Taming the Terrain:  
A Value-Added, Risk-Based Compliance Program

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Do You Need a Compliance Program?

If this question ever crosses your mind, think about the following:

• Is your business governed by laws and regulations?
• Does your business employ people?
• Does your business have customers who can walk over to your competitors if there is a negative news story about your organization?
• Is there a regulatory enforcement regime?

Have your answer?
What is Compliance Risk?

Compliance Risk is the risk of diminished financial, organizational, or reputational standing as the result of the failure to comply with laws, regulations, codes of conduct, or company standards of practice.

Managing Compliance Risk

A Compliance Function is responsible for developing, implementing, maintaining, and enhancing an independent system of internal controls, as well as monitoring and inspections designed to identify, assess, measure, monitor, test, and report on Compliance Risks.

A Compliance Program is a set of internal policies, procedures, and practices that are tailored to the type, size, and circumstances of an organization.
Establishing a Compliance Program

Compliance Framework
- Key Laws and Regulations
- Policies and Procedures
- Identification and Evaluation of Compliance Risks
- Infrastructure and Resources for Compliance Function

Governance Structure
- Board of Directors Oversight
- Independence of Compliance Officers
- Reporting Channels

Ownership & Accountability
- Establish and Document Responsibilities Among Board, Senior Management, Business/Functions and Compliance Staff
- Make People Accountable for Their Areas of Responsibilities
- Disciplinary Actions for Non-Compliance

Reporting & Communication
- Establish Regulatory and Incident/Issue reporting
- Develop Designated Communication Flow Within and Outside Organization

Corporate Culture impacts and supports the mission, vision, and values of an organization. Regulatory Culture strengthens the implementation of key laws and regulations, with changing environments, and enforces discipline.

Key Laws and Regulations applicable to your company, based on the industry, jurisdiction, customers served, etc.

Policies and Procedures to manage regulatory expectations, which are not only the foundation of a successful Compliance Program, but they guide the Compliance Officer, executive management and the employees with regard to what the Company expects from them, as well as how to operate effectively.

Training and Communication to create and sustain awareness of compliance policies and procedures; opens communication channels for employees to raise questions and concerns, as well as report instances of actual or potential non-compliance.
Elements of a Compliance Program

**Compliance Risk Assessment** helps an organization to identify and understand risk exposures by assessing and measuring its likelihood and impact; assists in determining resource allocation needs for risk mitigation.

**Advisory Work** assists the board, senior management, and employees with understanding the changing regulatory landscape and the significance and potential implications of Compliance Risk.

**Monitoring and Testing** support the business to align decisions within the requirements of policies, procedures, and regulations. Highlights instances of non-compliance in order to mitigate Compliance Risk to acceptable levels.

**Issues Management and Reporting** of results of Compliance Risk Assessments, highlighting changes to the compliance risk profile (including instances of non-compliance) for senior management, the Board, and regulators. These practices are designed to foster awareness and commitment to compliance, as well as ensure appropriate implementation of appropriate, risk-based remediation plans, which are tracked to closure.

Sustainable Risk-Based Compliance Program

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Creating a Compliance Risk Inventory based on Key Laws and Regulations applicable to the Customers, Products, Geography, and Regulator Priorities, etc., in which your business operates.

Develop Risk Assessment criteria tied to the impact and likelihood of risk occurrence; evaluate the Risk Inventory periodically; assess the effectiveness of controls to assign residual risk ratings.
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Prioritize the compliance risks (based on the risk assessment results) for continuous monitoring and/or testing. Define frequency based on a rolling plan tied to risk ratings to ensure appropriate coverage of compliance risks over a period of time.

One solution does not fit all: Risk mitigation plans should be based on internal and external factors tailored to your organization’s size, operations, and needs. Considerations to be based on impact of non-compliance, business strategies, infrastructure requirements, existing framework, and other relevant factors.
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Reporting of compliance risk assessments, monitoring, testing results, issues, and remedial actions to senior management and Board in order to make informed decisions for managing compliance risks. Tracking and management of the issues to feed in the risk assessment cycle.

Continuous Improvement – Maturation of Compliance Program
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Plan

Remediate

Compliance Program

Implement

Review

Annual Compliance Plan to re-prioritize, minimize unplanned/duplicative efforts, and manual processes. Optimize activities to align actions.

Implement Compliance Plan providing management with risk-based insights and impact across the organization.

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Continuous Improvement – Maturation of Compliance Program

Collaborate with other control functions to assess, review, and monitor Compliance Plan and ensure its effectiveness.

Implement Compliance Plan providing management with risk based insights and impact across the organization.

Identify deficiencies and corrective actions to remediate; align assessments to minimize disruption to businesses.

Annual Compliance Plan to re-prioritize, minimize unplanned/duplicative efforts and manual processes. Optimize activities to align actions.
Summary

• Act Now – with resources and information available
• Governance Structuring
• Risk Assessment
• Monitoring and Surveillance
• Testing
• Reporting Assessment Results
• Issue and Action Plan Management
• Continuously Improve the Program
• Engage with Stakeholders, Senior Management, and Board at all stages

Questions?

THANK YOU!