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**Meet
Eric Feldman**
CCEP-I, CFE

Senior Vice President
Affiliated Monitors, Inc.
Los Angeles

“ The only way to do this was to work with our contractors to help strengthen their compliance and ethics programs. ”

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STORY EDITOR/ADVERTISING
Margaret Martyr
+1 952.567.6225 or 888.277.4977
margaret.martyr@corporatecompliance.org

COPY EDITOR
Bill Anholzer
+1 952.405.7939 or 888.277.4977
bill.anholzer@corporatecompliance.org

PROOFREADER
Patricia Mees, CCEP, CHC
+1 952.933.4977 or 888.277.4977
patricia.mees@corporatecompliance.org

DESIGN & LAYOUT
Pete Swanson
+1 952.405.7903 or 888.277.4977
pete.swanson@corporatecompliance.org

FRONT COVER AND PAGE 18:
Photography by Ogden Photography@cherylogden.com

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EDITOR-IN-CHIEF



Joe Murphy, Esq., CCEP, CCEP-I
Senior Advisor, Compliance Strategists
jemurphy5730@gmail.com

EXECUTIVE EDITORS



Roy Snell, CHC, CCEP-F
CEO, Society of Corporate Compliance and Ethics
roy.snell@corporatecompliance.org



Gerard Zack, CFE, CPA, CIA, CCEP, CRMA
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gerry.zack@corporatecompliance.org

ADVISORY BOARD



Charles Elson, Chair in Corporate Governance, University of Delaware
elson@lerner.udel.edu



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VP Global Compliance, Jabil Circuit, Inc.
guytonlaw1@msn.com



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greg.triguba@compliance-integrity.com



Zsuzsa Eifert, CCEP-I
Group Compliance Officer, T-Mobile
eifert.zsuzsa@telekom.hu



Constantine Karbaliotis, JD, CCEP-I
constantine.k@gmail.com



Andrijana Bergant, CCEP-I
Compliance Office Manager, Triglav
andrijana.bergant@triglav.si



Mónica Ramírez Chimal, MBA
Managing Director, Asserto
mramirez@asserto.com.mx



Garrett Williams, CPCU
Assistant Vice President, State Farm
garrett.williams.he71@statefarm.com



Vera Rossana Martini Wanner, CCEP-I
Legal/Compliance, Gerdau
vera.martini@gerdau.com.br



Robert Vischer, Dean and Professor of Law
University of St. Thomas
rkvischer@stthomas.edu



Peter Crane Anderson, CCEP
Attorney at Law, Beveridge & Diamond PC
panderson@bdlaw.com



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peter.jaffe@aes.com



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michael.miller@rocket.com



John DeLong, JD, CCEP
Berkman Klein Center
Harvard University
jmdelon@post.harvard.edu

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by Daniel Solo

How to position compliance management for a more strategic role

- » An outstanding compliance culture fosters and enhances compliance efforts through its communications, strategic objectives, and efforts to improve prevention, detection, and correction.
- » To strengthen compliance culture, companies need to make sure employees are aware of behavioral expectations and consequences.
- » In order to position compliance for a more strategic role, executive leadership must increase compliance spending.
- » Technology will continue to transform the skill sets compliance professionals need and the way compliance professionals are hired.
- » Compliance professionals need to ensure their role and authority are clear in their organization by showing the value added through the function.

Daniel Solo (dsolo@secondlineadvisors.com) is the founder of Second Line Advisors, an executive search firm for risk management, compliance, financial crime, data management, legal, and regulatory affairs. www.secondlineadvisors.com

With a heightened emphasis on fiduciary responsibility, burgeoning fraud, and other headline-making issues, compliance management in financial services has become essential. Although the term has traditionally referred to the way organizations ensured compliance with regulations and remediation needs, it has now been elevated to the role of strategic advantage. There have been key developments in the Compliance function over the last few years, and successful firms are embedding the need for compliance into their culture and C-level planning processes.¹



Solo

All firms have a culture with respect to compliance, but at some, that culture may encourage wrong behavior or imply that something not expressly prohibited is acceptable. An outstanding compliance culture fosters and enhances compliance efforts through its communications, strategic objectives, and efforts to improve prevention, detection, and correction.

Firms looking to amplify their efforts need to look at the technology and resources afforded to the function, how much leadership support is involved, and whether effective policies and processes are in place.

An independent function with a strategic role

An operative Compliance function should provide independent oversight and investigations, while also playing a role in the company's strategic planning process. The Compliance function should play a more active role in business activities, such as monitoring and

product advisory going forward. For example, a chief compliance officer should evaluate any compliance obligations and potential risk exposures that may be associated with strategic options under consideration.

The process of aligning compliance activities and business priorities requires firms to clarify and better define the responsibilities of compliance personnel, according to Deloitte.² Elevating the compliance role may be met with apprehension, but it sends a clear message of priorities and signals the start of a compliance culture transformation.

Putting cash behind compliance

To work effectively with other areas, compliance professionals need both specialized training and a skill set similar to those that exist on the business side. According to Accenture's 2018 Compliance Risk Study, more than 75% of respondents reported a skills gap between skills required and skills currently available, especially in the wake of new technology investments.³

Additionally, 89% of respondents indicated they will be increasing compliance spending within the next few years. Companies are putting more emphasis and funding behind implementing effective, state-of-the-art technology to support the Compliance function. Automating controls, for instance, has enabled some firms to lower costs and increase reliability.

Some new compliance tools even offer integrated ways for users to execute, document, and track compliance activities;

monitor regulatory releases; and track compliance process execution, as noted in the *CFO Journal*.⁴ As a result, 84% of companies are reportedly looking to digital solutions and innovative technology to increase compliance effectiveness.⁵ Those who focus on the use of data analytics will be able to better identify higher risk areas and prioritize human data monitoring efforts.

Adapting to a changing talent landscape

As technology continues to transform what, why, and how decisions are being made, cutting-edge initiatives,

such as distributed ledger technologies (blockchain) and cryptocurrencies, are pushing the envelope for financial services and related industries.⁶ Those with backgrounds in information technology (IT) and computer science will have a leg up compared to those

Some new compliance tools even offer integrated ways for users to execute, document, and track compliance activities.

who were formerly lawyers or auditors and wanted to change career paths.

For years, the junior and mid-level staff of a Compliance department was fed with talent from the legal, regulatory, audit, or operational perspectives. Now, with the importance of data, systems, and technology, the preferred skill set going forward will most certainly be more technical. An organization's chief compliance officer will need to be more astute regarding data and analytics as more of the day-to-day execution of compliance programs will largely leverage artificial intelligence (AI) and machine learning technologies over time. Solely looking at blockchain technologies as

an example, it would be very unlikely that a traditional compliance officer today would be able to understand the black, white, or gray associated with the usage. But it is coming and is more than “around the corner” as global banks have already started to implement it for complex businesses such as trade finance.

As Compliance continues to elevate its profile within organizations, CCOs need to be proactive with advancing the technical understanding and capabilities of the function so it is not left behind. The future of talent in Compliance will most certainly continue to ensure the integrity of business, but will need to have the tools and skills to be equipped to do it. These will result in a more concentrated, agile, and technical Compliance department.

Communicating and normalizing cultural change

Technology alone will not ensure that compliance becomes a cultural norm. To strengthen compliance culture, companies need to make sure employees are aware of behavioral expectations and consequences:

- ▶ Holding regular required trainings can inform personnel, but it takes more to transform a company culture into one that limits risk.
- ▶ A focus on correct conduct needs to convey that the risk tolerance bar has been lowered. Rewarding or incentivizing that conduct can be more effective. Studies have shown positive rewards are more motivational than negative ones.⁷ The focus needs to shift to promoting behaviors that encourage employees to take responsibility for consistently doing the right thing.⁸

- ▶ Issues and results should be communicated to show transparency and management commitment. Too many companies implement compliance and ethics programs, but fail to tell employees details of investigations, citing confidentiality concerns. Develop a compliance culture that regularly communicates results.⁹ This helps maintain strategic alignment of efforts and organization-wide awareness about the commitment to compliance.

Few would argue that compliance and risk mitigation are more important than ever before. However, compliance professionals still need to ensure their role and authority are clear in their organization. Showing the strategic advantage of a focus on compliance; improving prevention, detection, and correction; and demonstrating added value will strengthen the Compliance function and role in the long term. *

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