

EUROPEAN EDITION

complysci

THE COMPLIANCE LEADERSHIP PROSPECTUS

A Guide to Achieving Compliance Success in 2020
and Beyond

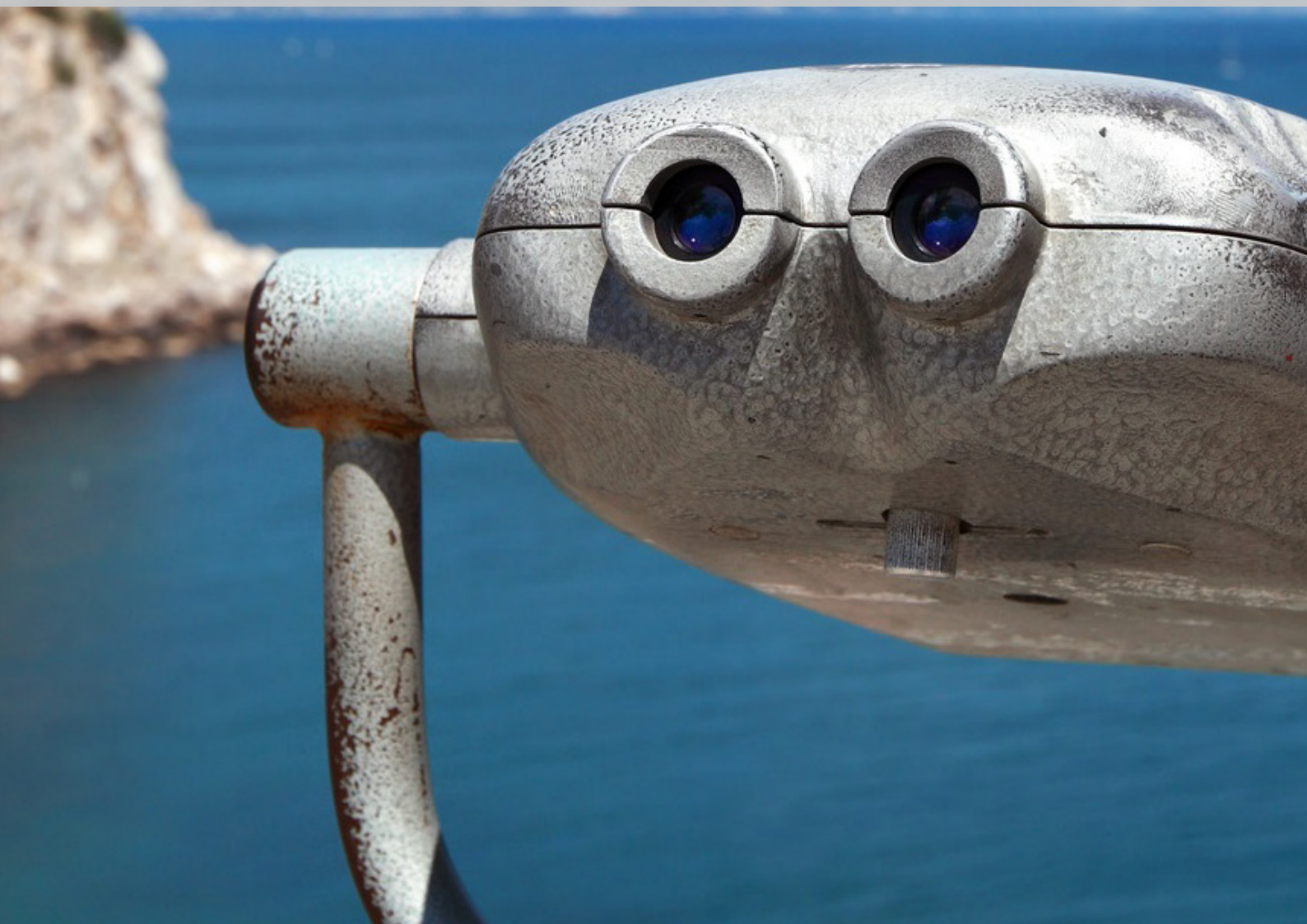


TABLE OF CONTENTS

An Introduction: A Year of Constant Change Within Global Financial Services	3
Considering the Current FCA Business Plan and Recent Fines	4
The 360-Degree Challenge of the Compliance Officer	5
Strategies for the Compliance Officer	6
Change is the Challenge for 2020/2021	6
Can Risks be Minimised by Your Current Structure?	6
Does your Firm Need to Think Differently?	7
Becoming a Critical Thinker	7
Improving Collaboration with Other Business Leaders	7
RegTech – A Convergence of Compliance and Technology	8
What are the Key Benefits of Deploying a ComplySci RegTech Solution?	9
Choosing a Preferred RegTech Provider	10
In Summary	11
Resources	12

AN INTRODUCTION: A YEAR OF CONSTANT CHANGE WITHIN GLOBAL FINANCIAL SERVICES

In this time of rapid change for the compliance community, we've broadened the content of our Compliance Leadership Prospectus to provide an overview of the current regulatory environment for everyone involved in compliance leadership across your organisation.

While this document does not aim to assess the individual compliance needs of your organisation, our team of experts understand the environment in which your company operates and can suggest appropriate solutions to help you embed a culture of compliance.

For many UK and European financial services providers, 2020 has been a year of adapting to change. At present, the FCA, PRA and other European Regulators are working within existing strategy documentation and business plans, the focus of which are expected to evolve once the terms of Brexit are solidified. As always, ComplySci will continue to monitor the evolution of regulation and update this document or provide supplementary white papers once new guidance emerge.

Readers in leadership positions will know that an increase in regulatory focus since 2008 has resulted in many new compliance and risk employees across all types of financial services firms. While new entrants are technically adept, several larger organisations in Europe have recently noted an emerging trend relating to the lack of "rear view" experience, leading to knowledge gaps, especially relating to legacy processes and systems.

These gaps, often well-known to our regulators, are frequently inserted into thematic reviews, where challenging results often lead to expensive restorative actions. In a year when a 360-degree view of compliance is required, take time to consider how your people will give you the broadest spectrum of oversight.

Whatever your role within the risk, compliance, ethics, or procurement community, the team at ComplySci thanks you for downloading this prospectus. We hope you find the information thought-provoking and we look forward to discussing your RegTech needs with you in the future.

CONSIDERING THE CURRENT FCA BUSINESS PLAN AND RECENT FINES

It's important to reflect that the FCA alone regulates over 59,000 firms and close to 150,000 approved persons in the UK. We predict these coverage figures will continue to grow and as the FCA's 'Regulatory Perimeter' changes, it's imperative for all compliance leadership teams to understand how past events may affect future regulation. (Source: FCA Website)

In 2019 alone, over **£390mⁱ** of fines were levied against UK Financial Services firms and we see no indication that attitudes toward censure will change. Considering that in 2018, fines totaled just over **£60mⁱⁱ**, we can see that interpreting data and embedding a culture of compliance within your organisation (when supported by a RegTech solution) will offer a respectable return on investment.

Financial services organisations of all types should consider the current priorities of their own regulator or supervisor. However, in the UK, in addition to supporting the post-Brexit transition, every FS company should consider the FCA's cross-sector priorities:

- » Organisational culture
- » Operational resilience
- » Financial crime
- » Fair treatment of customers
- » Innovation and data management
- » Demographic change

For all financial services sectors including Retail Banking, General Insurance, and Wholesale Markets, the UK and European Regulators continue to focus on cultural aspects of compliance. The taxonomy of compliance rules should be embedded within the structure of every division of each firm. This will ensure the protection of assets, data, and customers, and avoid fines for breaches of Business Principles, Supervision, and Money Laundering Regulations.

In addition to adhering to the Principles for Business, European firms (and those firms trading within the EEA) also need to adhere to GDPR initially introduced in 2018. Take a look at our recent article on **GDPRⁱⁱⁱ**, outlining recommended actions for European companies.

FCA FINES LEVIED AGAINST UK FINANCIAL SERVICES FIRMS

2018	£60m+
2019	£390m+
Change ↑	£330m+

THE 360-DEGREE CHALLENGE OF THE COMPLIANCE OFFICER

We've worked with CCOs and their teams in all types of financial services firms for over 15 years and have learned that no two businesses are alike. The challenges faced and interpretation of regulations in similar organisations can differ widely, based upon products and services offered, local culture, and utilisation of technology.

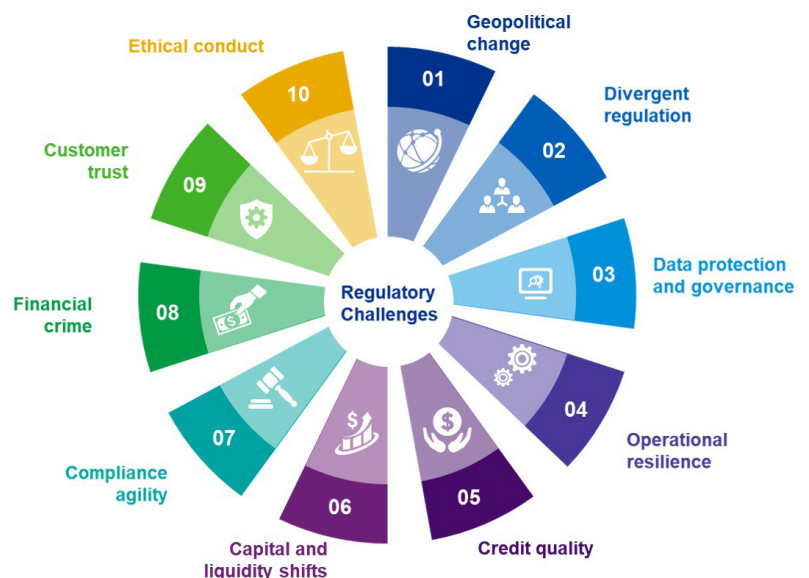
Broadening scrutiny by regulators, an evolving need to define corporate structures to reflect combined 'Compliance and Ethics' functions, and the ability to learn from past errors is now elevating the position of the CCO within the organisation, often reporting directly to the CEO. Key decisions surrounding the structure and evolution of every business should address the regulatory challenges faced today and those predicted for the future, with the CCO being a critical part in the decision-making process.

To assist with business planning and ongoing team coaching, KPMG Regulatory Insights has recently published the fifth edition of their annual financial services Top Ten Regulatory Challenges report for the year ahead. Whilst core challenges remain similar to 2019, the pace of change in our industry and how technology and data are used to deliver a more accurate and efficient regulatory environment will be a key focus for all compliance leadership.

In a year geo-political change, planning for disruption is a prudent strategy, however KPMG believes that the following five aspects of many financial services companies' business plans will provide some of the greatest regulatory challenges in 2020:

- » Technology transformation
- » Customer interaction
- » Payments modernisation
- » Market expansion
- » Cost efficiencies

KPMG has developed an analysis of regulatory challenges for 2020, which provides useful insight for firms of all sizes. The following graphical interpretation of 2020 compliance challenges is a useful reference tool when developing your internal compliance strategies for 2020/2021. For further information on each challenge, review the [report in full](#)^{iv}.



STRATEGIES FOR THE COMPLIANCE OFFICER

The role of the CCO is one of the most challenging and rewarding roles in any organisation. As many readers of this prospectus will know, it's a role that requires critical and strategic thinking and where collaboration will realise best results.

While well-rehearsed risks are present in any organisation, staying vigilant in the face of ever-broadening regulatory oversight and technological change are just two of the CCO's key challenges.

CHANGE IS THE CHALLENGE FOR 2020/2021

Over the coming years, many UK and European firms will have to contend with a period of change and uncertainty. This will almost certainly expose financial services firms to new risks and issues and a potential for additional costs to be imposed on many organisations.

Key to successfully managing this period of change will be ensuring the CCO and their teams are visible throughout the organisation, influential at board level, and have easy access

to supervisory and compliance reporting data for internal audiences and presentation to the regulator.

In the heat of the moment, it's easy to choose the simplest, fastest or seemingly most obvious solutions to addressing emerging issues; however, many of us will know from experience that interim solutions may create problems elsewhere in your organisational structure, often leading to further costs, delays, or risks.

CAN RISKS BE MINIMISED BY YOUR CURRENT STRUCTURE?

In diverse organisations, most agree that leadership across the business should be challenged to consider ways to minimise or mitigate risks. While best practices learned from industry peers are useful, no two organisations will face the same risks.

As we've seen, all regulators have a broad oversight remit and they will already be aware of the internal strengths and weaknesses of your organisation. With this in mind, the compliance function should be aware of all business policies,

procedures, and processes that may lead to exposure and have the ability monitor these on a real-time basis.

A simple 'high, medium, low' ranking of each risk will give compliance leaders key oversight and dictate immediate focus points. However, risks that aren't being managed effectively may need to be addressed by other means. For instance, the deployment of RegTech solutions, something we'll address later in this prospectus.

DOES YOUR FIRM NEED TO THINK DIFFERENTLY?

Critical thinking and collaboration are two strategies deployed by successful leaders to avoid the pitfalls of knee-jerk actions, and to consider responses based on underlying facts. It's all about exploring advantages and disadvantages and taking advice from a broad base of expertise.

BECOMING A CRITICAL THINKER

Thinking critically means actively and intentionally cultivating excellence in thought. According to the **Foundation for Critical Thinking**^v, critical thinking means finding ways to deliberately think more strategically while being mindful of our native egocentrism and socio-centrism.

Skilled critical thinkers raise questions, defining them precisely, gather and interpret information, and form conclusions and solutions based on that information. When you improve your ability to think critically, you're also intentionally taking an open-minded approach and striving to communicate effectively with others.

As a Compliance Leader, thinking linearly about

problems can lead to issue-blindness, whereby taking a narrow approach to potential issues or violations, you fail to see larger or related issues. Deliberately trying to improve your ability to move beyond a knee-jerk response can help make you a more effective leader.

IMPROVING YOUR ABILITY TO COLLABORATE WITH OTHER LEADERS

Improving collaboration can be helpful for people in almost any role within a financial services firm, but perhaps for no role more so than the Compliance Leader.

IMPROVING COLLABORATION WITH OTHER BUSINESS LEADERS

Even in the most disparate firms, collaboration is a crucial element of success. For a Compliance Leader and their teams, this form of teamwork is a key aspect of gaining trust and support from other business areas. This in turn leads to better results, improved co-operation and even internal sponsorship of future compliance activities and initiatives.

According to an [Entrepreneur article](#)^{vi}, collaboration is most successful when it includes:

A COLLECTIVE VISION FOR COLLABORATION

In compliance-speak, this is the “tone-from-the-top” goal most firms strive for.

TRANSPARENCY

You will likely be more successful as a CCO if you are able to demonstrate transparency as to the work your team is doing to keep the organisation in compliance – and off the regulators’ radar screens.

ACCOUNTABILITY

Hold your team accountable and hold other executives accountable. Similarly, you need to ensure you have clearly defined your objectives for the compliance department and can demonstrate what you’re doing to achieve those targets.

A PROCESS FOR OVERCOMING ROADBLOCKS

Don’t look at roadblocks as the end of the world. Actively look for and implement strategies to overcome objections and strive toward your goals. Good collaboration means identifying and helping others see long-term advantages that may not be immediately apparent.

FEEDBACK

Collaboration is a give-and-take process. Actively give and seek out feedback about the process. Then, implement what you’ve learned to improve and enhance your working relationships with operations, sales, finance, and other key divisional leaders in your organisation.

REGTECH – A CONVERGENCE OF COMPLIANCE AND TECHNOLOGY

Whether you’re a regulator, a top-ranking brokerage firm, or small neo-bank, all organisations ultimately face the same overarching challenges. Since the credit crisis of 2008, the burden of compliance has increased considerably, however this focus has also incentivised innovation – both within firms and in new fintech providers. At the same time, cost pressures continue to prevail, and we’re all encouraged to do ‘more with less’ – something at which regulators worldwide have become highly adept.

For many firms, one of the biggest challenges faced by compliance teams is the ability to increase effectiveness while maintaining costs. With ever-increasing streams of data, the

broadening scope of the regulator, and upweighted demands from internal stakeholders, there’s little debate that many firms need a reliable RegTech partner.

In the UK, the FCA embarked on a series of ‘calls for input’ several years ago to identify areas of focus for RegTech. These well-attended ‘events’ resulted in broad roles for the regulator to include the derivation of RegTech industry standards, improved collaboration, and future certification. It should also be noted that both the PRA and FCA continue to develop their own use of RegTech to support machine learning, data interchange, reporting, and improving customer outcomes.

In a keynote speech delivered in November 2019, Nick Cook (Director of Innovation at the FCA) highlighted several key factors relating to the RegTech sector, notably:

- » RegTech is a quietly growing sector in financial services, yet still is seen as a “sleeping giant” within the industry.
- » The RegTech sector needs access to synthetic data (potentially in the FCA Sandbox environment) to test and check before going live.
- » Without the ability to test, some RegTech companies will struggle to demonstrate their solution, and to justify the outlay to procurement professionals.

With these comments in mind, it's worth noting that the team at ComplySci has been developing their solutions in over 50 countries within around 1100 firms for 17 years. With an

industry-leading retention rate of 97%, we must be doing something right, but should always aim to do better. We will continue to work with regulators to ensure a fully compliant RegTech solution that leads the industry.

Here at ComplySci, we believe in creating long-term partnerships with financial services firms of all sizes, drawing from a wealth of experience throughout our organisation in the US and Europe.

We believe that ad hoc compliance management, especially when created in silos, will result in greater risk exposure. Not only vulnerable to human error, these ad hoc processes often provide for inadequate reporting, lower levels of employee engagement, and slower response times when dealing with incidents.

WHAT ARE THE KEY BENEFITS OF DEPLOYING A COMPLYSCI REGTECH SOLUTION?

We believe there are many compelling reasons for deploying a RegTech solution within your business, so along with feedback from several clients, we've compiled a top five list of reasons for deploying ComplySci within your firm.

1. ACHIEVING AND MAINTAINING COMPLIANCE

By deploying our software, your organisation will co-ordinate processes, resource efficiencies, and create operating procedures that make the achievement and maintenance of compliance more straightforward.

2. REDUCING HUMAN INTERVENTION AND RISK

Firms must strengthen their risk management practices, address third-party risk management, and control for greater risks related to information technology and data governance. Key actions may include engaging stakeholders and building change management steps into project plans.

3. THE ABILITY TO DO 'MORE WITH LESS'

We've seen that our regulators are striving to achieve this goal by intelligently deploying their own RegTech solutions. From real-life case studies, we predict that ComplySci can help your business maintain or improve oversight whilst reducing costs.

4. IMPROVING EFFECTIVE COMMUNICATIONS WITH THE REGULATOR

Our software provides the ability to respond to regulator enquiries or requests with minimal effort. This level of automation demonstrates to regulators (and customers, shareholders, and stakeholders) that a culture of compliance exists throughout the company.

5. IMPROVE EFFECTIVENESS AND ENGAGEMENT OF COMPLIANCE TEAMS

A strong compliance culture will not only endear your firm to customers and clients, but it will also be an attractive selling point when recruiting or retaining key personnel.

CHOOSING A PREFERRED REGTECH PROVIDER

As we've highlighted beforehand, the RegTech sector continues to grow, with new entrants regularly coming onto the market. At ComplySci, we've dedicated our resources to developing a reliable, industry-leading compliance solution for the financial services sector.

Whether you're a compliance leader looking for a complete corporate solution, a procurement professional defining your organisation's RegTech requirements, or an SME looking to automate your compliance tasks, take time to evaluate the following:

- » Does your RegTech provider have experience in working with organisations of your size and type? Do they specialise in financial services? How do they ensure their software is continually updated to reflect the changing risk environment within the FS industry?
- » What type of bespoke solution does your RegTech provider make available? Will their solution meet your current and future needs? How will the system help you achieve and maintain compliance?
- » What security measures and protections are provided by your software provider to address cybersecurity concerns? Is your provider fully GDPR compliant?
- » How intuitive is the system? To drive adoption, usage and to derive maximum benefit, your software will need to be user friendly – for all users - whatever their level of knowledge and proficiency.
- » Is the system and software responsive? Can it be used on all current platforms and devices utilised in your firm and be adapted to future system architecture?
- » Will the system generate real-time reports for stakeholders, supervisors and regulators?
- » What customer support facility exists? Can technical support dovetail with your own support functions to minimise end-user effort and stress?

IN SUMMARY

We know that our regulators have the interests of our clients and customers at heart and their goal remains unchanged – to protect them from harm.

As a compliance professional, you'll already know that there's no room for complacency when it comes to meeting with regulatory requirements, and as a bare minimum, understanding your risk position and appropriate mitigation activities is paramount.

In an environment of constant change, keeping on top of compliance requirements throughout 2020 will be a challenge, especially in the face of increasing demands from customers, stakeholders and regulators.

Focusing upon a culture of compliance within your organisation, working on your

collaborative approach, and developing your team's critical thinking will help lay the foundations for successfully managing compliance risks within your firm.

As the market evolves, regulatory oversight continues to broaden and time/cost pressures increase, it's apparent that financial services firms should no longer rely on manual processes and tools to manage compliance. As a compliance leader, it's imperative that any RegTech solution deployed by your business is scalable, intuitive, and supported – ensuring complete adoption across the organisation.

By combining culture and technology, the desired end goals of a satisfied regulator and happy, protected customers are within sight.

complysci

ComplySci Europe
9 Appold Street
London, EC2A 2AP

44 (0) 207-081-3111

salesuk@complysci.com

ComplySci is a leading provider of technology solutions that help compliance organisations identify, monitor, manage and report on conflicts of interest arising from employee activities, including personal trading, gifts and entertainment, political contributions, outside business affiliations, and other code of ethics violations. Founded in 2003 by early pioneers in the development of automated compliance management solutions, ComplySci is now trusted by over 1,100 customers, including some of the world's largest financial institutions. Compliance Officers rely on ComplySci's scalable and sophisticated platform to stay ahead of risk.

To learn more about ComplySci, visit us at complysci.com

[ComplySci Demo](#)

RESOURCES

- i. 2019 Fines, FCA
<https://www.fca.org.uk/news/news-stories/2019-fines>
- ii. 2018 Fines, FCA
<https://www.fca.org.uk/news/news-stories/2018-fines>
- iii. GDPR: Ground-breaking regulation or damp squib?, ComplySci
<https://www.complysci.com/blog/gdpr-ground-breaking-regulation-or-damp-squib/>
- iv. Ten Key Regulatory Challenges of 2020, KPMG
<https://advisory.kpmg.us/articles/2019/ten-key-challenges-2020.html>
- v. Our Concept and Definition of Critical Thinking, Foundation for Critical Thinking
<https://www.criticalthinking.org/pages/our-conception-of-critical-thinking/411>
- vi. 5 Ways CEOs Can Empower Teams to Develop Collaborative Workplaces, Entrepreneur
<http://www.finra.org/industry/2019-annual-risk-monitoring-and-examination-priorities-letter>