

IBM Announces Planned Acquisition of Promontory to Transform Regulatory Compliance with Watson

Promontory's 600 professionals and offerings will form the foundation of new Watson Financial Services portfolio from IBM's Industry Platforms business

ARMONK, N.Y. - 29 Sep 2016: IBM (NYSE: [IBM](#)) today announced plans to acquire Promontory Financial Group, a global market-leading risk management and regulatory compliance consulting firm. Upon close, the capabilities of Promontory combined with IBM's deep industry expertise and Watson's cognitive capabilities will directly address the massive operational effort and manual cost of escalating regulation and risk management requirements.

Promontory's 600 professionals are based in North America, Europe, the Middle East and Asia Pacific - many of them have deep and varied expertise amassed over decades as senior leaders of regulatory bodies, financial institutions and Fortune 100 corporations. Promontory is widely regarded as the firm financial institutions turned to for guidance coming out of the 2008 financial crisis. The firm's expertise and offerings directly address the standards for compliance implemented to ensure the integrity of the financial system, protect consumers and build trust through transparency.

More than 20,000 new regulatory requirements were created last year alone, and the complete catalog of regulations is projected to exceed 300 million pages by 2020^[1], rapidly outstripping the capacity of humans to keep up. Today, the cost of managing the regulatory environment represents more than 10 percent of all operational spending of major banks, for a total of \$270 billion per year^[2].

This is a workload ideally suited for Watson's cognitive capabilities intended to allow financial institutions to absorb the regulatory changes, understand their obligations, and close gaps in systems and practices to address compliance requirements more quickly and efficiently.

Upon close, Promontory's professionals will train Watson, which will learn by continuously ingesting regulatory information as it is created and through interaction in real-world applications.

"What Watson is doing to transform oncology by working with the world's leading oncologists, we will now do for regulation, risk and compliance," said Bridget van Kralingen, senior vice president, IBM Industry Platforms. "Promontory's experts are unsurpassed in this field. They will teach Watson and Watson, in turn, will extend and enhance their expertise. This initial offering of Watson Financial Services is emblematic of the transformative cloud-based solutions that IBM Industry Platforms will bring to clients."

Promontory will begin to accelerate IBM's development and machine training of cognitive solutions for risk and compliance. This includes solutions for tracking constantly changing regulatory obligations, expectations and control requirements, as well as solutions that address specific compliance needs, such as financial risk modeling, surveillance, anti-money laundering (AML) and Know Your Customer (KYC). In addition, Promontory professionals will extend IBM's consulting and services offerings to help clients dramatically reduce the cost of regulatory compliance.

"We believe the future of business and regulation will be driven by the need for advanced technology alongside deep subject-matter expertise," said Eugene Ludwig, Promontory's founder and CEO. "Combining Promontory's expertise with IBM's extraordinary technological capabilities such as Watson will permit us to directly address our clients' greatest challenges in innovative and powerful ways. It will enhance our mutual commitment to risk management and regulatory compliance excellence, and our results will benefit customers and the overall financial system."

Promontory will operate as a wholly owned subsidiary of IBM. The planned acquisition represents the first example of new capability from IBM's Industry Platforms business, launched in August. The new business was formed to build open vertical platforms – the first comprehensive “as a service” offerings designed from the ground up for individual industries. These platforms will integrate IBM Cloud, Watson and capabilities from across digital ecosystems of specialized providers, and serve multiple clients in an industry – delivering dramatically reduced costs for outcomes spanning speed, quality, audit-ability, security and transparency.

Promontory is headquartered in Washington, D.C. and has 19 offices in North America, Europe, Asia, Australia, and the Middle East. The planned acquisition is expected to close in late 2016 and is subject to applicable regulatory review and customary closing conditions. Financial details were not disclosed.

For more information visit ibm.com/

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