COST OF COMPLIANCE 2014

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EXECUTIVE SUMMARY

Thomson Reuters Accelus’ annual Cost of Compliance Survey provides an insight into the experiences and expectations of global compliance professionals.

The report is intended to help regulated firms with future planning, resourcing and focus and is driven by the great level of industry participation. Thomson Reuters Accelus is grateful for respondents’ open and candid views. Participants remain anonymous but their views are crucial in helping peers to benchmark their own firms’ practices and experiences and to assess whether their resources, focus and expectations are in line with those in the wider industry.

More than 600 practitioners across 71 countries participated in the 2014 survey. The main points to note are:

• More than half of compliance professionals expect their personal liability to increase in 2014 with 17 percent expecting a significant increase.
• Two-thirds of respondents expect the cost of senior compliance to increase in 2014 with over a fifth (21 percent) expecting costs to rise significantly.
• In parallel, nearly two-thirds thought that the total compliance team budget would increase in 2014 and a fifth (20 percent) thought that the budget would be significantly more in 2014.
• Over a third of firms globally spend at least a whole working day every week tracking and analyzing regulatory change.
• The number of compliance teams spending more than 10 hours a week tracking and analyzing regulatory developments has nearly doubled in both the U.S. (13 percent in 2013 and 25 percent in 2014) and the Middle East (8 percent in 2013 and 18 percent in 2014).
• Globally, compliance functions again reported spending very little time liaising with the internal audit function, a persistently repeated finding which is a growing cause of concern.
• Compliance teams in Asia spend more time consulting other control functions than those in other jurisdictions. Across the board, there was a significant increase in the time spent consulting with other functions (legal function: 8 percent in 2013 and 16 percent in 2014; internal audit function: 4 percent in 2013, 11 percent in 2014; risk function: 2 percent in 2013, 15 percent in 2014).
INTRODUCTION

BACKGROUND
Thomson Reuters Accelus undertook its annual Cost of Compliance survey between November 2013 and January 2014. More than 600 compliance practitioners, including a significant number of heads of compliance and chief executives, from financial services firms around the world, provided their insight into the costs of compliance and the greatest compliance challenges firms expected to face during the year ahead.

Responses were received from individuals in more than 70 countries, covering Africa, the Americas, Asia, Australasia, Europe and the Middle East. The survey provides a global snapshot of the state of compliance within firms, including the issues that are taking up significant resource, as well as firms’ views on what 2014 holds for compliance teams and boards.

Respondents represented firms from across all sectors of financial services, including banks, brokers, insurers and asset managers. Firms were not only geographically spread out but also represented a wide range of sizes, from the small to global conglomerates.

THE RESULTS
The results highlight the diverse pressures which compliance functions continue to face, with shifting supervisory expectations, no let-up in the volume of regulatory change and the start of many of the big implementation programs for major complex legislation. Similar research was undertaken in previous years and comparable results are included where applicable. This year’s survey again showed, from both the number of respondents and the range of the detailed comments received, that compliance officers have been finding life increasingly challenging.

2013 was a year of record fines, continuing swathes of global regulatory change and a further increase in the focus on the individual actions, or inactions, of senior managers. Compliance officers had to cope with all of this while also finding themselves subject to more intrusive and intensive oversight from regulators around the world, as they have sought to develop the recommended outcomes-based supervisory approach.

While 2013 continued the trend from previous years, 2014 is likely to be even more challenging. The focus will now no longer simply be on compliance with a set of rules or guidelines, but will increasingly look to explore a firm’s culture — the “how” of the business as well as the “what”. The regulatory attention on culture brings its own set of challenges for firms and their already stretched compliance officers. The management of regulatory relations will need to become a core competency for both compliance officers and senior managers in the coming year.

All the signs are that 2014 will not provide any let-up for compliance officers. Indeed, there will be no reprieve for the risk, control and governance functions in regulated firms. Many regulatory changes are still a moving target. Some big set pieces of regulation, such as the U.S. Volcker rule (part of the Dodd-Frank Act which will, among other things, separate out proprietary trading activities in U.S. banks) have been agreed but others, such as the proposed new European directive on data protection (which raises the spectre of a “fortress Europe” approach) are still under active debate.

COMPLIANCE FUNCTION: BUDGET, RESOURCES AND LIABILITY

A skilled, high-quality compliance function is expensive to build, but there is a growing realization that investment in effective risk and control functions and associated infrastructures is worthwhile on many levels, not least of which is the personal accountability of the firm’s senior managers.

“Good compliance is good business. A robust compliance, risk and governance framework has the potential to boost an organization’s bottom line.”

Over the next 12 months, I expect the cost of senior compliance staff to be:

- Significantly less than today: 45%
- Slightly less than today: 20%
- The same as today: 6%
- Slightly more than today: 2%
- Significantly more than today: 2%

Over the next 12 months, I expect the total compliance team budget to be:

- Significantly less than today: 28%
- Slightly less than today: 6%
- The same as today: 20%
- Slightly more than today: 21%
- Significantly more than today: 15%

Given the sheer volume of anticipated rule changes, combined with the shift in regulatory expectation regarding culture, it is perhaps not a surprise that almost two-thirds (66 percent) of those surveyed expected the cost of senior compliance professionals to increase in 2014. Of particular note for those involved in agreeing the budgets for the compliance function is the fact that more than a fifth (21 percent) expected the cost of senior compliance professionals to be significantly higher in the coming year (19 percent in 2013). The competition for senior, experienced compliance officers is likely to be heightened in the coming year as firms as well as regulators seek to increase their in-house skills.

The global move toward a more judgement-led style of regulation will require staff to have more sophisticated levels of risk, compliance and control expertise. There is likely to be greater competition for skilled compliance staff, which will push salaries up and give highly-qualified compliance officers an incentive to move on if they feel they are not being appropriately rewarded at their current firm.

As a corollary to the expectations of higher salary costs for senior compliance officers is the expectation that nearly two-thirds (64 percent) of respondents thought that the total compliance team budget would increase in 2014 (67 percent in 2013). A fifth (20 percent) of respondents thought that the total compliance team budget would be significantly more in 2014 (17 percent in 2013). The results year-on-year suggest that not only are compliance salaries rising across the board but also that the size of compliance teams may well also be growing.

Any firm which has reduced the size or indeed budget of its compliance team should be prepared to face some tough questions from its regulators. While it may be appropriate to cut compliance resources when activity has decreased or a line of business has closed, firms should realize that they may be putting themselves at risk if they allocate insufficient compliance resources.
“We agree that compliance is costly and will involve expenditure, but let me remind you that, in the final analysis, it is non-compliance which would prove costly and may endanger the very survival of the institution”.

Dr. K C Chakrabarty, deputy governor of the Reserve Bank of India, in an inaugural address, “Compliance Function in Banks: Back to the Basics” at the launch of certificate programs on Compliance Function and Training in Mumbai, July 2013.

OVER THE NEXT 12 MONTHS, I EXPECT THE PERSONAL LIABILITY OF COMPLIANCE PROFESSIONALS TO BE...

- Slightly less than today: 36%
- The same as today: 43%
- Slightly more than today: 17%
- Significantly more than today: 1%
- Significantly less than today: 3%

2013 was the year when the regulatory focus widened to include senior managers as well as their firms. A tipping point was reached in the UK, when more individuals than firms faced enforcement action. The focus on senior individuals is being reinforced at the supranational level, with the Financial Stability Board setting out detailed role, remit and accountability requirements for key positions in financial services firms. The FSB has even gone so far, in its publications on risk governance and risk culture, as to dictate elements to be included in the job descriptions of senior managers. As part of the greater focus on the actions, or inactions, of senior managers compliance professionals are perhaps understandably feeling more vulnerable themselves, with more than half expecting their personal liability to increase in 2014. Indeed, the perceived increase in personal liability may well be another factor driving up the costs associated with senior compliance officers.

For many compliance professionals the explicit management of their own personal regulatory risk will have to be fitted into an already very full range of activities. That said, all documentation generated to provide evidence of consistent high levels of compliance may well also prove useful to a compliance officer seeking to prove to a regulator that they have done all of the right things in all of the right ways.

“... an effective compliance program begins at the top. A firm’s senior leadership must be visible and vocal advocates for a strong culture of compliance. It is critically important to foster an environment where everyone understands that the firm values honesty, integrity and takes compliance issues seriously. And, to state the obvious, management must also provide the firm’s employees with the necessary tools and resources to fulfill their compliance functions, such as hiring the right people, developing effective compliance controls and designing appropriate policies and procedures that take into consideration the firm’s fiduciary obligations to its clients”

Working in an ever-changing regulatory environment has become the norm for financial services firms around the world. Substantial skilled compliance resources will still need to be devoted to reviewing proposed regulatory changes, assessing the likely impact on the firm, responding and, where necessary, lobbying to try to minimise the potential for unintended consequences. Experienced compliance officers are all-too aware that it is not just domestic regulatory changes which need to be considered. Supranational policy-making bodies such as the FSB have initiated many subsequent jurisdiction-specific changes, and some domestic legislation has international ramifications, notably the U.S. Foreign Account Tax Compliance Act.

**OVER THE NEXT 12 MONTHS, I EXPECT THE AMOUNT OF REGULATORY INFORMATION PUBLISHED BY REGULATORS AND EXCHANGES TO BE:**

- **42%** significantly more than today
- **33%** the same as today
- **20%** slightly more than today
- **4%** slightly less than today
- **1%** significantly less than today

The expectation is that there will be a further increase in the amount of information published by regulators. In 2013, 81 percent of respondents expected an increase in the amount of information published with 43 percent expecting a significant increase. For 2014, expectations have eased off slightly with 75 percent expecting more to be published and 33 percent foreseeing a further significant increase. In one sense it is encouraging that expectations are not quite as high as they were in 2013, but the reality is that any regulatory material which does appear in 2014 will simply add to the vast swathe of regulatory information with which compliance officers must already grapple.

While many regulatory changes are moving toward implementation, plenty of others are still in the planning or final development stages. As an example, the revision of the Markets in Financial Instruments Directive in Europe reached political agreement, in principle, in January 2014. The new regime will be implemented via a regulation on transparency and access to trading venues, which will be directly applicable within member states, and a directive which will set out the details of authorizations and organizing trading venues.

Many other changes are planned, including:

- Trading systems whereby all trading in certain classes of derivatives will have to take place on regulated markets, organized trading facilities (OTFs) and multilateral trading facilities (trading in equities can only take place on regulated markets or multilateral trading facilities).
- Financial advice: the obligation to ensure that investment products are designed with clients’ interests in mind, and to ensure that clients are fully informed of the risks entailed in investments, will be reinforced.
- Stricter rules will apply to maximum positions allowed in commodities given the impact this can have on the price of the underlying assets.
- Systemic risk, particularly in high-volume, electronic, algorithmic trading which will have to be offset by putting in place “circuit breakers” designed to kick in if the price strays outside certain parameters.
- Conditions for access to EU markets for third-country firms based on an equivalence assessment of third-country jurisdictions by the European Commission.

High-level political agreement is one thing, but detailed technical standards need to be developed actually to implement MiFID II. And as ever, the devil will be in the detail. The creation of the measures, including the technical standards needed, has been delegated to the European Securities and Markets Authority. It is entirely possible that the next two years will be spent with consultations, public hearings and numerous closed multilateral and bilateral meetings with industry representatives and individual firms before final rules are agreed. Compliance officers in firms undertaking any sort of business in financial instruments, no matter where in the world they are based, must stay in touch with the changes planned in Europe.
In an average week, how much time does your compliance team spend tracking and analyzing regulatory developments (in hours)?

Given the continuing increase in the volume of regulatory information published it is logical that firms are spending a considerable proportion of their time tracking and analyzing the impact of regulatory developments. Overall, almost a quarter of firms are spending more than 10 hours per week reviewing the implications of all this new information (22 percent in 2013). No matter what the size of the compliance department, regulatory change is clearly resource-hungry; indeed, more than a third of all firms globally are already dedicating at least a whole working day every week to this task.

Given the anticipated year-on-year increase in the flow of regulatory information and the relatively small amount of extra time devoted to tracking and analysis, compliance functions need to ask themselves whether they are devoting enough time to this task. Failure to track and analyze all relevant regulatory developments may put a firm at a distinct disadvantage and may mean that it runs significantly larger risks than if appropriate levels of skilled resources had been allocated.

There were some pronounced regional variations in this area, however. For instance, the number of U.S. compliance teams spending more than 10 hours a week tracking and analyzing regulatory developments nearly doubled (13 percent in 2013 and 25 percent in 2014). There was a similar picture in the Middle East with 8 percent of compliance teams spending 10 hours or more tracking and analyzing in 2013 compared with 18 percent in 2014. Of equal note was the relative reduction in the number of UK firms spending 10 hours or more on this task.

These regional variations may reflect the differing jurisdictional positions in the regulatory change life cycle with, say, U.S. firms now spending significant time considering the implications of the Dodd-Frank changes. With fewer big, region-specific changes affecting the Middle East, the additional time spent may have been used to focus on international proposals.

In the UK, firms may be benefitting from the fact that the new twin peaks regulatory regime has now bedded down, so that they now only have to deal with changes to the rulebooks. It is also possible that, in a relatively mature regulatory regime, UK firms have understood the value of investing in tools, systems and other automated processes to streamline tracking and analysis.

Compliance teams spending more than 10 hours per week tracking and analyzing regulatory developments

<table>
<thead>
<tr>
<th>Region</th>
<th>2013</th>
<th>2014</th>
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<tbody>
<tr>
<td>UK</td>
<td>31%</td>
<td>21%</td>
</tr>
<tr>
<td>US</td>
<td>21%</td>
<td>25%</td>
</tr>
<tr>
<td>Asia</td>
<td>25%</td>
<td>21%</td>
</tr>
<tr>
<td>Middle East</td>
<td>8%</td>
<td>18%</td>
</tr>
<tr>
<td>Rest of World</td>
<td>17%</td>
<td>20%</td>
</tr>
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In an average week, how much time does your compliance team spend amending policies and procedures to reflect the latest regulatory rules (in hours)?

- 40% of teams spend less than 1 hour.
- 21% spend 1 to 3 hours.
- 19% spend 4 to 7 hours.
- 9% spend 7 to 10 hours.
- 11% spend more than 10 hours.
- 9% spend 1 to 3 hours.

The implementation of any regulatory change will always involve a range of compliance activities, not least the required updates to policies and procedures. Overall, year-on-year there has not been much change in the amount of time spent updating policies and procedures, although this does hide a number of distinct regional variations. Even so, compliance teams are continuing to spend a lot of their time on the updating required, and they may wish to consider whether or not the business might take a more active role in this process. This might have the twofold benefit of freeing up compliance time (perhaps to consider any proposed regulatory changes in more depth) and also ensuring that there is more business involvement with, and ownership of, any resulting policies and procedures.
Reporting in all forms is set to increase in importance in 2014. Regulators around the world have placed a stronger focus on culture, conduct risk and tone from the top, and by association raised their expectations with regard to a firm’s ability to identify, measure and report on the “how” of business as well as the, previously more usual, “what”. The need to include qualitative measures in management information has highlighted the necessity for high-quality internal reporting. Indeed, the FSB made a point of saying that management information was an area that needed substantial improvement as part of an enhanced approach to risk governance.

“The information provided to the board was voluminous and not easily understood which hampered the ability of directors to fulfill their responsibilities.”

Executive Summary of Financial Stability Board “Thematic Review on Risk Governance”, published in February 2013
In a picture consistent with the previous year, 26 percent of compliance teams spent less than an hour a week amending reports for the board (26 percent in 2013). Compliance functions may wish to reconsider how much time is devoted to the creation of board reports, given the increasing importance of reporting, and in particular the need to provide consistent evidence of compliance and to deliver an accurate and succinct assessment of risk management to senior managers. Compliance officers should avoid submitting any material which, in the words of the FSB, is “voluminous and not easily understood”, and should ensure that all messages delivered are crisp, clear and easily understood. Compliance should seek to liaise with other risk and control functions to ensure that an overall risk governance picture is not only agreed but then reported upon consistently to the board and other relevant committees.

Asia stood out as having experienced the most change in terms of time spent on board reporting. During the last year the number of firms in Asia spending more than a whole working day every week creating and amending reports for the board has increased from a fifth to more than a third (36 percent).

### ALIGNMENT WITH OTHER RISK AND CONTROL FUNCTIONS

Over time, the surveys have consistently revealed a low level of interaction between firms’ compliance teams and other risk and control functions, most notably the internal audit function. Although internal audit must retain its independence it does need to be closely aligned with the compliance and other risk functions; independence does not mean isolation. The current, ever-more complex operational environments, as well as the greater focus on the quality of risk management information, will mean that the most effective firms will be those that have audit, risk and compliance functions which speak a common language, have aligned work programs, share risk issues and communicate internally and externally on a consistent basis. Although both internal audit and compliance functions are likely to be at full stretch, the lives of both departments (and indeed those of the other risk functions) will ultimately be made easier if levels of communication and alignment are increased.

Pulling together the results of previous years’ surveys, the levels of interaction between compliance and other control functions is shown in the following table:

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<thead>
<tr>
<th></th>
<th>Legal</th>
<th>Internal audit</th>
<th>Risk</th>
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<tbody>
<tr>
<td>Less than 1</td>
<td>31%</td>
<td>30%</td>
<td>28%</td>
</tr>
<tr>
<td>1 to 3</td>
<td>31%</td>
<td>37%</td>
<td>38%</td>
</tr>
<tr>
<td>4 to 7</td>
<td>17%</td>
<td>18%</td>
<td>17%</td>
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<tr>
<td>7 to 10</td>
<td>12%</td>
<td>7%</td>
<td>7%</td>
</tr>
<tr>
<td>More than 10</td>
<td>9%</td>
<td>8%</td>
<td>10%</td>
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These persistently low levels of interaction are a continued cause for concern. If compliance officers do nothing else, this is an area on which they might focus that will directly benefit the firm’s entire risk and control infrastructure, and help to leverage and make the most effective use of resources.
The amount of time which compliance officers expect to spend liaising and communicating with regulators is consistent with previous years. In 2013, 65 percent of respondents expected to spend more time liaising with regulators with 26 percent expecting to spend significantly more time. In 2014 the expectation was for 62 percent to spend more time with regulators, and 25 percent significantly more. The consistent overall results hid some regional variations with a change in the mix of those who expected to be spending significantly more time with the regulators in the coming year.

In line with the UK regional variation on spending relatively less time tracking and analyzing regulatory changes, 61 percent of UK firms expected that the time spent liaising with and communicating with regulators would slightly or significantly increase in 2014. In the previous year the equivalent UK figure was 74 percent. This fits with the new UK regulatory regime having now come into being, and whereas liaison with regulators has increased significantly for many firms during the last few years, it may well now be plateauing at a higher, but more even, level.

Those firms expecting to spend more time with regulators give three main reasons: the expectation of having to deal with more intensive supervision; more onerous regulatory and reporting requirements; and more information requests from regulators.
MANAGING REGULATORY RISK

OVER THE NEXT 12 MONTHS, I EXPECT THE FOCUS ON MANAGING REGULATORY RISK TO BE:

- 28% significantly less than today
- 1% slightly less than today
- 3% the same as today
- 22% slightly more than today
- 46% significantly more than today

Regulatory risks with which compliance teams need to deal include changes both to the rulebooks and to regulatory expectations. Nearly three-quarters of firms (74 percent) said that they expected even more time to be spent managing regulatory risk in the coming year.

The main change for 2014 will be the stronger focus on conduct risk. Changes to hard-and-fast rules are one thing, but changes to expectations regarding culture, tone from the top and conduct risk put firms in a much less certain place about what they are supposed to do and then, critically, how they can provide evidence of compliance with these qualitative expectations. No two firms are the same thus no two firms will ever run exactly the same risks.

The same is true for culture. Culture and its practical manifestations are firm-specific, and in the brave new regulatory world each firm has, in line with supervisory expectations, the unenviable task of working out what “good” looks like for it in terms of risk culture.

There are five main steps for firms to consider with regard to conduct risk: define, assess, reform, measure and evidence. The precise nature of the detailed work required will vary but it is likely that each of the steps will need to be broken down into numerous other activities. Firms should be particularly careful to document their work. Indeed, the FSB has gone so far as to recommend that a firm’s willingness to document in detail the elements supporting its risk culture should in itself form part of the regulator’s overall assessment of risk management in the firm.

Comprehensive documentation for all elements and steps in the definition, assessment, reform and measurement of conduct risk may seem like undue bureaucracy but it is critical if a firm is to be able to prove to itself and to its regulators that it has not only done the right things, but has also done them in the right way.

TYPICAL WEEK OF A COMPLIANCE OFFICER

The persistent juggling act performed by compliance officers is shown by the breadth of activities which need to be squeezed into a typical week. As an illustration, nearly half an average compliance officer’s week is already committed to tracking and analyzing regulatory developments and amending policies and procedures to reflect change, plus board reporting and liaising with other control functions. Everything else has to be fitted into the remaining time, for example: managing regulatory examinations and inspections; regulatory reporting; managing relationships with the regulator; internal compliance monitoring; implementing new controls; and undertaking remedial action. In addition many compliance functions are involved in lobbying and the project management and critical sign-offs inherent in the successful implementation of regulatory change.

Looking at the results of this year’s survey in the round, the expectation is that the time spent on these activities will continue to increase, with the potential to put even more pressure, and indeed stress, on already stretched compliance functions.
THE CHALLENGES COMPLIANCE OFFICERS ANTICIPATED IN 2014

Participants were asked about the biggest compliance challenges they expected to face in 2014. The breadth of responses demonstrates the immense challenge the year ahead may bring. Firms may take some comfort from the fact that their peers are facing similar challenges, or indeed may find that there are challenges on the horizon that have not yet hit their risk radar.

A SUMMARY OF THE GREATEST COMPLIANCE CHALLENGES WHICH FIRMS EXPECTED TO FACE:
- Regulatory requirements
- Resources
- Implementation of regulatory change
- Volume and pace of regulatory change
- Risk management
- Global regulation
- More intensive supervision

- Culture
- Support from management
- Reporting requirements
- Corporate governance
- Training staff
- Business continuity
- Enforcement
- Conduct risk
- Integrity of data
- Complexity of regulation
- Financial crime
- Sanctions
- Treating customers fairly
- European regulation
- Controls
- Product development
- Technology
- Anti-bribery and corruption
- Internal audit
- Underwriting
- Monitoring

SPECIFIC AREAS OF REGULATION WHICH POSE THE GREATEST CHALLENGE FOR THE COMING YEAR WERE HIGHLIGHTED AS:
- Foreign Account Tax Compliance Act (FATCA), U.S. and international
- Financial Action Task Force (FATF) and other international anti-money laundering regulations, including know your customer requirements
- European Market Infrastructure Regulation (EMIR), Europe
- Solvency II, Europe
- Alternative Investment Fund Managers Directive (AIFMD), Europe
- Basel III, international
- Dodd-Frank, U.S. and international
- Retail Distribution Review (RDR), UK
- Markets in Financial Instruments Directive II (MiFID II), Europe
- Capital Requirements Directive IV (CRD IV), Europe
- Future of Financial Advice (FoFA), Australia
- Volcker Rule, U.S. and international
- Companies Bill, India
- Mortgage Market Review (MMR), UK
- Packaged retail investment products (PRIIPS), Europe
- Consumer Financial Protection Bureau (CFPB) regulations, U.S.
Respondents were also asked what the biggest challenges for their boards would be in the year ahead. While there are significant similarities in the challenges they expect to face, particularly with regard to regulatory requirements, there is a marked difference in terms of those challenges that are more clearly related to the pace, volume and implementation of change. For the board, perhaps unsurprisingly, issues surrounding greater scrutiny and corporate governance are more important.
CLOSING THOUGHTS

2014 is set to be another challenging year for compliance officers and firms. The expectation is that there will be no let-up in the constant need to be able to do more. If compliance functions are to deal with the challenges they face, they will need adequate budgets and resources. Specifically, budgets will need to reflect the substantial cost of hiring experienced, skilled personnel who can help firms to understand and implement increasingly technical regulatory developments and who can also deal with a less prescriptive, judgement-based style of supervision and a marked increase in personal liability. Any firm which has limited or inadequate compliance resources is unlikely to thrive in the highly regulated world of financial services and may well end up facing enforcement action for having made insufficient focus compliance arrangements.

The coming year is not just about the need to do more. 2014 will be characterized by the need to shift thinking to accommodate all things culture, as part of the overarching aim to ensure universally good customer outcomes in a stable financial environment. Regulatory expectations around the world are changing, and it is no longer enough for firms to do a bare minimum of compliance with the relevant rulebooks. There is a focus on senior managers, as well as their compliance teams, to seek to drive a positive and lasting change in behaviors throughout firms.

While regulators will fix the mechanics of benchmarks in markets ranging from Libor to FX, only private individuals and institutions can reform the behavior that has made such changes necessary.


Compliance officers will need to engage extensively with their boards and senior managers to ensure that there is firm-wide understanding of the changing regulatory environment and the implications of the focus on culture. An appropriately compliance-aware board will need to be able to speak knowledgably to the regulator about the setting of tone from the top and the measures used to assess conduct risk and culture in the firm. It will also need to allocate sufficient resources to the compliance function.

As a last word, the persistent lack of interaction between compliance and internal audit functions needs to be tackled, and tackled once and for all, as it remains a profound issue for many firms. Unless or until it is resolved, firms will be unable to meet in full the growing international risk governance expectations, will fail to make best use of limited skilled resources and may well leave themselves vulnerable to regulatory action at a both a firm and an individual level.
We hope that this new report on the Cost of Compliance has been of interest. Many of our clients tell us that these reports are helpful when they are seeking to benchmark their activities, or for building business cases to support greater investment in compliance programs in the business. We hope this report will be helpful.

HOW ELSE CAN WE HELP YOU?
Thomson Reuters Accelus delivers a wide range of connected solutions designed to enable organizations to drive performance by better understanding and managing the challenges – as well as opportunities – they face through the lenses of risk, governance and compliance.

A CONNECTED APPROACH TO THE REGULATORY CHANGE MANAGEMENT PROCESS
Accelus Compliance Manager enables compliance executives to easily and effectively manage the impact of compliance risk on their organization. Clients can track regulatory change, assign action plans and manage associated policies and controls. The solution’s connected approach enables organizations to develop a new perspective on the impact that the regulatory environment has on the business, strategy and decision-making.

UNDERSTAND THE CONDUCT RISK REGULATORY ENVIRONMENT
Accelus Regulatory Intelligence offers a proactive, connected and comprehensive solution to tracking and analyzing the regulatory changes that may impact your organization’s exposure to conduct risk. Conduct risk is an evolving area of supervisory scrutiny – regulators globally are expected to issue new rules and approaches to conduct risk over the next two years. In some jurisdictions, whole new regulators have been created to manage conduct risk regulation. Key features of Accelus Regulatory Intelligence include expert regulatory guidance; a search facility covering thousands of topics; over 400 regulators and exchanges covered; effective, systematic workflow; and direct data feeds.

IMPROVE YOUR ORGANIZATION’S COMPLIANCE CULTURE
Thomson Reuters Accelus eLearning ensures your employees remain compliant, as well as understand and act upon specific compliance and regulatory requirements. We offer practical, interactive, customizable and cost-effective training courses, which change behavior and help to support a culture of integrity and compliance. We are a proven partner in delivering comprehensive training programs and have provided courses in over 30 different languages to more than 2,000 training clients and over 2,000,000 users globally.

DELIVER EFFECTIVE ANTI-BRIBERY AND CORRUPTION PROGRAMS
Anti-Bribery and corruption was flagged as another challenge for 2014. Thomson Reuters Accelus for Anti-Corruption is a suite of anti-corruption compliance solutions that provide a modular approach to delivering effective anti-bribery and corruption compliance programs. Our clients rely on our connected solutions for the full compliance lifecycle including regulatory intelligence, policy management, training, internal controls, country risk ranking, screening of business partners, internal audit and importantly, reporting.

ENSURE YOUR BOARD IS ON TOP OF COMPLIANCE
Directors are being held accountable for their actions more than ever before, with legal and reputational liability at an all-time high. There is increasing pressure from shareholders to balance business performance against legal and regulatory obligations, while at the same time board directors are being taken to task by regulators for poor conduct by employees and inadequate risk cultures. BoardLink is available via an iPad app or web-based portal. It enables Board members and corporate secretaries to communicate documents, create topic-specific workspaces and compile and share Board books, anytime, anywhere. With BoardLink, compiling and distributing Board books becomes a secure, organized process and the time and resources required are significantly reduced.

To speak to a advisor about how Thomson Reuters can help you contact us on: North America: Eastern U.S. +1.763.278.8601 or Western U.S. +1.763.278.8602; UK & Europe: +44 (0)20 7029 5950; Asia Pacific: +65 6870 3982 or email us on: accelus@thomsonreuters.com
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The Thomson Reuters Governance, Risk & Compliance (GRC) business delivers a comprehensive set of solutions designed to empower audit, risk and compliance professionals, business leaders, and the Boards they serve to reliably achieve business objectives, address uncertainty, and act with integrity.

Thomson Reuters Accelus dynamically connects business transactions, strategy and operations to the ever-changing regulatory environment, enabling firms to manage business risk. A comprehensive platform supported by a range of applications and trusted regulatory and risk intelligence data, Accelus brings together market-leading solutions for governance, risk and compliance management, global regulatory intelligence, financial crime, anti-bribery and corruption, enhanced due diligence, training and e-learning, and board of director and disclosure services.

Thomson Reuters has been named as a category leader in the Chartis RiskTech Quadrant™ for Operational Risk Management Systems, category leader in the Chartis RiskTech Quadrant™ for Enterprise Governance, Risk and Compliance Systems and has been positioned by Gartner, Inc. in its Leaders Quadrant of the “Enterprise Governance, Risk and Compliance Platforms Magic Quadrant.” Thomson Reuters was also named as Operational Risk Software Provider of the Year Award in the Operational Risk and Regulation Awards 2013.

For more information, visit accelus.thomsonreuters.com