# GETTING YOUR COMPLIANCE PROJECT FUNDED

**complysci**

**Firms using a compliance solution provided by a third-party vendor need to be aware of the system's limitations. When an existing compliance system is no longer effectively helping the firm meet its compliance obligations, taking prompt action to replace it can help limit risk.**

Compliance with industry regulations isn't optional, however some compliance officers struggle to get the funding they need to implement the tools that will help keep the firm—and its principals—out of trouble.

Firms using a compliance solution provided by a third-party vendor need to be aware of the system's limitations. When an existing compliance system is no longer effectively helping the firm meet its compliance obligations, taking prompt action to replace it can help limit risk.

After identifying the need for funding to replace an existing compliance technology solution, CCOs will likely need to present their case to the firm's senior leaders for approval before moving ahead with implementation. Being prepared to introduce the project at a strategic level, rather than simply identifying a concept, can increase the likelihood of success.

## BE PREPARED TO ADDRESS OBJECTIONS

Senior leaders controlling the budget may have objections, even when it is otherwise clear that the firm and its clients could benefit from the proposed compliance project or solution. Being prepared to address these types of issues can help bolster the case for allocating dollars to a compliance project.

## IS YOUR STATUS QUO GOOD ENOUGH?

Justifying the need for spending on compliance initiatives often first involves arguing against the perception that there's not really a need for the new project or solution. Line-of-business managers and executives without a compliance background often push back on requests for compliance initiatives out of a misguided assumption that the status quo is good enough. This is a challenge some firms face when they haven't experienced regulatory exams, or had to deal with the fallout of a compliance problem.

In reality, regulatory rules – and the risks they are designed to address – are continuing to evolve. Firms that don't keep up with the pace of change may find themselves working inefficiently and ineffectively just trying to stay on top of their obligations.

In most firms, the status quo simply isn't good enough anymore. While your existing compliance processes and systems may have served you well in the past, it's important to be able to recognize when they aren't meeting your needs any longer.

## LOSS OF COMPETITIVE ADVANTAGE

A common concern is that allocating the requested dollars toward the compliance department will somehow make the firm less competitive. In reality, failing to spend money on compliance will have that effect because the organization without a solid compliance infrastructure faces more risk.

Firms big and small are increasing their compliance spending for 2017 and beyond. In fact, in a 2016 poll of compliance professionals and risk managers, more than half of respondents saw their compliance budgets rise in the previous 12 months, and 63 percent expected spending on compliance technology and activities to rise in 2017.

In another recent survey of 200 asset managers, brokers and banks, typical compliance spending is currently four percent of total revenue, but is expected to rise to as much as ten percent by 2022.

> CCOs need to be able to articulate the value the project or initiative will provide to the entire firm. They need to understand, and be prepared to discuss, the cost of status quo operations, if the recommended compliance solution is not implemented.

## LEAN BUDGETS COMPANY-WIDE

Another objection CCOs may hear is that, while a proposed compliance initiative sounds promising, the entire organization is in a position of having to do more with less.

The reality is that most well-thought out compliance projects will actually allow the firm to do just that. For example, implementing a compliance software platform may involve an initial net increase in compliance spending. The efficiencies gained though allow compliance leaders to reallocate staff and resources in a way that means the firm is working smarter, not harder.

It's worth pointing out that the regulators are in the same boat. The SEC's proposed budget for 2018 calls for allocating less to the Office of Compliance Inspections and Examinations, and to enforcement actions. At the same time, the regulator intends to conduct 5 percent more exams in 2018 - on top of a 20 percent increase in 2017. It's doing this through development and implementation of data analytics tools designed.

The regulators are using technology to work smarter; financial services firms need to keep pace.

## UNDERSTAND—AND ARTICULATE—THE BENEFITS

Implementing a compliance software solution comes with up-front costs. CCOs who understand the value of automating oversight activities know that these costs are outweighed by the benefits provided. However, at least in firms where the compliance function is viewed strictly as a cost center, getting buy-in from senior leaders can be a challenge.

CCOs need to be able to articulate the value the project or initiative will provide to the entire firm. They need to understand, and be prepared to discuss, the cost of status quo operations, if the recommended compliance solution is not implemented.

» What IT costs are being charged to the compliance department under the current environment? How would those expenses change if a new compliance solution was implemented? Certain costs may disappear altogether.

» What are the current overhead costs for the compliance function? What is the anticipated impact on staffing levels from implementing a new compliance solution? Using a compliance software platform creates efficiencies, streamlines processes, and may give firms an opportunity to better utilize talent.

## PRESENT THE NEED FOR THE COMPLIANCE PROJECT

Compliance officers are uniquely positioned to paint a picture of why the proposed project is necessary, and will usually be the first people in the organization to identify a better solution than what the firm is currently using. By identifying both business needs and regulatory drivers, CCOs can make a compelling case to obtain funding approval.

> The regulators are using technology to work smarter; financial services firms need to keep pace.

## IDENTIFY HOW OTHER BUSINESS AREAS WILL BENEFIT

A compliance project or initiative will usually have indirect benefits for other areas of the company, so it should not be positioned as a compliance-only win.

Business needs may include everything from better serving internal and external clients, to having the capacity to provide more accurate and timely reports on compliance activities to first-line and upper-level supervisors and managers.

When requesting approval for any type of spending, it can help to engage others from within the organization before making a pitch for budget dollars. Business line leaders whose teams or responsibilities will be impacted positively by the proposed compliance initiative can make powerful allies.

CCOs who can effectively demonstrate that the benefits of the proposed initiative go beyond simply enhancing the compliance department's oversight capabilities are more likely to build needed consensus.

## INTRODUCE REGULATORY DRIVERS

When trying to obtain compliance funding, it's important to focus on the positives. Getting approval is likely to be easier when the benefits to the organization, its clients and its shareholders are articulated, as discussed above. Implementing new and better compliance solutions will also help free up compliance officers to focus on more strategic projects, making them more effective in their roles.

Of course, one of the primary reasons for pursuing funding for a compliance project is to stay out of regulatory hot water. So, it is also important to bring up regulatory drivers and potential risks the firm

faces by maintaining the status quo. Firms that fail to devote sufficient resources to compliance initiatives can find themselves facing regulatory risk, legal and financial risk and reputational risk. Organizations with compliance problems can also face an exodus of key talent and an inability to recruit qualified personnel, at a time when they need a strong employee base more than ever.

When requesting additional budget dollars to fund a compliance project, the onus is on the requestor to explain why what the business feels is good enough – probably isn't.

## IF AT FIRST YOU DON'T SUCCEED...

Every firm's culture and appetite for risk are different. Even when a funding request clearly articulates the benefits of moving forward and the risks of failing to do so, it might simply not have the necessary approval initially.

That doesn't mean the idea should be disposed of. CCOs can continue building their case for implementation, engage additional allies and try again at a later date.

complysci

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.

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