



Building a culture of compliance

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Focus on the right culture

Each firm is different

Distinct culture driven by board and senior management

Huge increase in spending

Since 2000, massive investment in compliance driven spending. Investment in new controls, processes, procedures

Hard to change

“It’s the way we’ve always done it”

Soft controls dictate hard controls

Compliance Fatigue

Box ticking – failing to achieve genuine improvements

Limited previous attention

From senior management as well as regulators

Why it matters

One of the key themes for regulators recently has been company culture and why it matters.

Tone from the top – senior management having right attitude and supporting commitment to:

- Resources – appropriate numbers and training
- Systems – the right data and technology support
- Frameworks – policies and procedures are in place and are applied
- Comprehensive and consistent reporting to the board

Mood in the middle – has the intended culture embedded itself in middle and lower management for them to drive forward with their staff?

Significant reputational issues individual companies and the jurisdictions in which you operate.

How to influence culture: balanced cultural drivers

Too little

Visibility - People (feel that they) can get away with non conform behaviour

Involvement - People do not feel responsible to adopt the desired behavior

Role Modeling - People rationalize non conform behaviour

Clarity - People are not guided in what appropriate behavior is

Openness - Behaviour throughout the organisation is incoherent

Enforcement - Behaviour is not seen as a key issue

Improvement - Ineffective decisions are repeated over time

Too much

Visibility - People feel that they are being tested constantly

Involvement - People only feel responsible for being compliant

Role Modeling - People blindly copy the behaviour of management

Clarity - People feel clouded by an abundance of rules, policies and procedures

Openness - People are afraid to make decisions without consultation

Enforcement - Behaviour is primary performance indicator

Improvement - Every decision is evaluated profoundly

What is the answer?

Educate and empower employees to identify risks in a broader range of issues



Leadership

Effectively embedded clear cultural goals – engage with the business

Controls

Each department owns and feels committed

Monitoring

Culture, transparent conduct, value of compliance function

Consequences

Encourage dilemmas to be discussed.
Clear consequences for breaches

Initiatives

Link performance to rewards

The advantages of a strong and positive business culture

A strong positive culture has the potential to:

- Reduce the risk of misconduct
- Diminish the risk of regulatory related supervisory action and monetary fines, as well as diminish other potential costs, legal costs, reputational damage etc.
- Enhance a firm's reputation with:
 - Customers/clients (who perceive the firm to be looking out for their interests)
 - Employees and management (who have an alliance with a positive corporate citizen)
 - Shareholders
 - Regulators
- Promote innovation and new product development designed to serve customers
- Attract and retain highly qualified talent that similarly values a strong positive culture behavior, and reduce counterproductive behavior and employee turnover
- Protect the life of the brand



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