TRUST IS EARNED

Full Enterprise Collaboration for FSI Compliance

Financial Services Institutions (FSIs) are more concerned than ever about risk and compliance management. Between several recent criminal and civil enforcement actions, increased government scrutiny, a growing set of rules and regulations, and a wealth of new financial services products and offerings, very few FSI professionals feel like experts in the field.

Compliance is an area of expertise that has never been in greater need. Adding to this, organizations must have comprehensive programs in place to address their risks, including non-compliance with state, federal and international laws, regulations, conditions of participation and internal policies.

To mitigate their risk and maintain the trust of the customer, smart FSIs are learning how to collaborate so they can incorporate all compliance programs necessary to keep them in good standing throughout their integrated businesses. And top FSIs are building action plans to address all regulations moving forward.
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Compliance: No Room for Missteps

The current regulatory environment is incredibly complex. In the United States alone, regulation is so fragmented that most FSIs have ten or more regulators overseeing their organizations. From the Federal Reserve Board to the OCC, FDIC, SEC, CFPB, FFIEC and more, institutions are getting lost in a sea of acronyms, let alone understanding how they relate to one another.

COST OF COMPLIANCE

In a 2014 Cost of Compliance Survey, 75% of the respondents (600 compliance practitioners in 71 countries) expected an increase in regulatory information published by regulators and exchanges. This increase of regulations brings with it an increasing amount of resources, time and budget allocated to manage regulatory changes. In fact, 65% of the respondents to the Cost of
Compliance survey expected the total compliance team budget to increase over the next twelve months.¹

**COMPLIANCE AND THE CUSTOMER**

And yet, due to trust that has been broken in recent years, customers are understandably more skeptical than they’ve ever been about the regulatory health of their financial institutions. They are demanding security, transparency, and 100% above board performance, and are not afraid to shift their loyalty should a reputation become soiled in any way.

As a result, FSIs are doing everything in their power to ensure that they don’t make a single misstep. To do so economically and in a way that utilizes their top regulation and compliance experts, they are collaborating across every area of the enterprise.

**Collaboration for Compliance**

FSI must have a comprehensive approach to regulatory compliance, risk and audit management by incorporating compliance programs to manage and mitigate their risks, improve efficiencies and protect their brand and reputation.

As a result of the Dodd-Frank Wall Street Reform and Consumer Protection Act, regulatory compliance thresholds are on the rise for financial services organizations.

This increased oversight requires FSIs to implement effective and comprehensive compliance and risk programs which must be cost effective and enable organizations to be in an "inspection and audit ready" state.

Training, on demand compliance training programs delivered by leading experts through your corporate YouTube on key areas such as banking compliance, SOX, AML compliance and Anti-Money laundering is critical.

Those FSIs leading the compliance charge are doing so by incorporating six key programs into their cross-functional, integrated approach to regulatory readiness:

**LEADERSHIP ENGAGEMENT**

True commitment to compliance is impossible if it doesn’t come from the top. Senior executive management, owners and operators, and the board directors of must promote a “culture of compliance” and should receive compliance training, as well as regular insight into regulatory programs and updates.²

**COMPLIANCE BEFORE REVENUE**

Organizations that truly put compliance first will always ensure that they are investing sufficient resources and offering authority and autonomy in their regulatory processes. Cross-functional teams must have the collaboration tools and time they need to be able to build appropriate cross-company programs, take actions to address and mitigate risks, and investigate concerning situations.

**EFFECTIVE INFORMATION SHARING**

One of the key factors for success in compliance, particularly for large FSIs, is information sharing across all business units and affiliated entities. This isn’t only in the interest of better communication; recent compliance enforcements have specifically gone after FSIs where a lack of effective information sharing among compliance staff was cited as a significant concern.

**LIVE AND TECHNICAL RESOURCES**

Ensuring compliance requires both knowledgeable professionals who can work across teams and departments, and the technical support they need to spread their knowledge. Cross-enterprise compliance professionals gain exponential efficiency when they

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have access to automated transaction monitoring systems and collaborative tools.

INDEPENDENT TESTING
While internal regulatory experts can be instrumental, third party, unbiased compliance professionals are an invaluable resource to ensure there are no conflicts of interest. With automated and real-time video and data-sharing tools in place, these experts do not necessarily even have to be on site.

PROFESSIONAL REPORTING
Along with strict adherence to regulatory rules, it’s also crucial to report all compliance-related work and findings. Traditional Bank Secrecy Act (BSA) reports can serve to confront serious national security threats such as foreign corruption and rogue nations, as well as support law enforcement priorities (e.g., combating cyber-theft).

The Compliance Action Plan
For those FSIs ready to take action, it’s imperative to build a regulatory readiness plan that is structured and responsive, but one that can also quickly adapt to changing requirements. If implemented correctly and instituted collaboratively across all FSI departments, this plan can help organizations reduce risk, gain efficiencies, and use technology smartly.

At a minimum, there are 6 helpful steps that should be incorporated by those FSIs who are creating a new plan:

1. **START AT THE TOP**
Build your plan with leaders at the highest level of the organization responsible for oversight. Require periodic executive training for senior management. Even impose claw-back provisions for senior officers in the event that violations occur. Ensure clear communication of this process across the enterprise.
2. COMMIT THE RIGHT RESOURCES
Specifically earmark investments in technology, staff, training and monitoring. Remove anything compliance-related from cost-cutting measures. Reduced risk exposure will be worth its weight in gold.

3. PERSONALIZE RISK MANAGEMENT
Look inside your organization to see what processes should be written into your compliance plan. For example, FSIs that have an active customer base of local immigrants should create specific requirements for international transactions.

4. FOCUS ON DETECTION
Train experts not just in staying in compliance, but in detecting and reporting anyone not following protocol. Suspicious Activity Reports (SARs) can be invaluable in showing regulatory bodies good faith that you’ve been trying to adhere to guidelines.

5. TARGET TRAINING
Along with basic compliance training for all employees and a focus on senior management, target specific training to legal and security staff, or other employees who are most likely to come in contact with a compliance breach. Make sure this training is annual – it is too easy to forget a one-time engagement.

6. IDENTIFY SPECIFIC RISKS
Different FSIs will have different compliance risks that rise to the top, and should create procedures around those highest-likelihood situations.
For example, every FSI should investigate who its highest risk customers will be and keep a careful watch on those individuals.
Additional questions that FSIs should ask themselves include:
1. Do we have a comprehensive anti-money laundering program in place?
2. Do we have a prevention measures in place to deal with foreign corruption and bribery?
3. Do we systematically assess and remediate the root cause of compliance concerns?
4. Do we record and share anti-bribery videos in a secure centralized video library?
5. Do we facilitate social and informal learning on anti-money laundering regulation and economics?
6. Do we capture the knowledge of retiring employees and share it effectively across our global workforce?

Collaboration - The Ultimate Enabler

The entire field of compliance is incredibly intimidating to almost every FSI – especially because all those involved know how crucial it is to get it right. But taking a step back, evaluating your organization as a whole, and building a cross-company and collaborative regulatory plan from the ground up can be simpler than you think – especially if you follow a thoughtfully prioritized action plan.

For those FSIs that are winning at compliance, collaboration, especially video collaboration, has become the “ultimate enabler”.

KNOWLEDGE SHARING

According to Forrester Research, “employees are 75% more likely to watch a video than to read documents, emails and web articles”.

And Gartner Research predicts that by 2016, large companies will stream more than 16 hours of video per worker, per month (which is up from 10.8 hours in 2012 and 7.2 hours in 2010), or 45 minutes every day each of your employees will spend watching your business.

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INCREASED IMPACT IN TRAINING
Video makes employee compliance training more effective.

According to an IDC study, only seven days after a training session the average employee will have forgotten 65% of the material covered in the training, and that after six months reaches 90%.5

STRONGER RECALL & KNOWLEDGE RETENTION
According to research by Rusted and Coltheart, presentations that include visual elements such as video along with text, improve the ability to remember information more effectively, with effects that increase over time.6

REDUCED TRAINING COSTS
Finally, video helps FSIs reduce the cost of compliance training activities. In IBM calculated classroom-based training events, travel and lodging costs at more than 40% of the total event costs. A shift in that spend towards on-demand video can show a return in under a year.

Compliance isn’t easy, but those FSIs that are the most “buttoned up” and ready for anything are the ones that will benefit from customer loyalty and low attrition in the long run. And of course, they are also the institutions that disillusioned customers will come to first when trust is broken with their current FSI.

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References


About Polycom

Polycom helps organizations unleash the power of human collaboration. More than 400,000 companies and institutions worldwide defy distance with secure video, voice and content solutions from Polycom to increase productivity, speed time to market, provide better customer service, expand education and save lives.

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