

2021



Transition to Modern Compliance Management



The pace and scale of change, affecting today's businesses is unprecedented. The rapid digitalization has transformed the traditional business models, and companies are embracing technology to make sure that they lose no business to competition. Although digitalization helps organizations immensely in terms of growth and flexibility, the compliance challenges associated with it are manifold. Adding to digitalization is the ever-changing regulatory landscape, putting a strain on organizations' compliance challenges. Compliance process and technological modernization is the only solution to these whole host of problems.



The regulatory bodies continue to introduce new policies, rules, and regulations and modify existing ones to keep pace with the industry's changes and safeguard customers and organizations from fraudulent activities. In the modern era, organizations need to comply with several international, federal, or local regulatory obligations in a continuous manner, failing which can turn out to be very costly for organizations. Compliance violations can lead to penalties, hefty fines, loss of funding, bad publicity, and reduced sales.

Years before, organizations used to consider compliance as a nice to have checkbox function, which helped them make their audit process more manageable, but not anymore. As requirements for staying in compliance increased, organizations started considering it a value center and not a cost center.

The new focus on investments around compliance efforts approach compliance as a strategic investment that helps organizations reduce organizational and individual risks, uncovers data for better business decisions, and remove roadblocks to innovation.

This white paper discusses organizations' compliance challenges, the need for a modern compliance program, and provides guidelines for choosing the best GRC software for your organization.



Compliance Challenges Facing Organizations

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Managing compliance obligations across business functions, geographies, and business lines are very difficult. Compliance teams struggle with many problems.

The major compliance challenges identified by organizations are:

Staying Ahead of Regulatory Changes

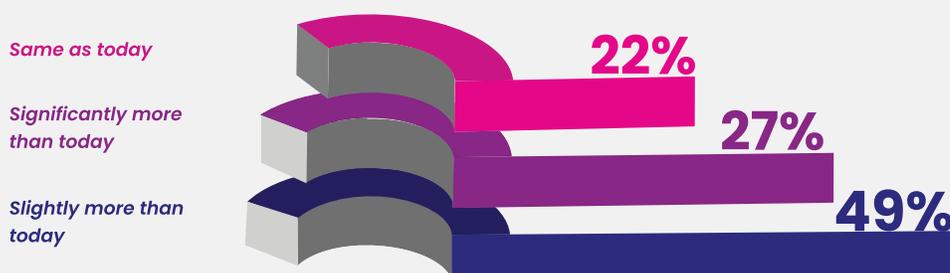
Meeting the demands of today's changing regulatory landscape is unrelenting. The past few years have seen a vast bevy of new regulations emerging worldwide from different regulatory bodies and jurisdictions. A recent Thomson Reuters report* states that the topmost compliance challenge facing organizations is the pace of regulatory change.

Regulations such as the California Consumer Protection Act (CCPA) and General Data Protection Regulation (GDPR)

have reshaped the data privacy and cybersecurity compliance environment. Besides, there are other compliance risks in bribery/corruption (e.g., US FCPA, UK BA, Sapin II), insider trading, anti-trust, modern slavery, and human resources (e.g., discrimination, harassment), and more.

Meanwhile, investigations, legal actions, and penalties based on violations of regulations have increased. It is seen that, on average, 217 regulatory developments impact financial services organizations daily; many of these are enforcement actions. California stated they will not pause CCPA enforcement because of COVID-19 and are moving forward with enforcement actions. The US Department of Justice just released guidelines for evaluating compliance programs in enforcement actions that require a greater focus on compliance. Organizations must maintain diligence in implementing internal controls and compliance assessments on risk to remain compliant in today's dynamic regulatory environment.

Perspectives on regulatory change among corporate users



Source: Thomson Reuters Regulatory Intelligence-Cost of Compliance: New decade, new challenges, by Susannah Hammond and Mike Cowan

<https://corporate.thomsonreuters.com/Cost-of-Compliance-2019>

In our current and modern business world, an increased emphasis on an organization's culture is continually highlighted. Both regulatory bodies and the general public are increasingly trending towards the demand for corporate ethical practices and principles. This puts intense pressure on compliance professionals in organizations. They must take responsibility to build controls and procedures that establish an authentically ethical organization that acts with integrity.

Many corporations are also not good at considering far-reaching ethical issues and dilemmas. In Norway, many oil companies are hiring philosophers to help them tackle ethical questions that might arise when maximizing their profits. Although this is certainly not practical for everyone, it is crucial to seek advice to clarify such issues and dilemmas.

Third-Party Relationships

The traditional brick and mortar style of business is dead. Today's enterprises form a complex web of third-party relationships, global suppliers, and outsourced vendors, managing critical business functions for a multinational corporation.

Organizations are increasingly relying on third-party vendors to help organize their business and processes and deliver their products or services more effectively. The compliance issues arising out of third-party vendors can negatively affect the reputation of the organizations.

Companies should provide adequate oversight over third parties involved in their operations and employ compliance programs to maintain quality controls and standards.

Mergers & Acquisitions

Mergers and acquisition transactions present a significant challenge for compliance departments. Not only that the organization will be acquiring compliance liabilities, but in the event of a merger or acquisition, the organization's compliance officers have to stay on top of tasks such as:



Synchronizing compliance procedures



Assessing the risk profile of the new company



Training employees on new systems and policies



Protecting customer data in the process

These challenges require that organizations have an integrated strategy for compliance that addresses standard compliance processes and leverages technology to make compliance more efficient, effective, and agile.

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Siloed Business Functions

In most organizations, compliance teams are walled off from other business functions such as engineering or security. Compliance teams might build effective policies and compliance programs to comply with regulations or mitigate risks. However, if the other groups consider compliance a check box activity and do not have the motivation to implement it effectively, the purpose itself is lost. Most of the significant challenges of compliance officers can be traced back to the siloed compliance activities and lack of communication. The reality is that most of the departments do not even understand the compliance implications of their actions. Lack of collaboration and information sharing are the biggest roadblocks for streamlining governance and minimizing compliance risk.

Business Changes and IT Compliance Issues

Organizations are changing drastically with the adoption of technology. IT compliance issues that arise from employees bringing their own devices (BYOD) to the workplace or technology complexities in remote working can cause data leak or theft or data being compromised. Another major compliance issue that an organization can get exposed to is the vulnerabilities detected during software updates and patches. This can get complicated even further by distributed operations throughout different locations, departments, and relationships.



The cost of non-compliance for banks

Cost of Poor Compliance Culture



Regulators in the United States and Europe have imposed **\$342 billion** in fines on banks since 2009 for misconduct

Source: Quinlan and Associates

In the decade since the crisis British banks have paid out **£71 billion** for misconduct.



Multi-billion pounds fines were levied for a variety of sins including banks' roles in rigging Libor interest rates, interfering with foreign exchange markets and failing to prevent money laundering

Bad behavior had erased an estimated **\$850 billion** in profits for the top **50 global banks** since the 2008 financial crisis in the form of write-downs, trading losses, fines and higher compliance costs.



Source: Barclay Simpson

Major international banks are now spending between **\$900 million** and **\$1.3 billion** a year on financial crime compliance

The Shortcomings of Traditional Approaches and Spreadsheets

Documents, spreadsheets, or files are not meant for keeping pace with the changing regulations and policies. Assigning compliance obligations to stakeholders, updating the sheets with the status, managing various versions of the spreadsheet, and chasing down multiple people for evidence and completion status are the common characteristics of companies using these outdated technologies for compliance and risk management.

Managing compliance with spreadsheets has its limitations:

Manual Effort – Waste of Time

It takes hours together to update each compliance spreadsheet manually. You need to update the changes for each policy or evidence manually. It isn't easy to create a workflow or integrated reporting when your compliance data is in individual files or spreadsheets.

Errors and Tracking Challenges

Having multiple versions of spreadsheets for managing your compliance programs can lead to errors. Multiple users using the same file can overwrite others' data or create local copies or various versions of the file. Aggregating and analyzing these documents or spreadsheets can be tricky.

No-real Time Data

Spreadsheets do not support real-time monitoring of data. The data you will be managing, or monitoring can be a week or a few weeks old. You cannot get a snapshot of completed obligations, trend analysis, or real-time updates using a spreadsheet.

Lack of Security and Collaboration

You can easily share these documents or spreadsheets; however, the spreadsheets or documents' security measures are not reliable. And you cannot easily collaborate with multiple stakeholders to communicate or associate evidence with a spreadsheet.

Modern and Integrated Framework for Compliance

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Over the years, organizations have become more digital, and data has evolved as the core of the digitalized world. Companies store tremendous amounts of data about their customers. Digitalization has also facilitated companies to expand their businesses and reach customers in every nook and corner of the world. International companies need to contend with global regulations and local regulations at the same time. These apparent changes are breaking down silos within the organizations, and compliance and risk departments cannot be left behind. There has also been a growing trend for holding compliance officers accountable for organizations' action or inaction that results in a breach of regulations.

The recent outbreak of the Covid 19 pandemic has turned the business world upside down. While risk management has always been part of many businesses' strategies, it has now been brought to the forefront. Covid 19 has sped up the adoption of best risk practices. How do companies respond to threats, whether they have adequate programs in place to mitigate risks? These are the questions organizations need to be answering now.

The leadership will be held responsible for the compliance and risk management strategy of the organization. Considering these new developments, companies are compelled to alter and modernize their GRC (Governance, Risk, Compliance) management programs.

They need to have a grip on their compliance programs and institutionalize compliance as part of organizational culture. While modernizing the compliance management framework can solve a host of issues an organization may be facing, it comes with its own set of challenges. Compliance and risk management modernization cannot just be designed to keep organizations compliant but also to create value and generate growth opportunities.

Compliance modernization requires an across-the-board change – a cultural shift from organizations reacting to issues to preventing issues and proactively analyzing the data to look for opportunities. The order should spread over processes, people, organizational structure, and technology.



Compliance maturity model

The compliance maturity model helps measure the maturity of an organization's regulatory compliance process.

Minimal

Understanding the need for compliance risk management – is just a part of every business



Blissful Ignorance

Unaware of exposure to risks, and the need for compliance and risk management within the organization



Evolving

Organizations have defined processes, but they have inconsistencies in implementation. Still learning how to implement successful compliance programs



Reactive

Organizations have a siloed approach towards compliance, and respond to Compliance needs as they arise



Optimized

Strong compliance programs driven by technology and analytics drives improved performance



Proactive

Clear understanding that careful planning and involvement from everyone in the organization is required for successful compliance programs



Modernization requires compliance activities to be assimilated into core business processes. Define a compliance strategy that promotes culture, ethics, and perks for compliance integration. Policies should be well defined; responsibility implementation and oversight processes need to be rationalized. Ingrained compliance activities and well-defined policies provide the base for automation, which will help remove the complexities in compliance management.

A modern unified approach to governance, risk, and compliance are needed to mitigate risks and take the organization on to the path of innovation. Most of the types of compliance requirements – rules, regulations, standards, procedures have overlapping requirements. Compliance programs should identify the common link between these requirements and eliminate the risk of duplicating compliance efforts.

Modern compliance programs provide a holistic view of compliance and risk. The shift from a compliance-based organization to a tightly linked Governance, Risk, and Compliance management system should allow the organization to define strategies for risk assessment. Applying the risk assessment principle to compliance is a smart step for modernizing compliance. Risk assessment methodology can be qualitative or quantitative; once a risk assessment is completed, the organization should implement control procedures to treat risks.

The modern process enables continuous monitoring, watching compliance metrics, and continually review business processes for their effectiveness. The organizations can implement controls wherever needed and measure the change in the indicators because of implementing these controls.



Alignment with Organization Structure

You must align your organization structure with your compliance programs. A modern and effective structure starts with the board of directors and a compliance committee/division overseeing the compliance programs. Integrating compliance into job functions/roles creates a far more efficient and effective process in assessing compliance-related risks connected with each department, employee, region, etc. This enables an organization to make every employee involved in the compliance risk management process without waiting for back-office employees to identify and mitigate the emerging compliance risks. It helps organizations respond to emerging events with greater agility and allows smooth information flow to relevant stakeholders. A modern compliance organization structure ensures governance and oversight in assessing the potential risks and create opportunities for the organization.



Support from All Stakeholders

Implementing an effective compliance program requires companies to go beyond a list of written rules. The board of directors and compliance committee needs to understand the factors influencing employees to behave ethically or unethically. Incentivizing compliance will help prevent unethical behaviors from employees, endangering a company to a great extent. Compliance and risk management should be included in the training and communication programs to reinforce compliance messages. Having an engaged workforce helps create a culture of compliance. Employees should understand their obligations – these obligations should be attainable, and they should be willing to abide by their responsibilities. In addition to complying with obligations, collaboration, and information sharing among teams can streamline governance and minimize governance risk.

The shift in focus from reactive to proactive compliance management and modern risk management requires technology investment. However, what is the right technology that helps you achieve your compliance goals? Are you just planning to automate your routine compliance tasks? Or are you looking at a solution that captures and predicts risks, and helps you to make holistic decision-making? Organizations realize that technology is the most significant enabler of modern compliance programs. As organizations progress towards highly integrated and collaborative processes, high-cost legacy compliance systems will be interrupted in favor of highly sophisticated cloud-enabled ecosystems. Even smaller companies currently using spreadsheets or files to manage compliance and risks can dramatically leverage the cloud's potential to revolutionize their GRC programs.



A modern compliance management software integrated with policy management can help streamline compliance with regulations and the organization's policies. The flexibility to extend applications' capability to allow employees to access a policy library, upload compliance evidence, and proofs, and file and archive documents helps to a great extent to avoid compliance mistakes and omissions.

Potential GRC platforms support many innovative features for effectively managing organization-wide compliance & risk programs. Experts suggest the platform should have a flexible workflow builder to assign obligations to

assignees and design compliance programs in line with organizations' processes. It should support multiple user roles, custom fields, notification management, oversight, and easy collaboration among stakeholders.

The best GRC platforms should be easy to use, making them accessible to the entire organization, not just the compliance professionals. It should be intuitive and flexible enough to configure controls in line with the organization's needs and supports continuous monitoring of compliance programs and risk mitigation efforts. Regulatory requirements and priorities might change.

For example, stakeholders should be able to configure and manage the industry-standard frameworks such as the Sarbanes-Oxley Act of 2002, Federal Security Management Act, HIPAA or any other acts, or changes in the acts and link with responsibilities or other custom options within the platform. You can boost the process effectiveness by quickly adding the frameworks and monitor rules and codes of conduct to identify outliers and non-compliant behaviors. The modern end-to-end compliance framework designs, tests, assesses, compliance programs and monitor and measure the effectiveness using insights and continuous improve the compliance function.



Modern GRC Platform Capabilities

Analytics

Data is a powerful tool in the compliance modernization process. Modern technologies use data to gain insights and use them for better decision-making. Real-time analytics and risk insights help in decision-making and identify outliers. Compliance testing and monitoring can be automated based on the insights from the analytics. Compliance teams that use data and advanced analytics to see where the trouble is likely to appear tomorrow can potentially keep it at bay.



The compliance platform should be tightly coupled with risk management, policy, contract, and audit and assurance management and can easily extend as per the organization's requirements. By automating compliance-related tasks, people can free up their time and focus on strategic tasks such as root cause analysis and business advisory. Adopting modern technology can increase operational efficiencies and address new challenges such as business disruptions and increased regulatory scrutiny, and the risk of violations.

Why VComply?

Organizations across the world are implementing steps to accelerate compliance and governance holistically and strategically. VComply recognized the need for a modern GRC platform and invested in bringing together the standards, processes, controls, risks, policies, and audit and assurance consolidated in one place.

VComply is an intuitive GRC platform with rich features. While it provides high-level insight into the organization's compliance performance for the leadership teams, managers, and compliance executives can benefit from a more granular level of control to set and implement policies and assign responsibilities.

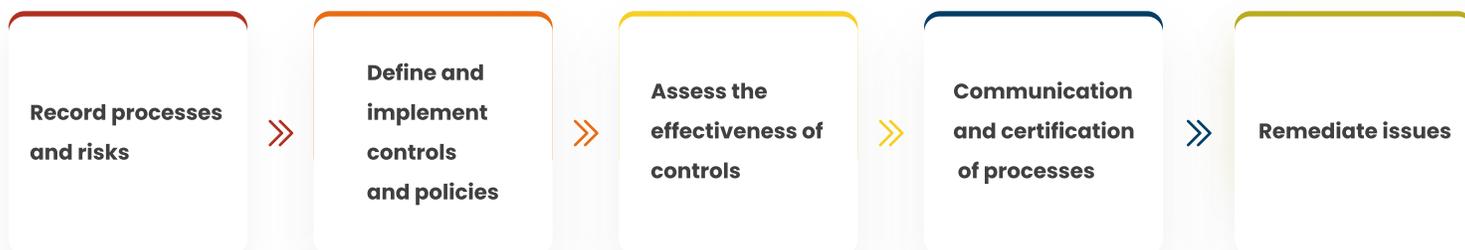
Governance



Risk Management

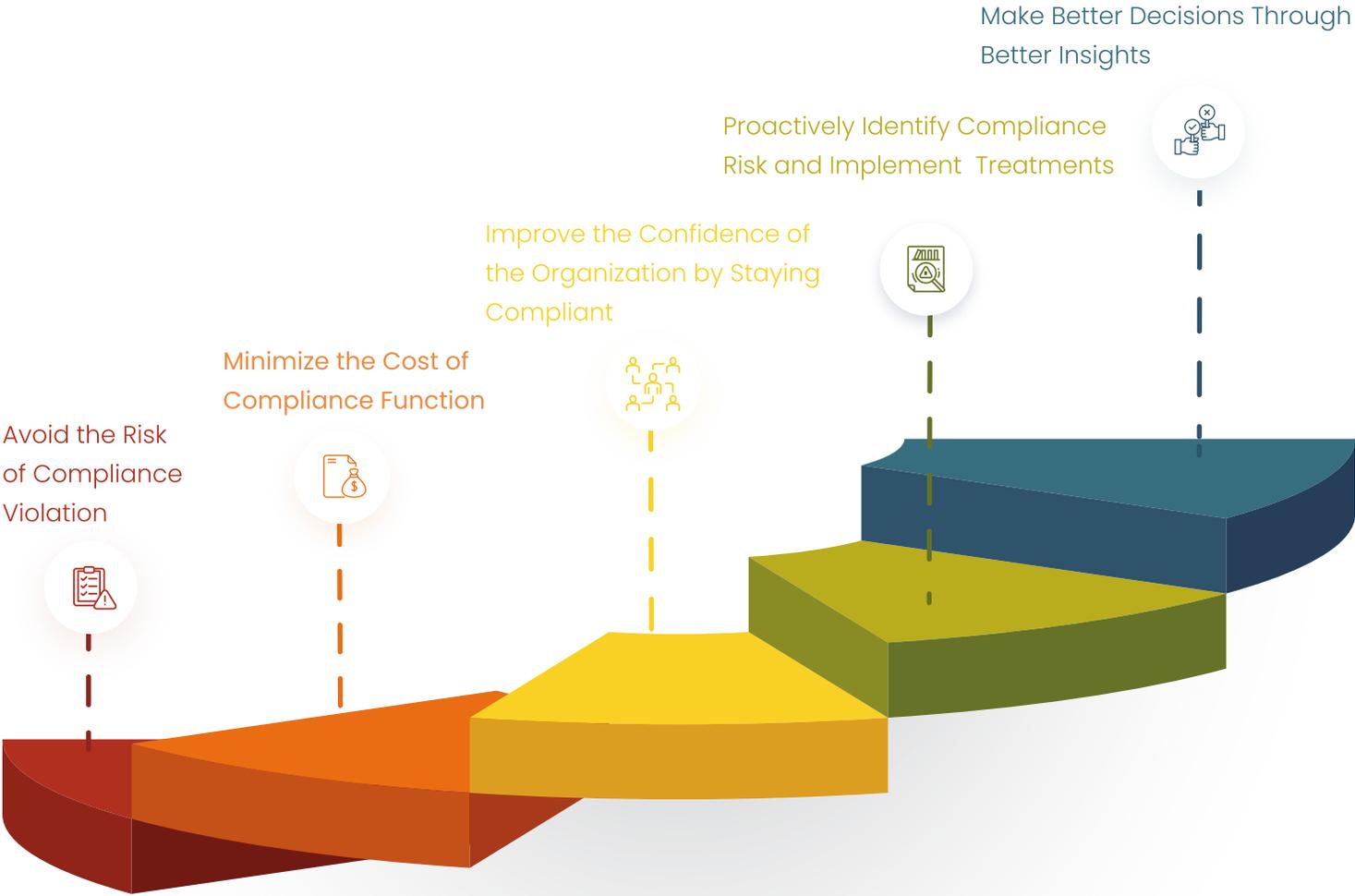


Compliance



An organization's requirements and priorities are bound to evolve. VComply is scalable and extensible and allows organizations to create an extensible GRC architecture where obligations, workflows, audits, and forms can be easily configured. It is tightly coupled with Risk management and helps you with risk assessment and identifying and implementing controls. VComply's unique combination of technology expertise and industry experience makes it an ideal partner for many organizations.

VComply Business Value



Corporate Governance Capabilities

- 01 Governance scoreboards and dashboards
- 02 Central repository for policies and communication

Extensive Compliance Capabilities

- 01 Support for multi-regulatory compliance
- 02 Control Hierarchy
- 03 Obligation/responsibility Management
- 04 Oversight
- 05 Test effectiveness of controls
- 06 Multiple scheduling options and workflows

Risk Management Capabilities

- 01 Risk scope
- 02 Risk assessment
- 03 Risk calculation and prioritization
- 04 Implement controls
- 05 Risk treatment
- 06 Risk score cards
- 07 Risk dashboards

To learn more about how VComply can help you with a modern unified GRC platform, reach out to your VComply sales representative today, or visit our website.

VComply is a next-generation GRC platform that helps you streamline your organization's GRC programs using a single integrated platform. To learn more about how VComply can help you streamline your Governance, Compliance, and Risk management, reach out to your VComply sales representative today or visit our website.

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