The financial crisis...is not just the result of a missing regulator, a gaping structural gap in the regulatory framework. Rather, it is rooted in the refusal of regulators, lawmakers and executive-branch officials to heed warnings about risks in the system and to use their powers to head them off.”¹

The pendulum of regulation is swinging in a different direction as a result of the financial crisis that emerged during 2008. You should be prepared not only for a number of new regulations seeking to fill perceived gaps in current regulations, but also for stricter enforcement of existing regulations and demand for more transparency and timely reporting to enable

regulators to manage systemic risk. Regulatory changes are also likely due to these trends:

- Increasingly formalized roles and responsibilities of company Directors.

- Increasing requirements for establishing a formal risk management process.

- Increased transparency of risk management and management decision-making.

- Regulation of rating agencies. Although this may initially focus on credit risk, other types of risk assessment may be required. This change may be international in nature, with Europe taking the lead on regulatory changes.

If regulatory change and compliance with those changes aren’t managed properly, organizations may be quickly overwhelmed by complexity and inherent redundancies. Resources may be diverted to address regulation challenges and away from other pressing business objectives. Worse, an organization’s reputation and/or profitability may suffer if noncompliance creates reputational damage.

This chapter focuses on some key issues related to the shifting regulatory environment.

**The Shifting Regulatory Landscape**

Recent experience has demonstrated that one of the fastest ways for an industry to become subject to more regulation is to not comply with existing regulations—or to make the authoritative agency (and some lawmakers) look bad through a widespread or much-publicized failure. Does this mean more regulations will be coming out of the 2008 financial collapse? In a word, “yes.” What remains to be seen is how much, how detailed, and how long it will take.