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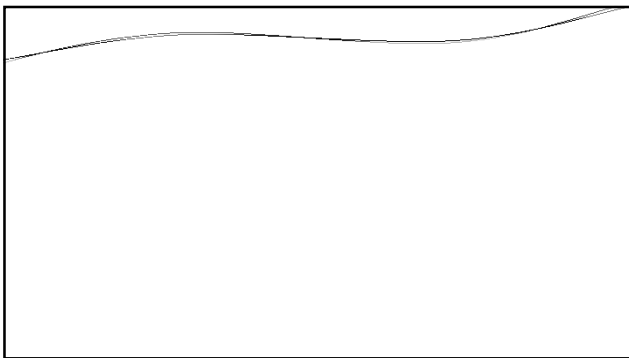
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**Corporate Compliance & Information Technology Challenges**  
**What we will discuss today?**

1. Brief on Information Technology in last two decades
2. Information Technology a necessity for business?
3. Why we cannot avoid IT in business & Corporate?
4. What is the impact of advancement in technology on business?
5. What are the challenges associated with use of Information technology.
6. What happened in last one decade (mega scandal)?
7. How we can prevent, detect and respond to these challenges
8. Corporate Compliance Governance Mechanism: People, Policies & Procedures to mitigate challenges.
9. Compliance risks associated with e-commerce
10. Employment Agreement & Communication with Competitors & Customers
11. Cyber Security and Privacy Laws

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### Brief History of Information Technology & Business Management

In the early 1980s with the first desktop computers, information technology has played an important part in the U.S. and global economies. Companies started to rely on IT for fast communications data processing and market intelligence.

IT has played an integral role in every industry, helping companies improve business processes, achieve cost efficiencies, drive revenue growth and maintain a competitive advantage in the marketplace and mega corporate growth in last two decades like *Microsoft, Hotmail, Google, Yahoo, Face book, Amazon, Oracle, SAP, Watsapp, Netflix, Uber ect*

Information Technology helps businesses in a number of ways that are generally centered on doing things bigger, better and faster than you could without technology. Different industries and companies rely on technology in different ways, but widespread uses include business communication, optimized production, inventory management and financial record-keeping.

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### Information Technology a necessity for business?

**Cross Borders Customers & Business:** In last two decades business got freedom from borders without geographic limitations. By crossing borders, businesses have new markets with new customers in new socio-economic environment. Information technology further accelerated this revolution with introduction of worldwide web and then smart phones.

**Compact Disc Replaced Heap of Paper Files:** Business transformed from big papers files warehouses, to compact sever, cloud technology and then big data warehouses.

**Your Smart Phone is Mega Retail Store Display & Bank Cash Register:** Large retail stores converted into window desktop e-commerce stores and to smart phone one click online shop tools. Business world transformed at speed of light in last two decades from paper currency to plastic cards, and then a new horizons of Crypto currency transaction.

**Smart Phone & Gadgets Broadcasting Machines:** Smart phones are converted in walking and talking real time news room that reached the entire world within seconds of recent past incidents.

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### Why we cannot avoid IT in business & Corporate?

Businesses are driven by customers needs, expectations, trends, behaviors and satisfaction level.

- |  |   |
|--|---|
| 1. Business growth                               | 9. Business culture and class relations                       |
| 2. Market share & business survival              | 10. Security, research capacity                               |
| 3. Increase their market share                   | 11. Global presence and cross borders sales                   |
| 4. Right decision making with accuracy and speed | 12. Systematic management and resource planning               |
| 5. Customers needs and expectation               | 13. Real time monitoring of business performance              |
| 6. Easy access to consumers & suppliers          | 14. Effective marketing with target customers.                |
| 7. Communication with customers                  | 15. Accurate business planning customers target group based.  |
| 8. Efficiency of operations by data analysis     | 16. Customer support timely, instant with immediate solution. |

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### What is impact on business with advancement in technology?

Based on research conducted in year 2017, and researcher calculated that in 2016 & 2017 global ecommerce website based sales reached more than \$22 trillion across the globe. There is a 6% annual increase in sales and in 2020 estimated sales will reach to \$27 trillion with potential growth of 17% by 2020.

Imagine where we will stand after 2020?

What if there is abuse of e-commerce transactions just only 0.1% of 27 Trillions USD business transactions, minimum translated impact would be USD 2700 Billions.

These losses may include bad corporate repute, market position, trade of stocks in market and legal expense etc.

Federal Trade Commission (FTC) and Department of Justice Reported that in Year 2017, 1 in 5 people is affected by IT related Fraud and scams, where they lost money.

In year 2017 Total Business IT related scams were 27,989 in USA Only.  
In Year 2018 22,704 scams added to the "BBB Scam Tracker" (Better Business Bureau)

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### What are Compliance Challenges associated with use of Information technology?

Information technology has also brought a compliance challenges for businesses. Major risks due to failure of IT system leads to legal action by customers and regulatory bodies, financial forfeiture and even bankruptcy. Business face these challenges when they are fail to adopt industry laws & regulations, internal policies or prescribed best practices i.e. breach of data confidentiality, customers complaints and legal actions, doing business with band organizations etc. Few examples are:

From 2001, the number of scams in America has grown dramatically, with consumers now losing a hefty \$257 billion to \$337 billion a year to fraudsters, according to an organization Marketdata.

**Western Union:** Federal Trade Commission (FTC) and Department of Justice came to multistate settlement with Western Union of \$586 million.

**The Equifax Data Breach:** Approximately 143 million Americans sensitive information exposed. Equifax is one of the nation's three major credit-reporting agencies.

**Google lost \$5.1 billions** anti-trust case in European Union.

➤ Facebook Recent Crises- Russian Meddling in USA Election (Alphabet and Facebook).

➤ Uber - Data Breach Cases and incident sexual harassment goes viral lead to customer trust and business loss.

➤ Yahoo! - Accounts Hacked. They admitted in October 2017 **that 3 billion users** compromised.

➤ Samsung's Bribery Charges - Where top management is behind the bars.

➤ United Continental Holdings Inc where "A Doctor Pulled Out of Plane By United Airline and goes viral in social media.

➤ Corporate Sexual Harassment & #METOO hash tag (Harvey Weinstein's Case). Loss of share value.

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### Compliance Risks Associated With E-Commerce & ERPs

E-commerce business started in late 90s by Amazon which then followed by Ebay, Bestbuy, Alibaba and now uncountable online ecommerce business. Now every single business enterprise started online buying and selling. There are number of incidents discussed in earlier slides, which give a glimpse of compliance and fraud issues related to ecommerce and online transactions. Major identified E-commerce and online business compliance risks are associated with following:

**Anonymous Buying & Selling** by online customers without authentication and identity checks. Anonymous online buying and selling is mostly connected with identity theft incidents where fraudsters used stolen identity information for online buying and selling. A complete consumer information shall be taken before transactions processing.

**Money Laundering By Cross Border Transactions** are identified recently, where a number of sales transactions raised red flags of "Money Laundering" because there was no actual physical transaction of products. Sales of goods were just in system and bilateral payments made by cross borders seller and buyers. Criminals are using open source online buying and selling platform for money laundering because online platform never inquire source of income from international or cross border customers. Online platform use fake transactions to show sales volume and subsequent benefit in stock markets as an organized fraud.

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### Compliance Risks Associated With E-Commerce and ERPs

**Absence of due diligence** about compliance of product sourcing, warehousing & supply chain are not declared by online business to customers and regulators i.e. open source trading platforms where you cannot track source of products and compliance with supply chain either product is sourced from companies and countries with financial sanctions by international institutions. Either seller or buyer supply chain is compliant with health safety, environment and labour laws.

**Invoicing & Taxation** issues with cross state and cross border transactions are subject to tax evasion manipulating different tax rates in different states, tax exemption and plea of dual taxation treaties. Online transactions shall be designed in a way to be compliant with taxation law of every jurisdiction wither between states or a cross border transactions.

**Payments Terms & Conditions** most of the times are not defined in a manner where customers may understand product price, services charges, applicable taxation, order cancellation charges, processing fee, services charges on refund. A number consumers reported misrepresentation regarding services charges apart from delivery services charges. Payment terms and conditions shall be clear and must be acknowledged by customers before formal processing of order.

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### Compliance Risks Management Of IT & Ecommerce

**Disclaimers** about Buying & Selling are not communicated, product availability, tentative and conditional availability and cancelation of orders with penalties.

**Digital Signature** or biometric identification must be part of every online transnational transactions.

**Personal & Protected Information data** is one of biggest issue of ecommerce. There are number of data breach cases reported where customer personal and protected information stolen and shared publically. These risks cost corporate huge monetary and reputational losses in recent past examples are Equifax's and Uber Data Breaches cost millions to users, Alphabet & Facebook issues costs billions of USD and investigation of USA current government administration.

**Price Manipulation, Bid Rigging & Cartelization** are identified in B2B e commerce transactions by sharing customer/buyer information with competitors to create demand and supply gaps. Retailers share price quoted by suppliers with competitors for fixing and exclusivity.

**Crypto Currency influx** in ecommerce transactions. Taxation issues about money without identification.

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### Compliance Risks Management Of IT & Ecommerce

*How many of us read online agreements before acknowledging terms and conditions?*

**Online Transaction Agreements** are one of most importance compliance risks that leads to a legal action by regulatory bodies and consumer protection organizations. Terms and conditions of online agreements are not exhaustive covering all aspect of payment terms, services charges including delivery and transaction fee, taxations, mode of delivery and tentative time of delivery etc.

For cross or international transactions *international conventions on transnational business transactions* must be included i.e. Warsaw Convention, Hague Visby rules, Montreal Convention, New York Convention must be considered in agreements.

**Dual Acknowledgement** of terms & conditions shall be taken by seller and customer with clear statement of compliance with local laws and international conventions particularly in reference to transnational transactions.

**Implied Consent** is one of major risks that lead to dispute between and online seller and buyers, which results in legal action and subsequently damage corporate reputation.

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### How we can Identify These Compliance Challenges

**Ecommerce Compliance Program** must be in place in every organization in ecommerce business with focus on compliance risk management with proactive and timely identification of potential compliance risks related to transactions with **extensive training** of employees with high risk exposure i.e. sales and buying team.

**Compliance Risk Management** by risk identification, risk profiling, mitigation plan, detection and response to crises are usually absent in corporate that turned to disasters in above examples and scams.

**Compliance Surveys/Audits** to detect any potential breach and gap identification and mitigation.

**Compliance Governance Mechanism** shall be in place in purview of compliance survey findings, risk assessment, mitigation measures and control structure & mechanism to ensure implementation IT related compliance risks.

#### E-Commerce Compliance Program



Fundamental Pillars of Compliance Program

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### Corporate Compliance Governance Mechanism People, Policies & Procedures to mitigate challenges

Information technology related compliance risks can be mitigated by an effective compliance governance mechanism (CGM). CGM mainly consists of three pillars.

**Compliance Professionals with Competency** to understand relationship of your business and information technology, pace of change in business environment and make it compatible with management policies.

**Corporate Policies** is most important pillar of CGM. Policies are driving force to streamline business environment change to be compliant with updated corporate code of conduct and ethical business operations aligned with laws.

**Business Operation Procedures** are updated and aligned with IT changes i.e. fiduciary responsibility of investor/shareholder and business management. Procedures to handle corporate information while interacting with employees, customers, suppliers and competitors. What we need to communicate and what not.

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### Proactively Compliance Risk Management and Role of Employees

Employees are driving force in every business. Employees are first point to mitigate compliance risks and employment agreements are first step to resolve issue.

Organizations shall design employment agreements in such a way that all compliance risks related to IT and ecommerce are managed along with systems i.e. nondisclosure agreements, data confidentiality, non-compete clause, ethical conduct, responsibility to whistle blow and clear guidelines to interact with customers, competitors and suppliers.

#### Declaration of Risks for Employees

- |   |                             |
|---|-----------------------------|
| •Risk of high fines against your company and      | - and against you           |
| •Risk for Your Organization repute                | - also for your reputation  |
| •Risk of high costs for defence for your company  | - and for you               |
| •Risk of damage claims by our customers           | - against company and you   |
| •Risk of invalidity of contracts for your company | - and for you               |
| •Personal risk of disciplinary action             | - against you by regulators |

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**Role & Duties of Compliance Professional**

Risk Identification, Assessment and Evaluation

Risk Response

Risk Monitoring

Information Systems Control Design and Implementation

Information Systems Control Monitoring and Maintenance

IT Policies/Governance and Compliance

Disaster Recovery System and Coordination with regulators and customers

Audits and Reviews Preparation and Facilitation

Direct involvement in IT related projects and business initiatives

*Detailed Compliance Professional Duties are available*

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**Major Information Technology Related Reported Scams**

IT scams hit corporate and individual in different ways and impacted corporate business and customers beyond repair. As per online data available following are major IT scams are:

- |                                      |                            |
|--------------------------------------|----------------------------|
| 1. Airbnb Scam                       | 1. Netflix Scam            |
| 2. "Can You Hear Me" and "Yes" Calls | 2. Porting Scams           |
| 3. Car Scams                         | 3. Romance Scams           |
| 4. Cryptocurrency Scams              | 4. Secretary of State Scam |
| 5. Death Threat Hoax                 | 5. Shimmer Scams           |
| 6. Fake Bank Apps                    | 6. Tax Arrest Scam         |
| 7. Grandparent Scam                  | 7. Tax Prep Scam           |
| 8. IRS Scam                          | 8. Tech Support Fraud      |
| 9. Jackpotting/Jury Duty Scams       | 9. Veterans Scams          |
| 10. Medicare Card Scam               |                            |

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*Thank You*

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# Presenter

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