

# TANGLED UP IN RED TAPE: CONSIDERATIONS FOR A REGULATED BUSINESS (IN FINANCIAL SERVICES)

---

## WHAT OFTEN GOES WRONG?

- Not embedding regulatory analysis at an early stage when engaging in or near financial services businesses. The earlier you identify a regulatory issue, the easier it can be to structure around it.
- Trying to avoid being regulated. Sounds odd. Being a regulated firm can be pain, and sometimes it can be avoided. But sometimes, the efforts needed to stay outside the perimeter of regulation can mean that you make your business unnecessarily complicated and restricted, which can stifle development, opportunities and innovation. Sometimes you've just got to hug the elephant.
- Blindly following another business's model. They may be right, but they may also have got it wrong, and very small differences in a business model can have a big impact on the analysis.
- Not taking the time to understand the regulated environment you are operating in. Just because you are authorised in another jurisdiction does not mean you meet the expectations of another regulator.



## HOWEVER...

- It's never been a more interesting time to be involved in financial services. Technology and innovation are enabling new access solutions and increasing competition.
- It's dynamic. Regulatory change is aiming to facilitate innovation and competition.

## CONSIDERATIONS TO SUCCEED

Take proper specialist advice – this is a highly technical area so find an adviser that really understands your sector. Think about it as a valuable investment in the foundations of your business.

New product or service innovation? - always consider if a new development will bring you into regulated activity and seek out advice early.

Don't cut corners. Successful (and many established) financial services businesses are at heart conservative, and they (like their regulators and customers) are impressed by firms that are properly set up, managed, and controlled. If it is put together with sticky tape and elastic bands, it's much harder to scale up.

Customer centricity is key. Focussing on ensuring good customer outcomes will help equip your business with what it needs to succeed in this highly regulated environment.

And on that note, have an eye on third party reliance risk and AML risks when developing your business operations for your success!

