

Top 5 Compliance Trends Around the Globe in 2016



Creating a culture of compliance



Increased investment in compliance operations



Keeping pace with a changing regulatory landscape



Monitoring third party risk

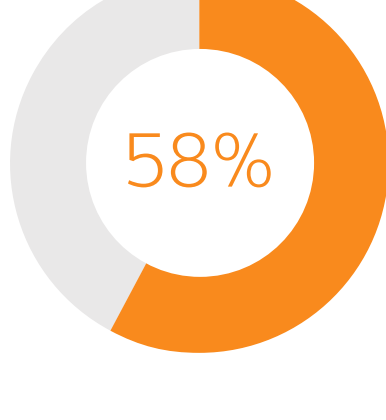


Encouraging whistleblower activity



Creating a Culture of Compliance

Corporate integrity at an organization helps productivity, profitability, employee engagement and overall risk reduction.



58% of businesses surveyed view promoting a corporate culture of integrity to be the ultimate goal of their compliance and ethics programs

Competitive advantages of investing in organizational culture:

- Increases bottom line**
Accounting scandals typically take a reputation-related toll equal to 27% of a company's pre-scandal price
- Strong brand reputation and awareness**
Bolstering awareness around a company's culture can help build trust and differentiate it from competitors
- Reduced fines**
Sentencing credit may be awarded to companies leveraging compliance to benefit the company and stakeholders

Steps to Building a Culture of Compliance

Communication - Tone from the Top
Fostering a culture of compliance starts at the top with the support of stakeholders, Board of Directors, C-Level executives, senior executives, and business leaders

Education
Actively train - invest in training to teach employees how to recognize and address compliance issues; training should be an ongoing process with employees revisiting topics regularly

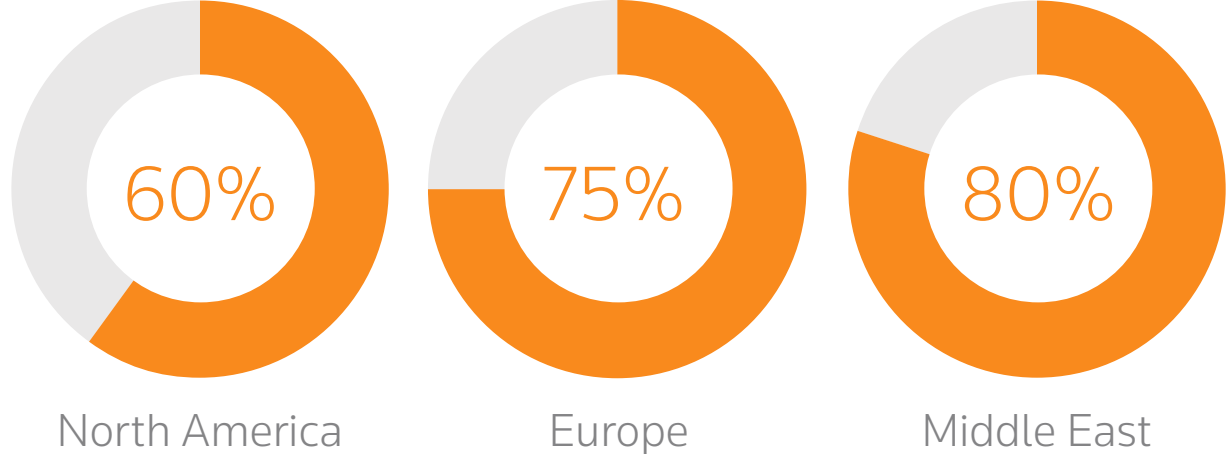
Assessment
Evaluate current efforts in supporting a culture of compliance; recognize areas of oversight and discuss how policies can be adapted to encourage compliance



Increased Investment in Compliance Operations

Last year, 71% of firms expected the cost of senior compliance professionals to increase due to the demand for skilled/knowledgeable staff.

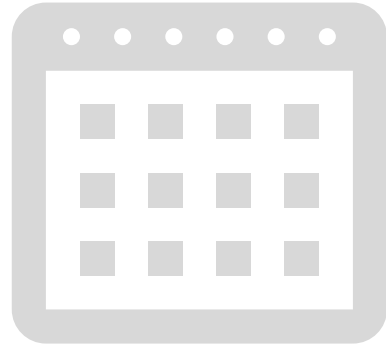
This trend continues in 2016 with a high proportion of Boards predicting a 'significant increase' in compliance spending:



75% of compliance leaders expect management will require more/much more attention

Organizations expect to commit an increased amount of resources (time/staff) to processing compliance policies and procedures:

- 59% expect to commit up to 3 hours per week (60% in 2013)
- 20% expect to commit between 4 and 7 hours (19% in 2013)
- 21% expect to commit more than 7 hours (18% in 2013)



More than 1/3 of organizations surveyed spend at least an entire day per week tracking and analyzing regulatory change

Steps to Maximize Investment in Compliance Operations

Invest in skilled compliance professionals to help moderate risk

Empower compliance teams with the tools necessary to streamline the tracking of regulatory changes

Implement compliance training programs to build the in-depth strength needed for compliance and risk skills

Automate employee supervision and code of conduct compliance processes to help open resources for other compliance activities

Continue to **build** a strong culture and positive attitude towards compliance to retain compliance officers

70% of organizations are expecting regulators to publish even more regulatory information, with 28% expecting significantly more



Keeping Pace with a Changing Regulatory Landscape

Regulators are intensifying their attention and reach across regional, national, and international borders.

This past year has seen a steady increase in regulatory initiatives, including:

- Global**
 - Basel III
- European Union**
 - Alternative Investment Fund Manager's Directive (AIFMD)
 - Data Protection Directive
 - European Market Infrastructure Regulation (EMIR)
 - Markets in Financial Instruments Directive II (MiFID II)
 - Solvency II
- Australia**
 - Future of Financial Advice
- United Kingdom**
 - Senior Managers and Certification Regime
- United States**
 - Foreign Account Tax Compliance Act (FATCA)
 - Foreign Corrupt Practices Act (FCPA)

Regulatory focus:

- Personal Liability**
93% of practitioners expected at the Thomson Reuters New York customer summit expected the personal liability of compliance professionals to increase in 2016
64% of respondents to the Thomson Reuters personal liability survey expected that individual accountability would be replicated around the world
- Behavioral-Based Regulations**
Conduct-related infractions are projected to exceed \$20B globally

Steps to Stay Ahead

Create a system that can monitor multiple regulatory sources and provide a focused view of regulatory changes important to your organization

Construct a communication strategy to ensure staff are aware of new developments

Develop a method to incorporate new regulations into your existing compliance program

50,000+

REGULATORY AND COMPLIANCE UPDATES IN 2015

Personal liability is here to stay. Compliance officers appear to be feeling unduly vulnerable, but the reality is that firms will look to their compliance function to determine what good looks like in the management of their own regulatory risk, which can then, in turn, become the blueprint for everyone else.



Monitoring Third Party Risk

Three quarters of 427 corruption cases analyzed by the Foreign Bribery Report of the intergovernmental OECD involved third parties.

Exposure to risk:



6,000+ names of companies/individuals on OFAC's Specially Designated Nationals and Blocked Persons List

Fines of up to US \$20M and imprisonment up to 30 years for OFAC violations

U.S. Securities & Exchange Commission collected \$114.8 million in 2015 Foreign Corrupt Practices Act enforcement actions

Steps to a Comprehensive Third Party Management Framework

Develop your program - define and establish policies, procedures and controls in all levels of the business, with owners for each

Build and operate controls - implement the policies into business operations

Detect the risks - screen against your third parties to ensure legitimacy and sustainability

Evaluate - remediate the results and carry out further investigation when necessary

Monitor and report - extract reports for proof of due diligence and continuously monitor to detect future risks

Review and align - take timely corrective and disciplinary action for violations of the program, continually evaluate and adjust to ensure alignment with changes in risk profile

Train and educate - educate and raise awareness about the threats posed by bribery and corruption



Encouraging Whistleblower Activity

US SEC received 4,000 whistleblower tips and paid \$37M in whistleblower rewards in 2015.

Whistleblowing protections are increasing:



US
OSHA drafts guidelines for organizations to establish effective whistleblower programs

UK
FCA and PRA issues new whistleblowing protections

Canada
Proposes new protection for whistleblowers

Steps to Improve Whistleblower Protection Rights

Review current whistleblowing initiatives within your organization

Create a 'Speak Up' policy and implement an independent system reporting and case management system such as a helpline to mediate and monitor reports

Provide whistleblowing and anti-retaliation training to help employees understand the protections given to them to avoid carrying out activities seen as retaliation

Keep Your Organization Up-to-Date

Stay informed of the latest regulatory updates, navigate the global regulatory landscape with ease, and make well-informed decisions to manage regulatory risk with confidence.

THOMSON REUTERS REGULATORY INTELLIGENCE >>

Strengthen corporate culture by **training your employees** on your policies so they can recognize and respond appropriately to real-world compliance issues.

THOMSON REUTERS COMPLIANCE LEARNING >>

Manage and screen for possible third party risk exposure to minimize your organization's contact to risks.

THOMSON REUTERS THIRD PARTY RISK >>

Manage conflicts of interest and demonstrate supervision of employee conduct to help create a more visible culture of compliance.

THOMSON REUTERS CONFLICTS COMPLIANCE >>

SOURCES:

- Thomson Reuters Cost of Compliance Survey 2015
- Thomson Reuters Rising Personal Liability - Perception and Reality: How Best to Manage Personal Regulatory Risk
- Thomson Reuters Whitepaper - What's Compliance Worth?
- Thomson Reuters Whitepaper - How to Manage Conflicts of Interest: A Question of Culture
- Thomson Reuters Regulatory Intelligence
- KPMG Anti-Bribery and Corruption Survey

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