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Cost-Conscious Compliance:
Promoting Integrity and Maximizing Results
with Limited Resources

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Overview

1. Problem statement: How to promote integrity and maximize results with limited resources?
2. Identify methods to measure effectiveness
3. Provide simple cost-saving strategies

Objective

Enable you to better direct compliance efforts at a time of cost cuts and rising risks



Cost Effectiveness: Internal Stakeholders

Cost as organizing principle

- “Effective” defined in business terms
- Measure benefits as well as costs
- Expect all parts of the business to share in business mission

Metrics rule

- If it isn’t measured, it didn’t happen
- “No misses” is not a metric

Compliance is enabling function

- Viewed as police not partner



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3

Cost Effectiveness: External Stakeholders

Cost as organizing principle

- Regulator’s “costs” come first
- Company’s costs are not irrelevant

Don’t trust, always verify

- Regulatory priorities always come first
- Credibility is paramount
 - Performance, risk mitigation, audit, controls
 - Gap-closing: current vs future state

Setting priorities

- If it isn’t measured, it didn’t happen
- “No misses” is not a metric

Compliance is responsible function



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4

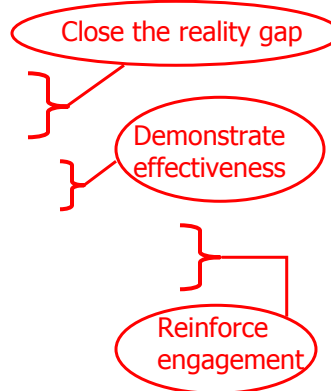
Internal Stakeholders

Current business environment

- Budget cuts, rising risks

Problems of our own making

- Aspirational policies
- Overstated risks/performance
- Absence of performance metrics
- Poor connection to business objectives
- Isolation of compliance function



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5

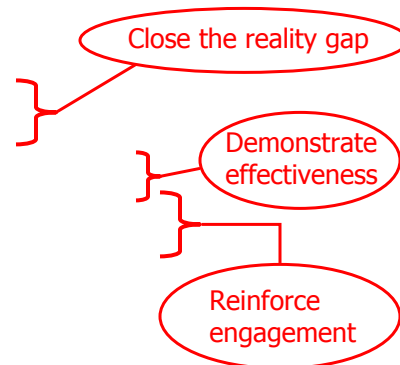
External Stakeholders

Obvious challenges for regulators

- Budget cuts, rising risks

Problems of our own making

- Overstated performance
- Absence of risk-based priorities
- Absence of remediation planning



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6

Strategy 1: Close the Reality Gap

Problem: Aspirational policies

- Solution:
 - Determine minimum legal requirements
 - Align policies with requirements and operational practices

Problem: Overstated risks

- Solution:
 - Distinguish operational, reputational and catastrophic risks
 - Align risk assessment with business rhythms

Problem: Overstated performance/coverage

- Solutions:
 - Expectation setting as major objective
 - Distinguish current state and future plan
 - Acknowledge that "green is a worthless metric"



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7

Strategy 2: Leverage Existing Efforts

Problem: Limited compliance coverage

- Solutions:
 - Identify existing audits and extend to compliance policies when possible
 - Identify constituencies for policy areas
 - Measure compliance using business terms
 - Find and report collateral benefits

Problem: Compliance as "rules police"

- Solutions:
 - Tie compliance policies to operational practices
 - Extend self-policing by function (but verify!)
 - Extend existing HR review practices (e.g., compliance goals and objectives)



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8

Strategy 3: Align to Greatest Risks

Concern reporting environment is top priority

- Employee willingness to raise concerns is the best measure of a culture ...positive or otherwise
- Culture of retaliation is the strongest predictive indicator of misconduct

“Concern Reporting” focus on Hotline

- 47.5% concerns reported to direct manager
- 17.8% concerns reported to HR
- Only 1.7% concerns reported to Hotline/e-mail

How do managers handle concerns?

Source: Compliance and Ethics Leadership Council Research
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9

Strategy 3: Align to Greatest Risks (cont.)

Concern reporting insurance: Hotline

- Divorces concern from employee
- Divorces concern resolution from manager
- Allows avoidance of responsibility for concerns

Concern reporting engagement: Ombuds

- Requires processes, training, management support
- Demonstrates org's commitment to reporting environment
- Provides data on key issues/locations
- Acts as compliance tag

Leverage ancillary benefits of focus on concerns

Track resolution of all concerns



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10

Strategy 4: Spread Ownership

Problem: Limited leadership engagement

- Solution:
 - Compliance review at every level: rhythm, process, product
 - Accountability from top, drive from bottom
 - Track and report Leadership's compliance objectives
 - Define success

Problem: Limited employee engagement

- Solution:
 - Publicize victories
 - Communicate, communicate, communicate
 - Align with non-monetary success measures



Discussion: Tips and Strategies



Thanks for your time and attention!

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13

Appendix



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14

Targeting Compliance Efforts

