

COMPLIANCE 2020

A Look at Current and Future Concerns Ahead and How to Meet Challenges



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INTRODUCTION

Compliance professionals know that predicting the future is a tricky business. Indeed, CCOs and their teams work hard to make sure their firms and sales personnel do not provide forward-looking projections for fund- or account-level performance (or, if they do, that all required regulatory disclosures are prominently displayed.)

Still, when it comes to the compliance industry and regulatory environment in which financial services firms operate, making informed predictions can help firms better prepare to meet likely future challenges. Here are five currently-trending areas we predict will continue to impact financial services compliance professionals in 2020 and beyond:

1. POLITICAL IMPACT ON THE REGULATORY ENVIRONMENT

Both Brexit and the 2020 U.S. presidential and congressional elections may have significant impacts on the regulatory environment, although it is not entirely clear what direction either of these events may take. With overall trends in the direction of deregulation, protectionism, and anti-globalization, the political climate is likely to mean divergent regulations and disruption for financial services firms.

Compliance officers and other firm leaders will need to maintain the status quo with risk

mitigation efforts while also being conscious of the potential for evolving and even increased risks of financial fraud, risks that can thrive in times of political and regulatory uncertainty.

For ways to implement an effective political contributions monitoring program, read [Elements of an Effective Campaign Contributions Monitoring Program](#).

2. EXPANDING PRIVACY MANDATES

With increased reliance on technology for data collection, storage, and interactions between firms and their clients/prospects, the risk of information becoming compromised and used by cyber criminals has grown exponentially. Data privacy concerns gained momentum in 2019, with new laws that impact financial services firms enacted and others proposed in various

jurisdictions around the globe including the EU's General Data Protection Regulation (GDPR) and California's Consumer Privacy Act (CCPA.)

Most organizations have come to realize that, even without the regulatory expectations for safeguarding customers' information, customers themselves are demanding transparency from

their providers. Financial services firms need to not only understand what information they and their third-party service providers capture and use, but they also need to facilitate policies that give customers control over their data.

In 2020 and in the years to come, it is likely that more U.S. states and other countries will formally implement privacy laws and regulations demanding enhanced data protection for consumers.

3. WHISTLEBLOWER CULTURE

In recent years, more firms than ever before have adopted, promoted, and fostered cultures where employees are encouraged and even expected to speak up when they suspect or have knowledge of potential compliance violations. In such organizations, whistleblower programs are more than just lip service, or policies on paper without any real substance. There's a meaningful effort to out corporate corruption for good in these companies.

This is a trend that is by no means limited to the financial services space. Whistleblowers

are making headlines in all types of industries as well as in the political sphere. Numerous laws and regulations are designed to protect employees who come forward with allegations of wrongdoing, although unfortunately instances of retaliation (or attempted retaliation) by the accused do still occur.

In financial services firms, at least, we expect whistleblower programs to continue to be a point of emphasis as risk, ethics, and compliance personnel seek to shore up organizational defenses.

4. EMPHASIS ON ETHICS

Regulators have long advocated for firms to implement proactive cultures of compliance, encouraging and even requiring self-policing efforts designed to identify and manage risks, and to implement remedial measures to address issues internally. [Guidance](#) released by the U.S. Department of Justice (DOJ) in April 2019 outlined a stance consistent with current regulations, stating that when investigating issues, federal prosecutors will evaluate companies' efforts in developing and managing their compliance programs, self-reporting issues, and cooperating with regulatory authorities.

In other words, the relative strength of a firm's compliance efforts plays a key role in determining whether the company will face strict punishment or more lenient treatment. For firms' compliance leaders, the DOJ's guidance is a strong reminder of the need to put ethical culture at the forefront of the organizational conversation. We predict a continued emphasis on [ethical culture](#) in 2020 and beyond.

5. REGTECH AUTOMATION, AI, AND MACHINE LEARNING

Many financial services organizations have already embraced [digital transformation](#), recognizing the many benefits automating processes and tasks can bring. From a regulatory compliance standpoint, digital transformation often involves leveraging [artificial intelligence](#) (AI) and machine learning capabilities to help compliance officers and their teams work smarter, not harder.

Automated technologies can provide vast amounts of data, helping CCOs identify potential risks, anomalies, and other red flags. Firms can leverage data output to strengthen their compliance programs, using information to measure and analyze metrics that would be nearly impossible to identify or capture without the use of technological innovations. Today's top RegTech offerings encompass enterprise-wide oversight capabilities, helping compliance officers manage conflicts of interest, employee trading, gifts and entertainment, political

contributions, issue management, and much more.

We predict 2020 will see increased interest and oversight of RegTech by the regulators. At the same time, more firms will recognize that leveraging the power of automation, AI, and machine learning tools, and using compliance technology tools to manage an ever-expanding compliance mandate is essential to meet the demands of the regulators.

Of course, only time will tell whether these predictions are borne out. At ComplySci, we are committed to serving both small compliance teams and complex compliance organizations. We offer a variety of customizable compliance technology solutions through a secure, scalable, and user-friendly platform – all designed to help firms meet both today's and tomorrow's challenges. To learn more, [request a demo](#) today.



ComplySci is a leading provider of technology solutions that help compliance organizations 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.

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