Designing a Built-In Compliance Program

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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 promoting 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. Afterthought
2. Separate Review Cycle

Practical Tip #1

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Compliance Program Evolution

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

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

**2017 DOJ Guidelines**

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Partnering with Leadership

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

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

- **Be Accountable**
Bolt-On Compliance Program

- Existing Process & Communication
- 2017 DOJ Guidelines: Management Involvement
- 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?

**Built-In: Use Existing Vendors**

<table>
<thead>
<tr>
<th>Identify</th>
<th>Value Add</th>
<th>Partner</th>
<th>Execute</th>
</tr>
</thead>
<tbody>
<tr>
<td>Third Party Risks Management Database</td>
<td>Value Add</td>
<td>Partner</td>
<td>Execute</td>
</tr>
<tr>
<td>Marketing/Design Vendor</td>
<td>Value Add</td>
<td>Partner</td>
<td>Execute</td>
</tr>
</tbody>
</table>

**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, Board of Directors</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>Internet</td>
<td>IT Practical Tip #1</td>
<td>Add Compliance intranet site</td>
<td>Determine location</td>
</tr>
</tbody>
</table>
### Built-In: Use Existing Channels

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<th>Identify</th>
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<th>Partner</th>
<th>Execute</th>
</tr>
</thead>
<tbody>
<tr>
<td>Posting Boards</td>
<td>Marketing,</td>
<td>Communication</td>
<td>Pre-approval</td>
</tr>
<tr>
<td></td>
<td>Communication</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Laptop Stickers</td>
<td>IT</td>
<td></td>
<td>Roll-out plan</td>
</tr>
<tr>
<td>Intranet</td>
<td>IT</td>
<td></td>
<td>Include on Intranet homepage</td>
</tr>
<tr>
<td>E-mail</td>
<td>N/A</td>
<td></td>
<td>Add Hotline information</td>
</tr>
<tr>
<td>Signature Line</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Out of Office</td>
<td>N/A</td>
<td></td>
<td>Add Hotline information</td>
</tr>
<tr>
<td>Notification</td>
<td></td>
<td></td>
<td></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>Procurement; IT, Legal; HR</td>
<td>Vendor provides cross-functional</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>trainings</td>
<td></td>
</tr>
<tr>
<td>Training Schedules</td>
<td>HR; IT</td>
<td></td>
<td>Built into enterprise calendar</td>
</tr>
<tr>
<td>Training Messaging</td>
<td>HR; IT</td>
<td></td>
<td>Consistent language</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>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></td>
<td>Add observation of misconduct question</td>
</tr>
<tr>
<td>Third Party Due Diligence</td>
<td>Risk</td>
<td></td>
<td>Add conflicts and regulatory compliance question</td>
</tr>
<tr>
<td>Engagement Survey</td>
<td>HR</td>
<td></td>
<td>Include ethical culture questions</td>
</tr>
<tr>
<td>Exit Interviews</td>
<td>HR</td>
<td></td>
<td>Include in exit survey</td>
</tr>
<tr>
<td>Conflicts of Interest Questionnaires</td>
<td>HR</td>
<td></td>
<td>Include with other attestations</td>
</tr>
</tbody>
</table>

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**Built-In: Use Existing Processes**

<table>
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<th>Identify</th>
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<th>Execute</th>
</tr>
</thead>
<tbody>
<tr>
<td>Incentive Programs</td>
<td></td>
<td>HR</td>
<td>Supervisor</td>
</tr>
<tr>
<td>Performance Evaluations</td>
<td></td>
<td>HR</td>
<td>Supervisor</td>
</tr>
</tbody>
</table>

**Built-In: Engage Management**

<table>
<thead>
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<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 efficiency</td>
<td>Business Leaders</td>
<td>Create, revise, or clarify 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

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!

- Grace C. Wu de Plaza, Director of Compliance & Corporate Integrity
- Anjali Desai, Assistant General Counsel – Corporate & Compliance