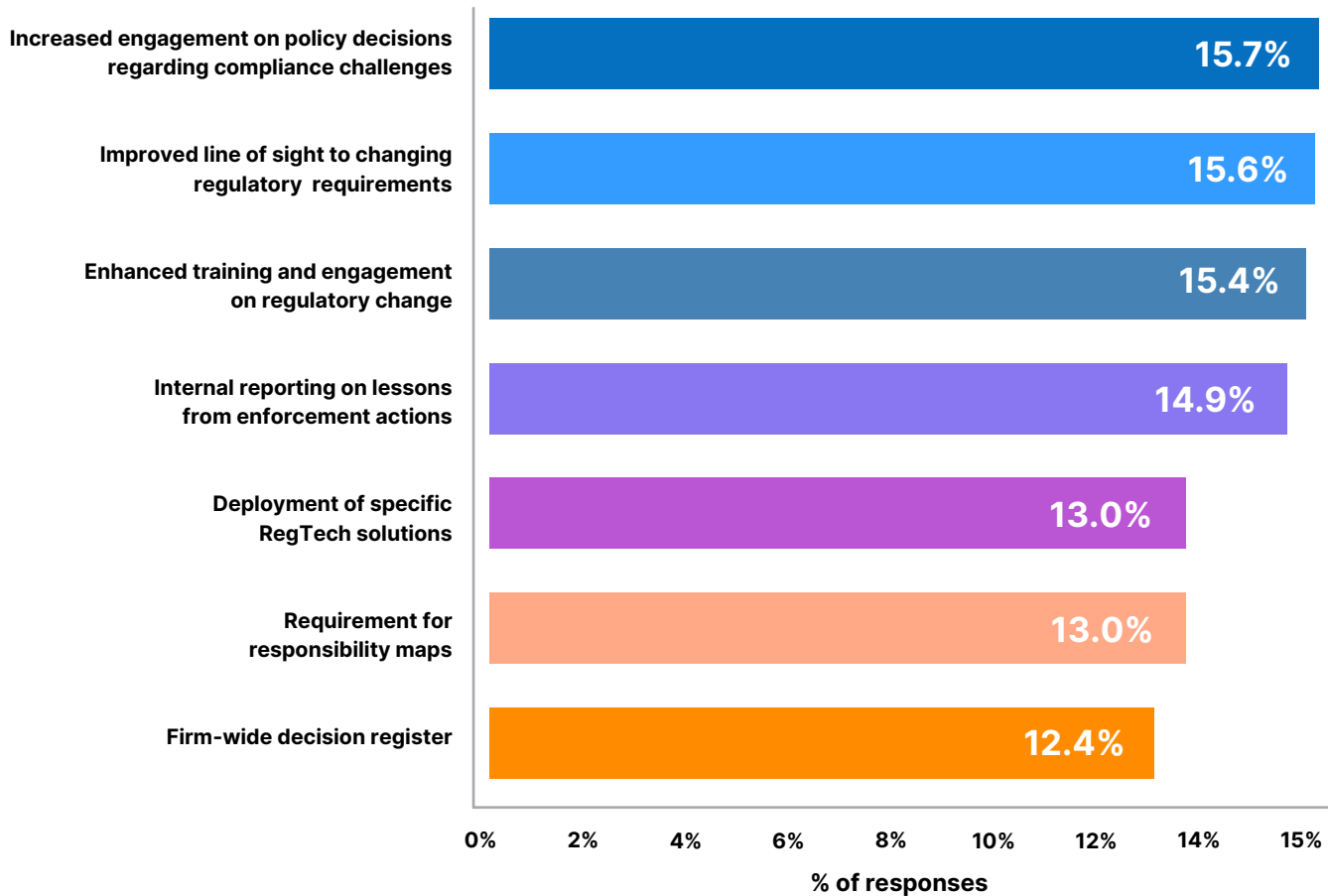




To demonstrate that they are managing and mitigating personal regulatory risk, senior managers must be able to evidence the processes they use to discharge their supervisory obligations and accountabilities.



What measures have been introduced to manage potential senior individual liability?



There is no one-size-fits-all solution for building a personal archive or compliance record, but senior managers should consider several key elements.

One foundational component is the development and maintenance of a personal decision register that ideally forms part of a firm-wide equivalent. Some 12% of respondents reported having implemented decision registers to address senior individual liability.

Another investment is building knowledge and awareness about the implications of the changing regulatory environment. Worldwide, 15% of respondents said

they introduced enhanced training and engagement on regulatory change.

Continuous regulatory training is one option. Unprepared or unaware individuals are significantly more likely to face enforcement. Given the escalating geopolitical risk and changing supervisory landscape, senior managers who ignore emergent regulatory trends are also likely to attract a determined enforcement response.

Even if a senior manager escapes an industry ban during disciplinary action, individuals who have “only” been fined will have considerable difficulty finding leadership roles in financial services.

GREATEST COMPLIANCE CHALLENGE IN THE COMING YEAR

Survey responses about the top compliance challenge in the coming year reflect a range of concerns. These highlight data governance, such as new data privacy, protection and localisation requirements, alongside the challenge of operating cloud-based systems amid conflicting cross-border rules. Cybersecurity risk relates to and compounds all these concerns.

Data governance is an emerging core competency that determines the ways that a firm approaches data collection, processing, accuracy, retrieval, consistency and security. It encompasses individual responsibilities for managing the data lifecycle, including security protocols and processes, policies, standards, methodologies and efficacy metrics. **An additional benefit of effective data governance is that it enables firms to treat data as an asset rather than a custodial liability.**

Data governance frameworks can assume many forms, but they must always cover the entire data lifecycle, from creation and use to communication, retention of unmodified originals, retrieval and destruction. This requires a firm to develop a detailed understanding of the types of data it needs and already retains, processing methods, the basis on which it is collected and used and its method and location of storage.

An important first step in building a tailored data governance approach is executing a comprehensive, firm-wide audit (including

outsourced arrangements) of storage locations and reasons for holding data. Multiple layers of rules and requirements address data governance, protection and management, which is a challenge. Many firms are still dealing with historical data on legacy, often patchwork systems, exacerbating the problem.

Once firms develop a complete picture of their data, they can build a strategic framework and approach to governing it.



We have observed that poor data are a root cause in a number of risks requiring remediation within firms. Firms need to continue to improve their ability to aggregate data to ensure that they have the information necessary to support holistic risk management, robust board decision-making and accurate regulatory calculations. Moreover, continued technological developments, including increased use of artificial intelligence, places heightened importance on the quality and accuracy of the data underpinning these tools.

Extract from 'Dear CEO'

LETTER ON SUPERVISORY PRIORITIES FOR 2025,
BANK OF ENGLAND, JANUARY 2025



Other key compliance challenges include all aspects of ESG regulation and the ramifications of firms using AI and automated tools to support their supervisory and business activities. Firms should

benchmark their risk and compliance planning against highlighted challenges to ensure that all relevant risks are appropriately captured.

Q | What is the greatest compliance challenge firms expect to face in the next 12 months?



The impact of climate change will be increasingly critical, with, for instance, insurers pulling out of markets as risk events multiply. This is leading to uninsurable sectors and geographies, which has potential financial stability implications.

Michelle Tuveson

CHAIR AND EXECUTIVE DIRECTOR, CAMBRIDGE CENTRE FOR RISK STUDIES, UNIVERSITY OF CAMBRIDGE, JUDGE BUSINESS SCHOOL - CUBE INTERVIEW JULY 2025

Localising data protection and compliance messages for different regions and cultures is time-consuming but crucial to get right.

Director of Regulatory Change, Germany

SURVEY RESPONSE ABOUT THE GREATEST COMPLIANCE CHALLENGE EXPECTED IN THE NEXT 12 MONTHS.



FINAL THOUGHTS

Undue resource limitation is a significant concern. In the aftermath of the 2008/9 financial crisis, ample resources of all types were allocated to risk and compliance functions. Since then, firms have trimmed their compliance budgets, despite the ever-increasing volume and complexity of regulatory reform. The uncertain consequences of escalating geopolitical risk have exacerbated this problem.

Determining the best ways to apportion limited resources will require risk and compliance functions to analyse the gap between their approach and those highlighted in the survey responses. This would ensure the identification of all regulatory change management and other compliance concerns. Reviews should consider firms' control infrastructure. Given the wide array of potential changes and uncertainties, such a gap analysis would likely be a sound investment. Reassessing the composition and balance of preventive and detective controls would put firms on a stronger footing to mitigate future challenges while maintaining compliance.

The survey has repeatedly shown that automation is essential, specifically for easing the burden of managing regulatory change management. The volume and speed of reforms worldwide have made automation essential, especially during times of significant uncertainty and limited resources.

Other benefits of effective automation include better risk detection and evidence that a firm has followed procedure.

Building the capability and capacity for comprehensive data governance is vital to this approach, which should allow firms to unlock their data's value and reduce regulatory risk.

Firms have a significant opportunity to mitigate this compliance challenge in the coming year, gaining valuable business and customer insight, while rationalising and consolidating data management and retention.

Some firms may require significant investment to achieve sound data governance, but the potential benefits should make it worthwhile. Given regulators' supervisory priorities and the continued focus of policymakers as outlined in this report, firms should actively consider putting data governance on the board's agenda. Boards should sponsor required data audits and appropriately resource remedial action and regular updates on compliance with the firm's strategic approach to data governance.



And so, it is important to call out the risks should the legitimate aims of simplifying our frameworks go too far – and indeed it is very much our responsibility to do so. For the financial sector plays too important a role in the economy and the financial well-being of our citizens for us to jeopardise long-term stability in pursuit of short-term growth.

Remarks by Mary-Elizabeth McMunn
DEPUTY GOVERNOR, CENTRAL BANK OF IRELAND,
APRIL 2025





ABOUT THE REPORT

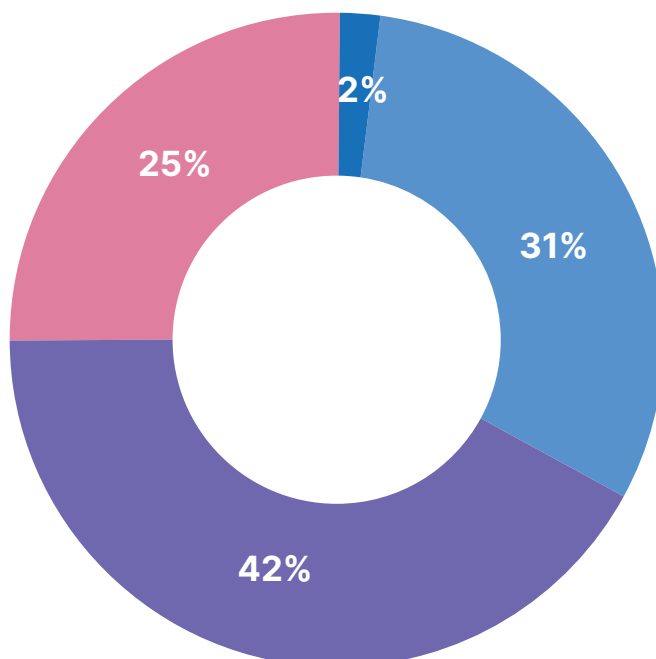
Now in its fifteenth year, the annual Cost of Compliance survey is recognised as the voice of the financial services industry worldwide. CUBE has revitalised the report, following its acquisition of Regulatory Intelligence from Thomson Reuters, and updated this year's edition to reflect the implications of escalating geopolitical uncertainty, regulatory change, technological advances and the continuing focus on personal accountability.

The 2025 report is based on the views and experiences of more than 2,000 senior compliance decision-makers from firms with a turnover of more than £50 million based in China, Japan, India, Australia, the United Kingdom, Germany, France, Italy, Spain, the United States and Canada. An independent third party conducted the survey in Q3 2025. To further enhance the credibility and depth of responses, the survey and its results were translated from English into six languages.

During the report's lifetime, the survey has generated **more than 7,500 responses worldwide and has been downloaded more than 65,000 times** by firms, regulators, consultancies, policymakers and law firms. Participants generously shared their concerns and views, providing unparalleled insight into the challenges that risk and compliance practitioners face.

Anonymised quotes from participants have been included with permission to highlight specific problems and findings. Quotes from industry practitioners are inserted to further illuminate these concerns.

As with previous iterations of the report, analysis will enable firms to benchmark their risk and compliance approaches against their peers, helping practitioners plan, allocate resources and set strategic direction. It also includes practical steps for adopting good or better approaches to risk mitigation, compliance and personal liability.

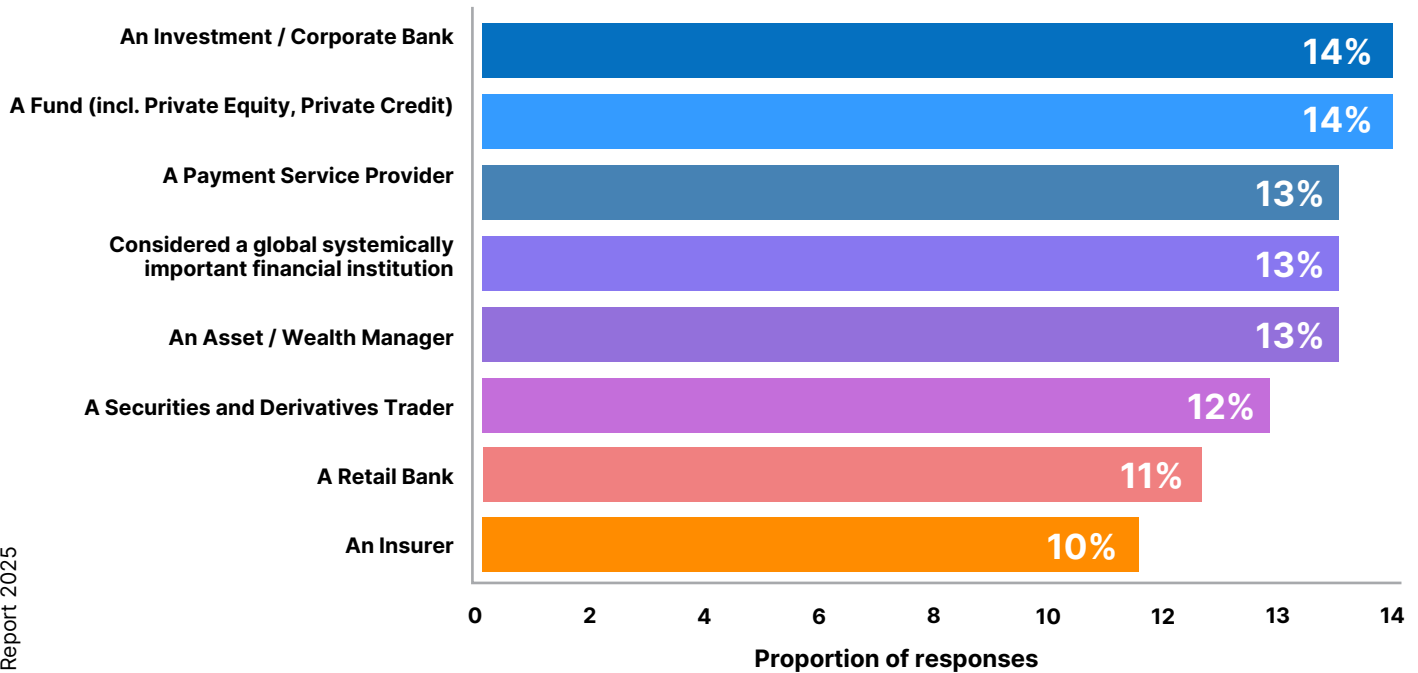


Survey respondents by firm size

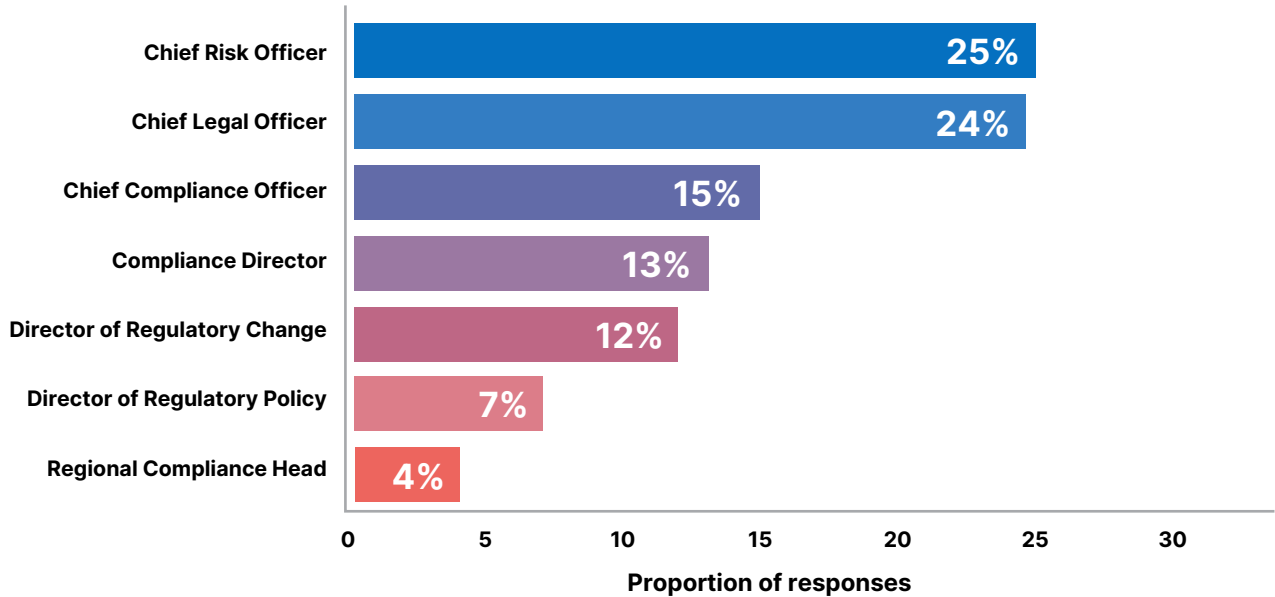
LEGEND

■	Less than 5,000 employees
■	5,000 - 20,000 employees
■	20,001 - 100,000 employees
■	100,001 - 200,000 employees
■	More than 200,000 employees

Survey respondents by firm type



Survey respondents by role





ABOUT CUBE

CUBE is a global market leader and pioneer in Automated Regulatory Intelligence (ARI) and Regulatory Change Management (RCM), empowering over 1,000 financial institutions across every major jurisdiction to meet complex and evolving compliance and data governance obligations. With operations spanning Europe, North America, Asia, and Australia, CUBE's AI-powered RegPlatform™ ingests, classifies and continuously monitors regulatory developments across all regulatory bodies and published languages, delivering an always up-to-date regulatory footprint. This enables customers to transform how they manage horizon scanning, regulatory change, data governance and compliance risk with speed, scale and confidence.

Backed by Hg, a leading investor in global software and services businesses, CUBE has rapidly expanded its capabilities through a combination of organic innovation and strategic acquisitions. These include the Thomson Reuters Regulatory Intelligence and Oden businesses, Reg-Room, and most recently Acin - the market utility transforming how non-financial risk is digitised, benchmarked and managed. Together, CUBE and Acin offer the first integrated solution for regulatory compliance and operational risk, giving firms unprecedented visibility, control and assurance over their data governance and regulatory environment.

At a time when resource constraints, personal accountability, and geopolitical pressures are reshaping the compliance landscape, CUBE delivers a dynamic, data-driven approach to risk and compliance that is purpose-built for the challenges of today and tomorrow.

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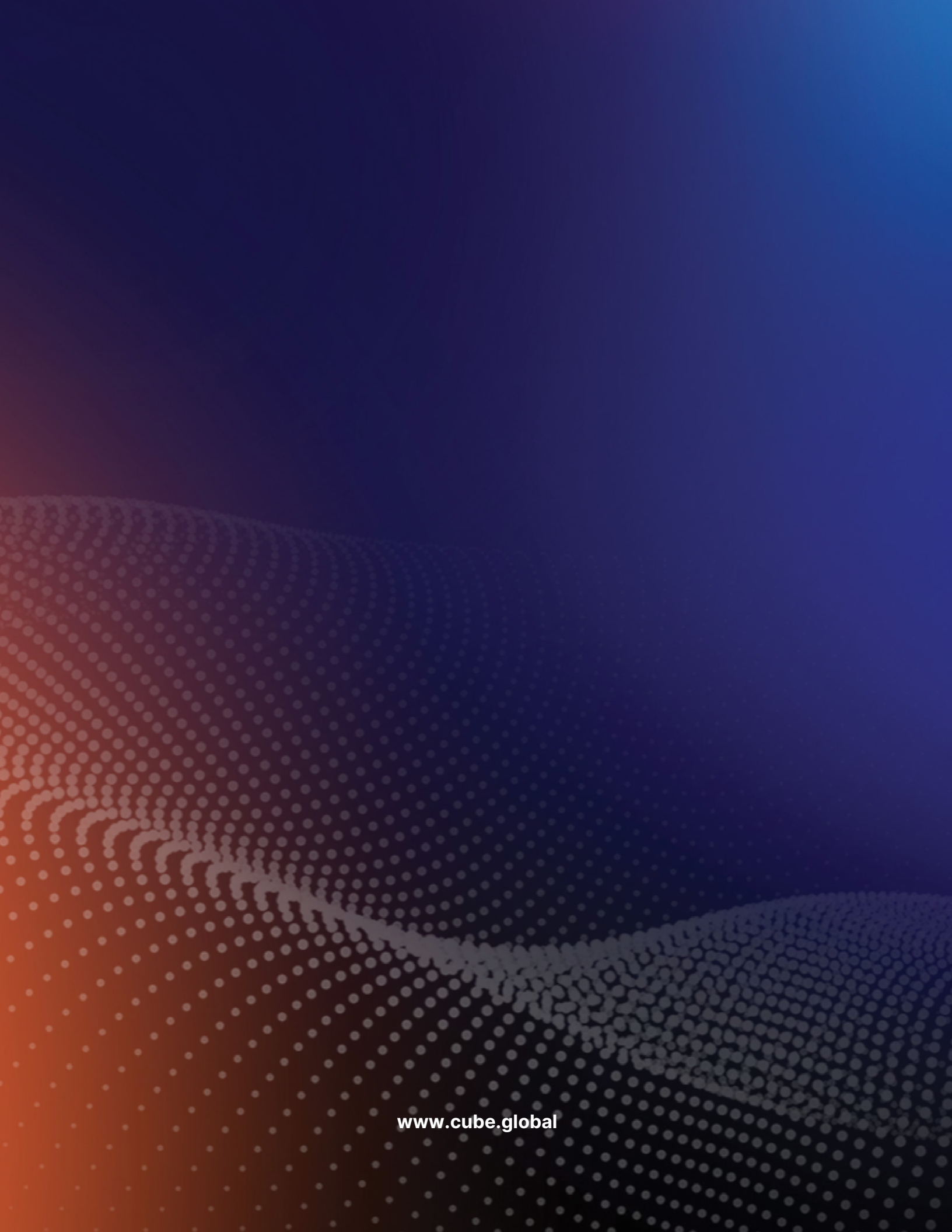
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