Designing a Built-In Compliance Program

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October 24, 2018

Agenda

• Overview of Farmer Mac
• Compliance Program Evolution
• Built-in Compliance Program
  – Farmer Mac
  – Practical Tips
• Table Exercise
• Metrics to Show ROI
• Key Takeaways
Who is Farmer Mac?

- GSE formed by Congress in 1987 in response to farm crisis of 1980s
- Secondary market for agricultural real estate loans, rural housing loans, and rural utilities cooperative loans
  - Almost $20 billion in assets
- Stockholder-owned, federally chartered corporation serving a public mission

Mission

Farmer Mac is committed to help build a strong and vital rural America by increasing the availability and affordability of credit for the benefit of American agriculture and rural communities.

Who is Farmer Mac?

- Regulatory authorities
  - Farm Credit Administration (safety and soundness)
  - Securities and Exchange Commission
  - New York Stock Exchange
- Public profile as a GSE
  - Congressional action; regulatory enforcement action; stockholder lawsuits

Promise

To build a strong and vital rural America through innovation, collaboration, and excellence.
Who is Farmer Mac?

- **U.S. Employees**
  - Less than 100 employees
  - Mostly in D.C., but some remote employees
- **Offices**
  - Washington, D.C. (HQ), Iowa, California, Idaho

Values

Stewardship | Unparalleled Service | Innovative Thinking |
Collegial Collaboration | Unrelenting Excellence | Absolute Integrity |
Passion for Rural America | One Farmer Mac

Compliance Program Evolution

Federal Sentencing Guidelines

Effective Compliance Program

Elements of an Effective Program
1. Standards & Procedures
2. Oversight
3. Detection Efforts
4. Education & Training
5. Monitor & Audit
6. Enforcement & Discipline
7. Response & Prevention
Compliance Program Evolution

Benefits
1. Decrease legal and reputational risks
2. Positively impact employee morale
3. Increase process efficiency

Challenges
1. After Thought
2. Separate Review Cycle

Practical Tip #1

Federal Sentencing Guidelines

Effective Compliance Program

Senior & Middle Management
1. Shared Commitment
2. Conduct at the Top

Chief Compliance Officer
1. Responsible for Program
2. Sets the Tone
3. Adequate Resources
4. Ability to Communicate with Board

2017 DOJ Guidelines

2017 DOJ Guidelines

Senior & Middle Management
1. Shared Commitment
2. Conduct at the Top

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Federal Sentencing Guidelines

Effective Compliance Program
**Partnering with Leadership**

- Visibly Communicate
  - *The (Honest) Truth About Dishonesty*, by Dan Ariely

- Model
  - *The (Honest) Truth About Dishonesty*, by Dan Ariely

- Be Accountable

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**Bolt-On Compliance Program**

![Diagram showing the overlap of existing process & communication, 2017 DOJ Guidelines: Management Involvement, and FSG: Compliance Process & Communication]
**Merge Processes**

- Existing Process & Communication
- 2017 Guidelines: Management Communication
- FSG: Compliance Process & Communication

**Built-In Compliance Program**

- Built-In Compliance Program, in Partnership with Leadership
**Built-In: Identify, Partner, Execute**

- **Identify**
  - Which existing systems or processes can Compliance be rolled into?
  - Where can I add the most value?

- **Partner**
  - Who are the key stakeholders I must work with?
  - Who do I need to consult or inform?

- **Execute**
  - Are there obstacles? What is the implementation timeline? What is the communication plan?
  - How can Leadership show commitment?

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**Built-In: Use Existing Vendors**

- **Identify**
  - Third Party Risks Management Database

- **Value Add**
  - Procurement Office; Risk; Legal; Business Leads

- **Partner**
  - Marketing; Communication

- **Execute**
  - Communication Plan

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**Practical Tip #2**

**Practical Tip #3**


**Built-In: Leverage Existing Relationships**

<table>
<thead>
<tr>
<th>Identify</th>
<th>Value Add</th>
<th>Partner</th>
<th>Execute</th>
</tr>
</thead>
<tbody>
<tr>
<td>Matrix Reporting Chain</td>
<td>Decrease risks</td>
<td>Risk; BOD; CEO; Executive Officers</td>
<td>Attend Leadership Team or Board Committee Meetings</td>
</tr>
</tbody>
</table>

**Compliance – Strategic Plan**

- **Mission**
  - To decrease legal and reputational risks, positively impact employee morale, and increase process efficiency by making ethics and compliance tools and resources easily available to all employees.

- **Vision**
  - For ethics to be seamlessly integrated into decision-making processes.

- **Strategic Plan**
  - What activities align with corporate strategies?
  - Hint: risks, morale, and process efficiency
**Built-In: Use existing processes**

<table>
<thead>
<tr>
<th>Identify</th>
<th>Value Add</th>
<th>Partner</th>
<th>Execute</th>
</tr>
</thead>
<tbody>
<tr>
<td>Screening Key Candidates</td>
<td>Decrease risks</td>
<td>HR; Business Leads</td>
<td>Interview</td>
</tr>
</tbody>
</table>

**Built-In: Use Existing Channels**

<table>
<thead>
<tr>
<th>Identify</th>
<th>Value Add</th>
<th>Partner</th>
<th>Execute</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company Lunch &amp; Learn</td>
<td>Marketing; Communication</td>
<td>Host sessions</td>
<td></td>
</tr>
<tr>
<td>Company Newsletter</td>
<td>Marketing; Communication</td>
<td>Include training information or educational materials</td>
<td></td>
</tr>
<tr>
<td>Team Meetings</td>
<td>Business Leaders</td>
<td>Introduce during meeting</td>
<td></td>
</tr>
<tr>
<td>Intranet</td>
<td>IT</td>
<td>Add Compliance intranet site</td>
<td>Determine location</td>
</tr>
</tbody>
</table>
## Built-In: Use Existing Channels

<table>
<thead>
<tr>
<th>Identify</th>
<th>Value Add</th>
<th>Partner</th>
<th>Execute</th>
</tr>
</thead>
<tbody>
<tr>
<td>Posting Boards</td>
<td></td>
<td>Marketing; Communication</td>
<td>Pre-approval</td>
</tr>
<tr>
<td>Laptop Stickers</td>
<td></td>
<td>IT</td>
<td>Roll-out plan</td>
</tr>
<tr>
<td>Intranet</td>
<td></td>
<td>IT</td>
<td>Include on intranet homepage</td>
</tr>
<tr>
<td>E-mail Signature Line</td>
<td>N/A</td>
<td>IT</td>
<td>Add Hotline information</td>
</tr>
<tr>
<td>Out of Office Notification</td>
<td>N/A</td>
<td>IT</td>
<td>Add Hotline information</td>
</tr>
<tr>
<td>Business Leads</td>
<td>Business Leads</td>
<td></td>
<td>Educate</td>
</tr>
</tbody>
</table>

## Built-In: Consolidate and Merge

<table>
<thead>
<tr>
<th>Identify</th>
<th>Value Add</th>
<th>Partner</th>
<th>Execute</th>
</tr>
</thead>
<tbody>
<tr>
<td>Training Vendors</td>
<td></td>
<td>Procurement; IT; Legal; HR</td>
<td>Vendor provides cross-functional trainings</td>
</tr>
<tr>
<td>Training Schedules</td>
<td></td>
<td>HR; IT</td>
<td>Built into enterprise calendar</td>
</tr>
<tr>
<td>Training Messaging</td>
<td></td>
<td>HR; IT</td>
<td>Consistent language; Supervisor notification</td>
</tr>
</tbody>
</table>
### Built-In: Use Existing Processes

<table>
<thead>
<tr>
<th>Identify</th>
<th>Value Add</th>
<th>Partner</th>
<th>Execute</th>
</tr>
</thead>
<tbody>
<tr>
<td>Risk Assessment</td>
<td>Risk</td>
<td>Risk</td>
<td>Add observation of misconduct question</td>
</tr>
<tr>
<td>Third Party Due Diligence</td>
<td>Risk</td>
<td>Risk</td>
<td>Add conflicts and regulatory compliance question</td>
</tr>
<tr>
<td>Engagement Survey</td>
<td>HR</td>
<td>Include ethical culture questions</td>
<td></td>
</tr>
<tr>
<td>Exit Interviews</td>
<td>HR</td>
<td>Include in exit survey</td>
<td></td>
</tr>
<tr>
<td>Conflicts of Interest Questionnaire</td>
<td>HR</td>
<td>Include with other attestations</td>
<td></td>
</tr>
</tbody>
</table>
**Built-In: Engage Management**

<table>
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<tr>
<th>Identify</th>
<th>Value Add</th>
<th>Partner</th>
<th>Execute</th>
</tr>
</thead>
<tbody>
<tr>
<td>Root Cause Analysis</td>
<td>Decrease risks and process</td>
<td>Business Leaders</td>
<td>Create, revise, or clarify</td>
</tr>
<tr>
<td></td>
<td>efficiency</td>
<td></td>
<td>process</td>
</tr>
</tbody>
</table>

**Table Exercise**

1. Individual
   - Identify, Partner, Execute
2. Table Discussion
   - Share Strategies
3. Share With Group
**Metrics to Show ROI**

- **Surveys**
  - Compliance orientation and trainings
  - Outreach visits

- **Data**
  - Intranet: "hits" to your materials
  - Advice or Hotline Data: trends
  - Training: score; attendance
  - Legal Fees, Enforcement Actions, Penalties
  - Employee Engagement Results
  - Ethical Culture Results
  - Exit Survey Results

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**Built-In: Takeaways**

- **One size does not fit all**
  - Company size
  - Compliance maturity level
  - Culture

- **Build trusting relationships**
  - It takes time and effort
  - Know your champions
  - Leverage relationships

- **You are not alone**
  - Compliance networks
Questions?

Thank You!

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