



FINANCIAL CRIME IN THE MIDDLE EAST AND NORTH AFRICA 2016

The Need for Forward Planning

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INTRODUCTION

The second survey on financial crime in the Middle East and North Africa (MENA), a joint initiative between Thomson Reuters and Deloitte, follows our survey on the same topic held this time last year.

By contrasting and comparing results to those from last year, we are now able to create a more nuanced picture of what is happening inside compliance departments in the MENA region. The survey results and analysis can be used by firms to help with benchmarking, planning and resourcing in the future, and we are grateful for respondents' participation and for their open and candid views.

Just under half of respondents identified themselves as senior management or senior compliance management, and they spanned several countries in the MENA region, representing corporates and financial institutions. Just over half of respondents belonged to organizations with more than 250 employees and 60 percent belonged to companies that had a presence in two or more countries.

The results of the survey are considered reflective of the region, with more than two thirds of the respondents being actively involved in setting financial crime policy and / or leading a team that works on financial crime policy for their organizations.

From the responses, we identified five key themes:

- Tone at the top – much hype, little action
- Increasing investment in sophisticated technology solutions
- The reorganization of processes
- A drop in already low confidence levels in compliance programs
- Stalled policies

If the speed and volume of regulatory change is causing some anxiety amongst respondents, it is understandable. In 2008, there were 8,704 regulatory alerts – in 2015, that figure has jumped dramatically to over 43,000 alerts, or one every 12 minutes. It is no surprise, therefore, that while last year the most pressing concern was maintaining training and awareness, followed by securing support from management and the increasing costs, this year's top concern is coping with regulatory updates. Regulatory fatigue, resulting in paralysis, is becoming a very real concern. Whilst it may be understandable in the face of a regulatory avalanche, it is not an acceptable defense.

Getting support from senior managers and securing their assistance to create the appropriate culture and awareness seems to be a particularly notable theme. It may be that compliance managers are feeling slightly frustrated in their role, caught between a rock and a hard place – increasing demand from regulatory pressures and having to keep up to date with all the changes pitched against an ongoing fight to gain increased resources.

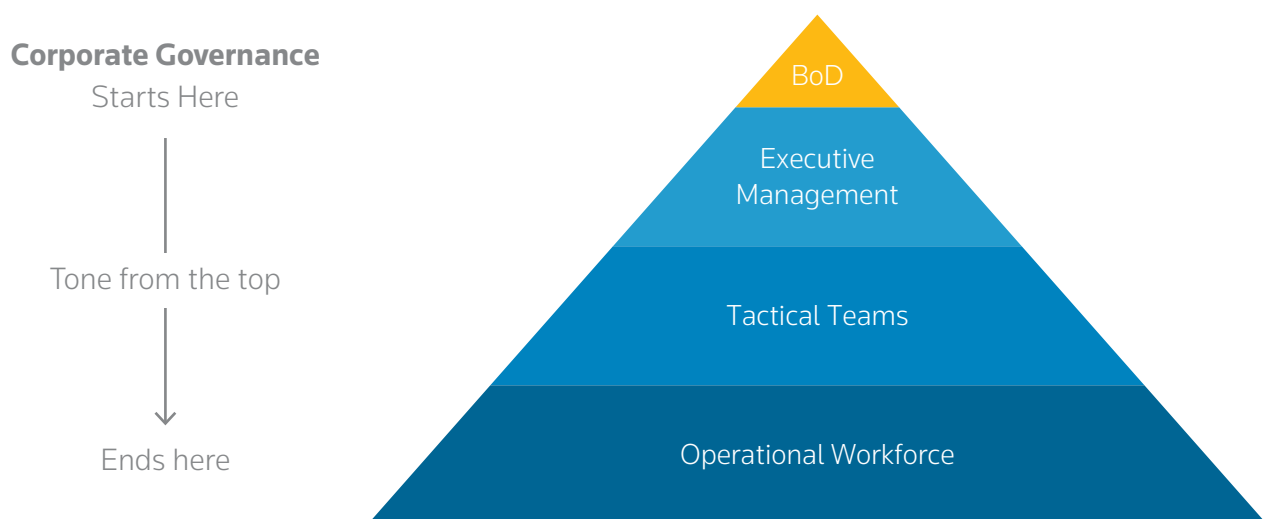
As expected, spending on compliance resources has increased and is expected to continue to increase over the next two years. The focus of investment appears to be a realignment of business processes and increasingly sophisticated technological solutions, while training and skills development lag dangerously behind. After all, the best technology in the world is meaningless without a skilled practitioner with the ability to understand and apply the knowledge that the solution provides.

TONE AT THE TOP – MUCH HYPE, LITTLE ACTION

One of the rising trends that we have noted over the past few years, and one that is expected to draw increasing focus in the future, is the concept of 'tone at the top'. This refers to the visible actions of organizational leaders that help to produce an ethical framework for a company, thus empowering employees to make principled decisions and follow best practice, even when no-one is watching.

Tone at the top has become a vital element of a healthy compliance program because regulatory compliance is becoming such a comprehensive, and at times overwhelming, task that monitoring all processes and outcomes is now beyond the capability of most organizations. To help ensure optimal employee performance when it comes to compliance, a pervasive corporate culture of ethical behavior and commitment is advantageous. Such a culture, however, starts with good corporate governance and requires the participation and commitment of senior executives, who need to be seen to embody the qualities of good governance, and have the will, and the capability, to visibly demonstrate behaviors that are aligned with ethical best practice.

TONE FROM THE TOP



Before taking decisions about new relationships, investigating new markets, pushing ahead with product launches or perhaps even initiating a simple exploratory business conversation, if employees were to automatically consider all relevant compliance risks, this would help a great deal to reduce the risk of a regulatory transgression.

However, from the responses of this year's survey we see that while there is an awareness of the concept, and need for, tone at the top, it would seem that the substance is lacking somewhat. This is also an issue seen in practice, for example, where senior executives frequently promote compliance best practice but do not always actively apply such behavior in practice, prioritizing short term profitability over sound compliance.

For example, from the responses to **Question 14**, 'Over the next two years, what do you believe will be your biggest challenges to the effective management of a financial crime and compliance program?', the response 'Communicating tone at the top' received the lowest rating as the number one priority.

It may be that compliance managers are feeling slightly frustrated in their role, caught between increasing demand from regulators having to remain conversant with regulatory changes, whilst also having an ongoing battle with management for increased resources.

From **Question 9**, we see that there is an emphasis on investing in new processes rather than training or communication between leadership and employees, both essential factors in creating a proper tone at the top.

And from **Question 10**, we see that the need to increase communication between management and staff in order to raise awareness is seen as the highest priority over the next two years.

We expect to see a difference in approach to governance in the near future. We know that with the increased focus on personal liability for senior officers there is likely to be a shift in the emphasis of good governance and executive accountability. We can also see that in **Question 11**, in answer to where is the main focus of investment to meet compliance objectives, the number one reply was 'Processes – internal business change and reorganization'. This could indicate that there is a swing towards governance as a priority, although it could also indicate that businesses are restructuring priorities to increase the effectiveness of the management of the compliance and risk functions and trying to embed themselves into the business in a more effective way. However, given that the answer next in line was 'Technology' it may be that this is where organizational emphasis lies, rather than governance.

"A successful organization with a successful culture undoubtedly has effective leadership at the top."

Philip Brittan

Chief Technology Officer & Global
Head of Platform, Thomson Reuters

It will be a trend to watch in the future as tone at the top could be the difference between compliance failure and success.

Another aspect of this trend to look out for is the increasing emphasis on the "message from the middle" that we see in the more developed markets, which refers to the role of middle management in effectively communicating the compliance agenda throughout the organization. While employees interact with senior executives on an intermittent basis only in most companies, engagement with middle management is often daily, so their role can be critical in this regard.

Featured Questions: 9, 10, 11 and 14

Full survey results can be found on pages 14 to 21





INCREASING INVESTMENT IN SOPHISTICATED TECHNOLOGY SOLUTIONS

When asked where they were spending their compliance budgets in Question 11, more than a quarter of respondents pointed to technology as the main focus of investment, the second most popular choice behind the updating and reorganization of processes. Faced with the increasing pressure of monitoring regulatory updates and the escalating threat of cyber crime, companies are turning to technology for salvation, and it seems they are choosing increasingly sophisticated technology to help them meet their regulatory obligations.

In **Question 20**, over two thirds of respondents, 72 percent, reported an increase in sophistication in their technological solution in the last two years. Just over 50 percent reported a slight increase in sophistication, whilst over 21 percent reported a significant increase in sophistication. Respondents also believe their technological solutions will become ever more sophisticated in the short term, with 50 percent expecting a slight increase in sophistication and 31 percent expecting a significant increase in sophistication in the next two years.

Clearly a great deal of investment is being focused on technological solutions, and the top two reasons for this is that companies believe they can monitor more customers and transactions in shorter times (39 percent), and with a higher degree of quality (27 percent).

“In today’s highly complex financial markets, it is harder than ever for financial institutions to detect and prevent financial crime. Yet continually evolving regulations are compelling firms to improve. With a legacy of disparate approaches to contend with and increasing pressure on costs, firms could choose the path of minimum compliance. However they should consider whether an integrated approach, bringing their data and analytics together, would help them improve the quality of their financial crime intelligence while simultaneously reducing costs.

Rather than continuing to pump time and money into a patchwork of activities to tackle financial crime, firms should start with their data ... and develop a target operating model that aligns strategy, people, process, technology and data capabilities.”

Mandy Green

Director, Deloitte Financial Services
Regulatory Advisory

Given the increasing regulatory pressure and the threat of enforcement activity, it is understandable that companies will seek the most up-to-date technological response. There is a warning here however, as we see from the responses to **Questions 9, 10, 11 and 14** that training and skills development does not appear to be a top priority for organizations. Perhaps it's not surprising to see, therefore, that a quarter of the respondents displayed limited confidence that the company's technological financial crime solution is fully optimized. It is significant that when asked what the main disadvantage of a sophisticated technological solution, the majority of respondents chose 'over-reliance', which may underline the popular adage; technology is only as good as the people who use it?

The risk of over-reliance on technology is highly significant – in practice we see this as a recurring theme. Major compliance issues often arise in the "gap" between compliance and technology, for example where technological solutions are implemented without sufficient understanding of the limitations of the technology or the nuances of compliance requirements.

We regularly see issues arising where technological solutions are not adequately maintained and therefore do not keep pace with developments in compliance obligations. In other cases, we have witnessed the folly of organizations relying too heavily on artificial intelligence for answers, without combining this process with human intelligence.

This apparent lack of awareness of the limitations of technology raises an important question about the wisdom of investment focus.

If business leaders fail to adequately invest both time and money in creating a knowledge repository within their organization to help understand, and analyze, the complex governance, risk and compliance environment, or if they fail to invest in the skills capacity needed to extract and understand risk data, then their investment in sophisticated technology may not realize an optimal return.

This is especially salient given the levels of regulatory fatigue, which have been noted globally, as boardrooms are overwhelmed by regulatory demands.

The problem with fatigue is that it can cause complacency, and if there is a belief within the leadership ranks that the technological solution for compliance is a sophisticated response, and therefore adequate to meet compliance obligations, then this may give a false sense of security, and substantially reduce the efficacy of the regulatory response.

To gain the maximum value from investment into technology, and instill trust in the answers technology provides, business leadership should consider boosting the appropriate skills to extract a high level of intelligence from the solution, and they should also look for ways to 'future proof' their solution.

Featured Questions: 9, 10, 11, 14 and 20

Full survey results can be found on pages 14 to 21

"We have seen an ongoing rise in compliance leaders expressing regulatory fatigue as they are being held to increased accountability amidst an ever-escalating volume of regulation, the expectation of being knowledgeable, and the added pressure of being exposed to record fines for non-compliance. With heightened scrutiny and accountability, it has never been more vital for boards to continue to support the compliance function and senior leadership with the budget, resources and tools to help ensure a culture of transparency, trust and adaptive-change in behaviors throughout firms."

Phil Cotter

Managing Director, Risk, Thomson Reuters

THE REORGANIZATION OF PROCESSES

It is significant that Question 11 highlights that the number one target for investment is ‘Processes – internal business change and reorganization’. Nearly 40 percent of respondents chose this as their main focus of investment, probably in response to the increased regulatory pressure, a substantial jump up from last year, when only 22 percent of respondents targeted process change for investment purposes.

The response to this question reveals that financial institutions and corporates in the MENA region are moving forward and aligning their compliance function with international best practice. In more developed markets, where a high level of regulation has been a feature since the turn of the century, there has been a gradual embracing of the compliance function as a centralized, internalized process.

Without some level of reorganization, compliance would continue to increase in costs and time requirements. To rationalize resources and save money requires a shift in mindset, one that places compliance and risk at the heart of all business operations. This is easier said than done in major corporations, however, with deeply entrenched cultures and long standing practices. In order for organizations to achieve best practice there needs to be acknowledgment that the compliance function itself is the second line of defense, and that other functions must also perform critical compliance roles. It is also vital to ensure that the re-designed processes are implemented and embedded effectively in the organization. So often we see organizations document processes in line with best practice, but fail to adequately train and monitor staff to ensure that they actually operate effectively.

Additionally, due to the continual regulatory updates and changing demands, it has become too costly to continue to operate as if compliance is a ‘nice to have’ function, rather than a necessity. A compliance program that is tailored to the needs of the organization, and that connects all departments and objectives, will not only deliver a more effective outcome, but should also provide a more efficient and useful system for management.

Internal business change and reorganization to achieve a more comprehensive compliance strategy can result in benefits in several key business areas. For example, with improved disclosure and governance codes, transparency levels should improve, thus helping to improve the organization’s reputation as a well managed company. This in turn will assist in attracting investors as well as prospective employees, the latter looking for a proactive organization where their skills will be well utilized.

A robust compliance policy, acknowledged as international best practice, can act like a passport into new international business relationships, and eventually new markets.

The investment in process realignment is therefore a worthwhile pursuit, and perhaps should be broadened to include other control functions such as internal audit. While it is vital to retain the independence of the audit function, there is a clear benefit to having the risk and control functions working in co-operation with each other and with an open line of communication. This would help maintain a consistency in reporting and ensure that there is coverage of key risks to the organization. The Thomson Reuters Cost of Compliance 2015 survey shows that this type of alignment is a challenge globally, however, with 53 percent of UK and European compliance officers spending less than an hour a week with internal audit,

(in the Middle East, the rate of interaction is marginally better at 41 percent) improving on this alignment would help to reduce risk and streamline resources.

This is a change that will probably continue to evolve slowly. 2015 has seen a number of major international banks taking steps to improve their internal controls to cope with regulatory obligations by investing millions of dollars each, and committing thousands of extra employees, to the compliance function.

Banks of this size are under intense scrutiny, so their investment into processes is understandable, and steps that these organizations take today will likely lead the way for other, smaller, financial institutions and eventually corporate organizations.

Featured Question: 11

Full survey results can be found on pages 14 to 21

Case study: HSBC boosts risk & compliance staff

Since 2012, the UK based HSBC bank has nearly doubled the size of its risk and compliance staff complement, following a substantial fine for a compliance failure.

The bank now has over 24,000 people devoted to risk and compliance, which is about a tenth of the entire workforce, up from a sixth of the workforce just the year before.

In almost all other areas, the bank has shrunk – its number of employees, countries in which it operates, and revenues have all reduced. In terms of risk and compliance, however, spending has risen substantially, by USD150m to USD200m to a substantial USD750m to USD800m a year.

To reduce risk, the bank has streamlined operations and processes where it can, divesting in several businesses. Despite these moves, the bank, the biggest in Europe, is still subject to a high level of regulator scrutiny. According to the chairman, Douglas Flint, demands from the regulator were “unprecedented”.

A DROP IN ALREADY LOW CONFIDENCE LEVELS IN COMPLIANCE PROGRAMS

One of the most concerning trends in last year's report was the low levels of confidence in compliance policies, and it is disappointing to note that the responses to this year's round of questions showed that confidence levels had dropped even further.

In the 2015 report, over 50 percent of respondents said they were very confident of their compliance with domestic regulations. This year that figure has dropped below 50 percent (**Question 15**) and the number of people saying that they are somewhat confident (34 percent), not very (10 percent) and not at all confident about compliance (2 percent) has risen. Only a meager 6 percent were extremely confident in their programs.

In terms of international regulations (**Question 16**), 45 percent showed a lack of confidence, with only 6 percent showing extreme confidence in their programs to do the job they were designed for.

Asked about their confidence that their programs are preventing illicit activity in **Question 17**, almost half, 46 percent, displayed low levels of confidence (a similar percentage to last year's survey when 48 percent lacked confidence), and a low 7 percent were extremely confident.

The question is, why do compliance officers lack confidence in their policies and programs? Is it a case of being over cautious, or is there an issue with the design of their programs?

Perhaps the drop in confidence is simply indicative of the increasing regulatory pressure and growing awareness of the complexity of the compliance challenge. There is a definite increase in personnel hours that are spent on compliance, as well as an upswing in increasingly sophisticated technological solutions.

But is there a lack of trust in staff members to cope with the increased burden of work and to perform the level of analysis that is required to cope with regulatory demands? In response to **Question 19**, 'For each of the financial crimes programs shown, please indicate what, in your opinion, is the most important tool in managing the prevention and / or detection of financial crime', training in KYC processes was identified as a vital tool in at least four of the financial crime programs. For fraud and ABC programs, training was identified as the number one tool, while in AML and CFT programs it was identified as the second most important tool. Yet we can see from other responses that training and skills development is not a high priority for most of the organizations. So it seems that there is an awareness that there is not enough training being conducted, which may cause in part the lack of confidence.

How to improve confidence in compliance policies:

- Benchmark
- Monitor
- Regular evaluation
- Build relationships with regulators
- Ensure the policies are executable
- Engage teams when designing policy
- Create trust in the policy
- Communicate policy design and outcomes appropriately

Featured Questions: 15, 16 , 17 and 19

Full survey results can be found on pages 14 to 21

STALLED POLICIES

Asked what their top concerns are, the number one choice is the increase in regulatory requirements. In last year's survey, reputation was the number one concern for respondents, and while this still remains high on the list of concerns, this year it has been superseded by the concern about failing to comply with local and international regulation.

This concern is substantiated by the top response to **Question 13**, 'What, in your opinion, poses the most risk to your organization?' which was 'failure to meet regulatory requirements'. Also high on the scale was the concern of unwittingly facilitating an illegal act that could cause damage or loss.

It is slightly surprising, therefore, to find that despite these concerns, responses to **Question 6** indicate a large number of respondents do not have a range of financial crime programs within their organizations.

While the majority of respondents had an AML policy in place (88 percent), close to 30 percent did not have a fraud policy, 40 percent did not have a sanctions policy, and almost 40 percent did not have ABC or CFT policies in place. Also noteworthy is that, in comparison to last year, there has been very little change in the uptake of programs. While most programs have shown a slight increase, it is never more than 7 percent, and two of the financial crime initiatives, that of sanctions and CTF, have slipped backwards.

It was also notable that over 60 percent of respondents had no cyber crime policy in place, despite the sensitivities involved when managing KYC data. As predicated in last year's report, cyber crime has escalated and will continue to do so, with a number of prominent companies suffering a data breach this year. According to a 2015 Deloitte report entitled "Are You Safe?", the financial services industry was the most common target of cyber crime attacks in 2014 and the total cost of cyber crime was estimated at USD444 billion.



Compliance officers should take very careful precautions to ensure that their customer data is well protected.

Also, we see that in response to **Question 18**, 'Please indicate how concerned you are with these financial crime issues', sanctions was chosen as the top concern. And yet a significant portion of respondents – 40 percent – had no specific sanctions policy in place. This is particularly important given the significant levels of ongoing changes to sanctions regimes, for example with respect to Iran, Cuba and Russia/Crimea. Sanctions compliance is a challenge which continues to grow in complexity.

54 percent of respondents indicated they were either somewhat, very, or extremely concerned about the issue of counter terrorism financing. This figure is surprisingly low given the ever increasing focus from both regulators and the media on this issue. Unwittingly facilitating an act of terrorism could result in severe reputational damage and even the temporary, or full, closure of trading for a financial institution. Respondents indicated in **Question 19** that the most effective means of coping with CTF are technology based techniques, rated more important than customer profiling or risk rating, but this might not always be the case.

The Financial Action Task Force (FATF) recently published a report to the G20 leaders on the implementation of key counter terrorism measures, which stipulated that banks should ensure that all systems and controls are of a good standard in all of the countries within which they operate. FATF stipulates that there is need for better oversight of what is going on locally, especially in high risk jurisdictions such as the Middle East.

It can be challenging to identify threat financing activity and the same techniques that are useful in picking up money laundering schemes are not always ideal for CTF detection. AML-focused transaction monitoring, for example, is often designed to track unusually large sums of money, but as we've seen in recent times, terrorist activity is often conducted with little funding.

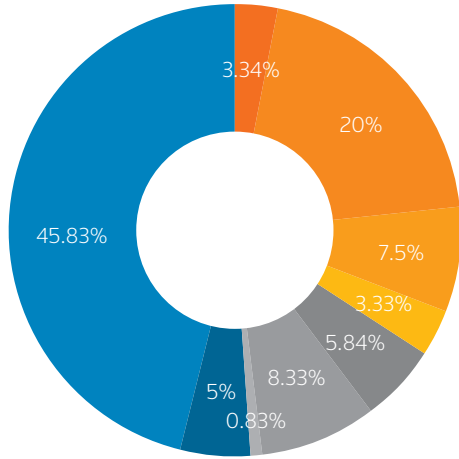
This lack of progress when it comes to particular aspects of financial crime policy may be indicative of a number of issues – regulatory fatigue or paralysis due to the sheer volume of regulatory information that needs to be assimilated on a regular basis; a lack of resources, and / or a lack of clear guidance from authorities over the best way forward. Perhaps, though, it may indicate a lack of insight and awareness of the importance of regulatory compliance, and the mistaken belief that robust AML controls are enough to reduce risk and meet the expectations of regulators.

Featured Questions: 6, 13, 18 and 19

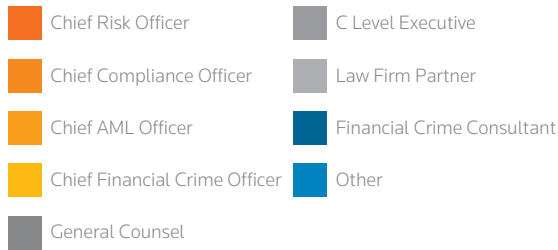
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SURVEY RESULTS

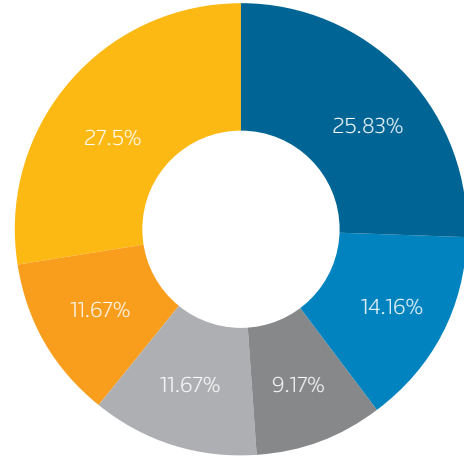
Question 1: Which of the following positions best describes your role?



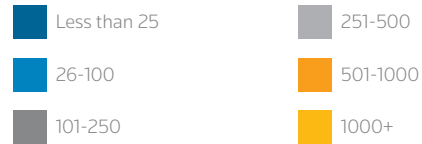
Role descriptions



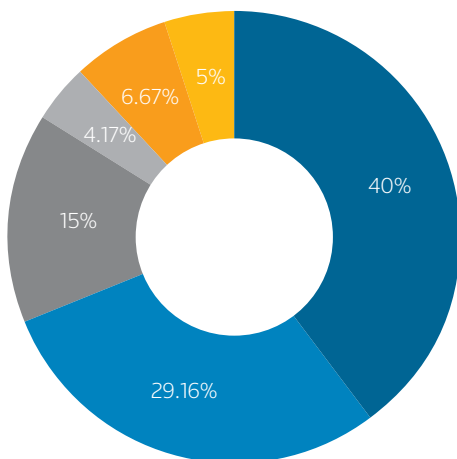
Question 2: How many employees does your organization employ within MENA?



Number of employees



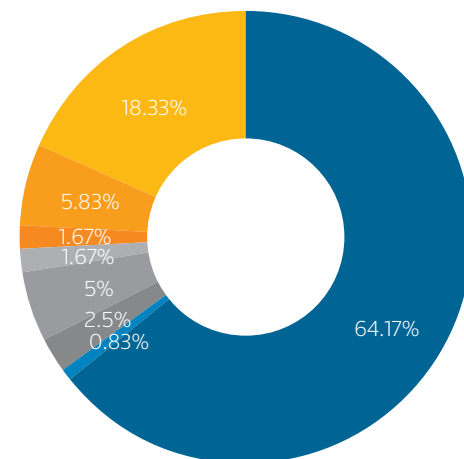
Question 3: In how many countries within MENA does your organization operate?



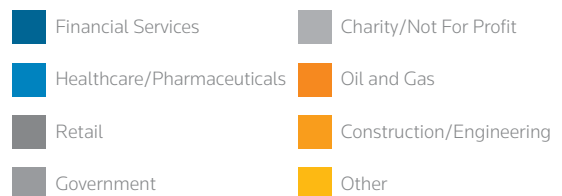
Number of countries



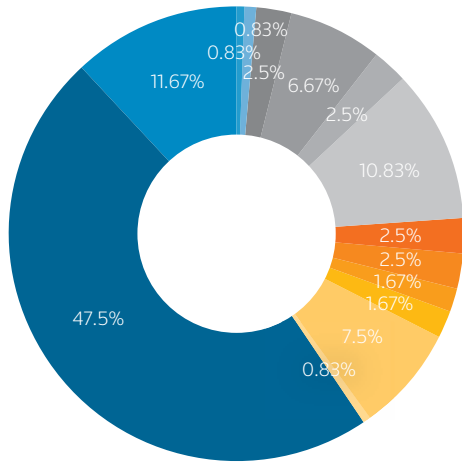
Question 4: Please indicate the primary industry in which you operate.



Primary industry



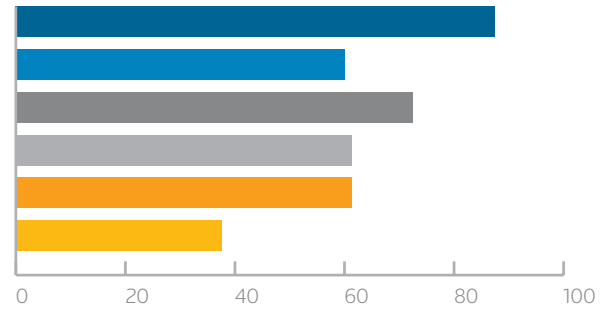
Question 5: In which country are you based?



Countries

- Afghanistan
- Algeria
- Bahrain
- Egypt
- Jordan
- Kingdom of Saudi Arabia
- Kuwait
- Lebanon
- Morocco
- Oman
- Qatar
- Tunisia
- United Arab Emirates
- Other

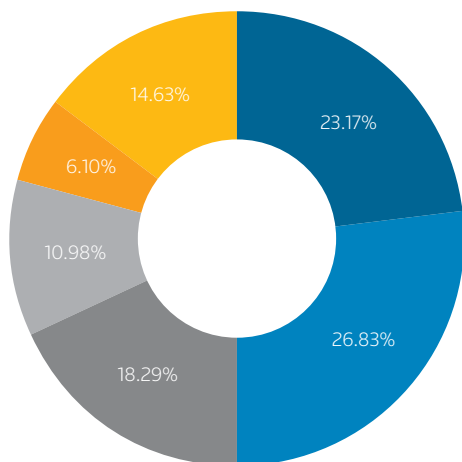
Question 6: Which of the following financial crimes programs does your organization currently have in place? Please select all that apply.



Financial crime programs

- Anti-Money Laundering
- Bribery and Corruption
- Sanctions
- Counter-Terrorism Financing
- Fraud (internal and external)
- Cyber Crime

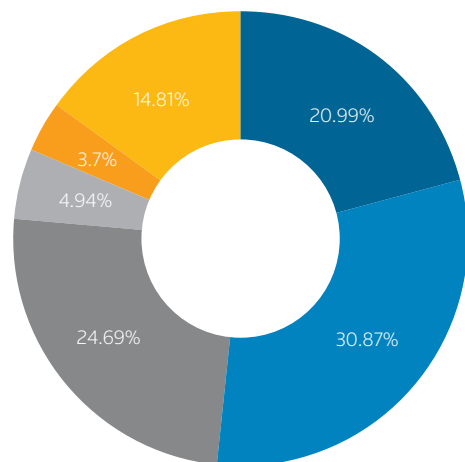
Question 7: How has your investment in anti-financial crime activity and compliance increased compared to two years ago?



Investment growth

- Over 50%
- Less than 10%
- Between 25% and 50%
- Not at all
- Between 10% and 25%
- Don't know

Question 8: How much do you anticipate your anti-financial crime activity and compliance investment to increase over the next two years?

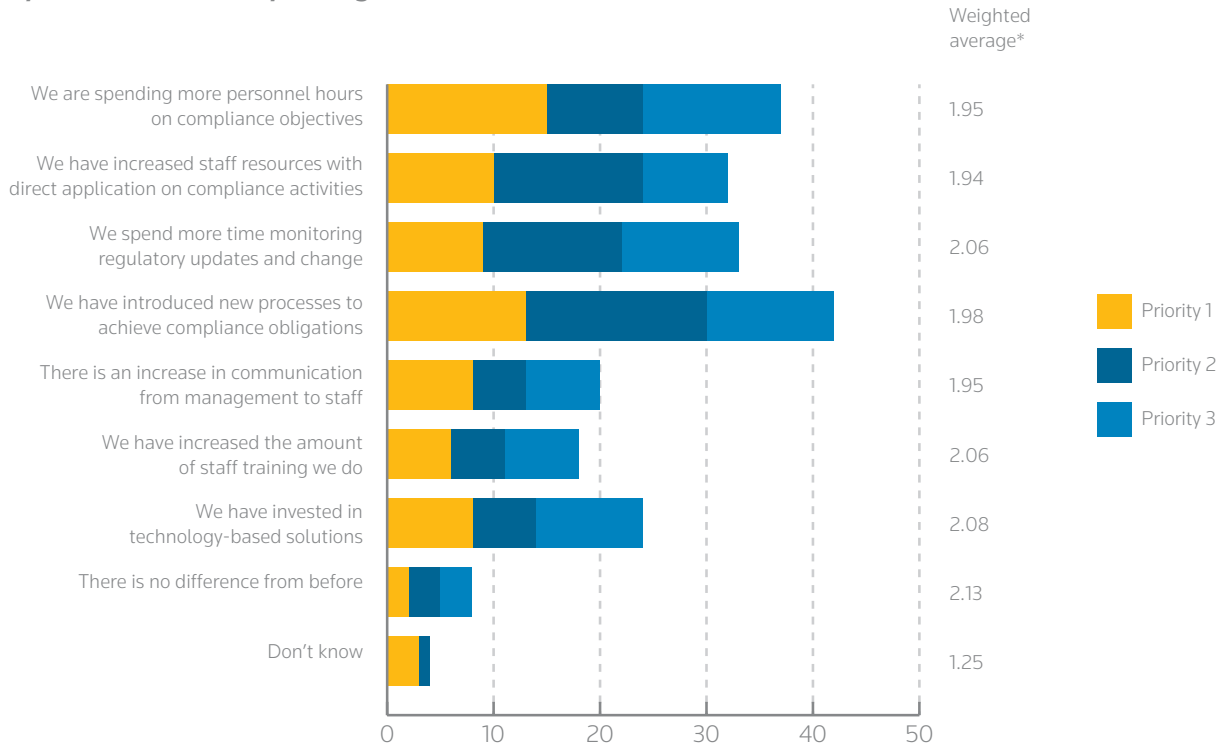


Future investment growth

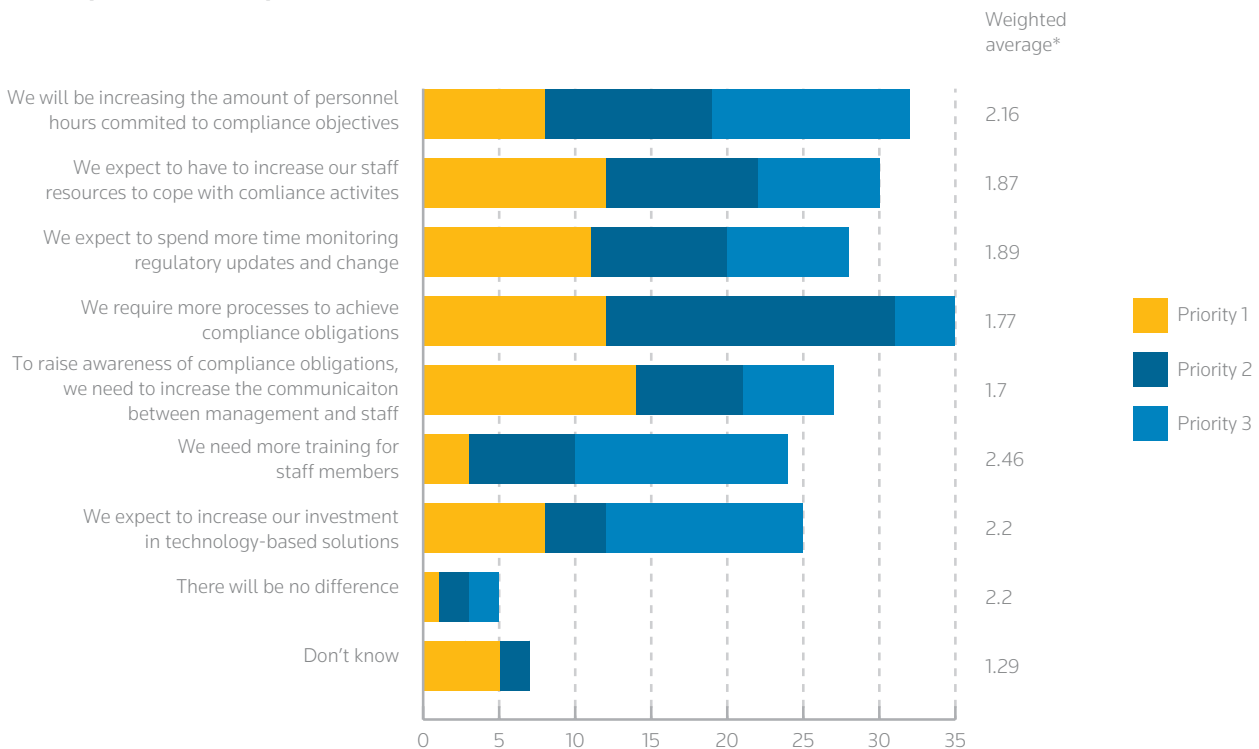
- Over 50%
- Less than 10%
- Between 25% and 50%
- Not at all
- Between 10% and 25%
- Don't know

SURVEY RESULTS (CONTINUED)

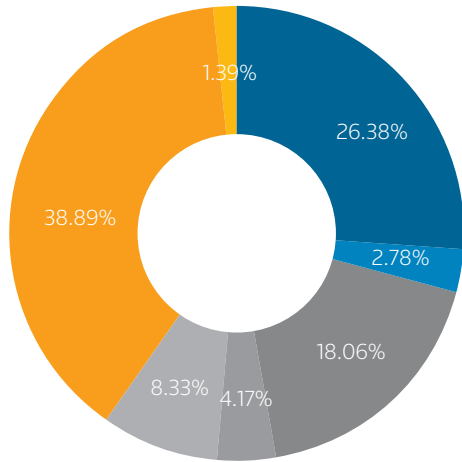
Question 9: Over the past two years, has there been an increase in anti-financial crime and compliance activity and awareness in your organization?



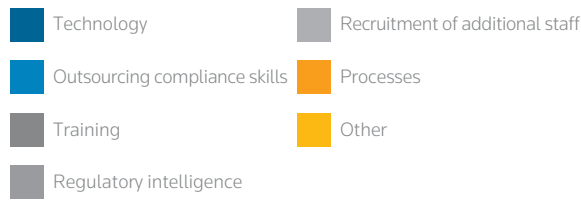
Question 10: Over the next two years, do you expect there to be an increase in anti-financial crime and compliance activity and awareness. If so, how?



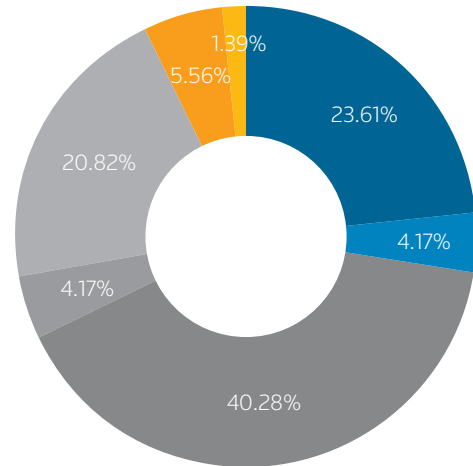
Question 11: Where is the main focus of investment to meet compliance objectives in your organisation?



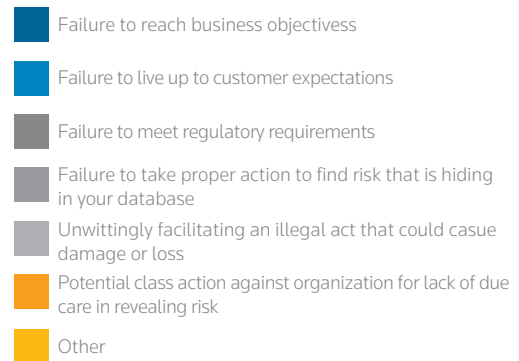
Investment focus



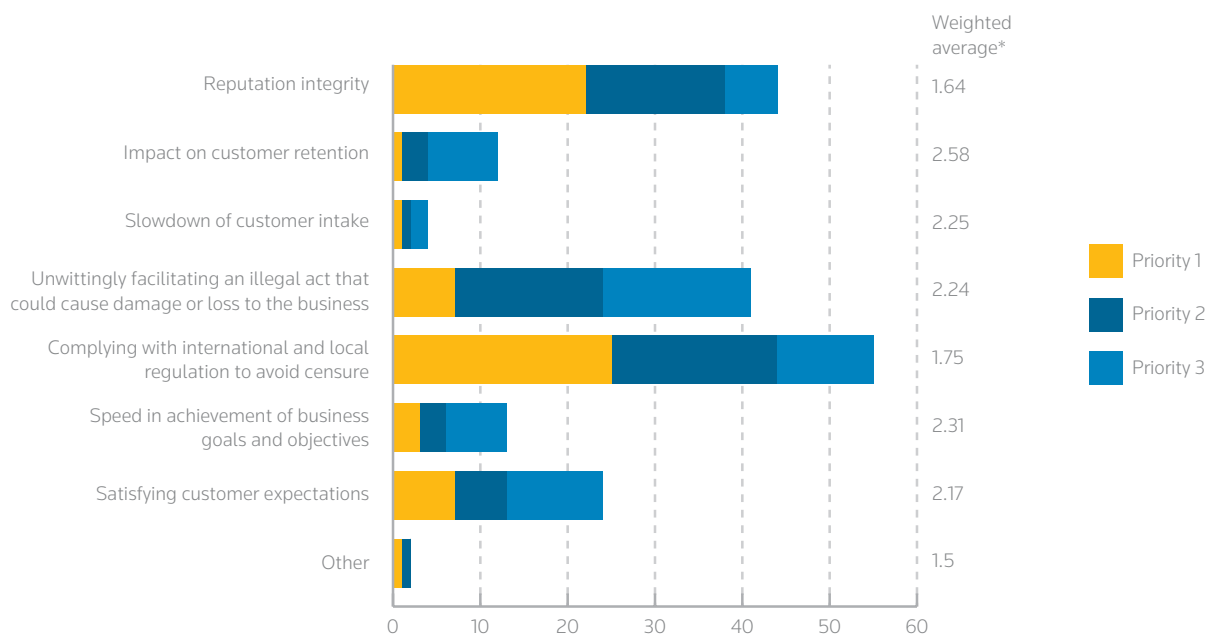
Question 13: What, in your opinion, poses the most risk to your organisation?



Risk areas

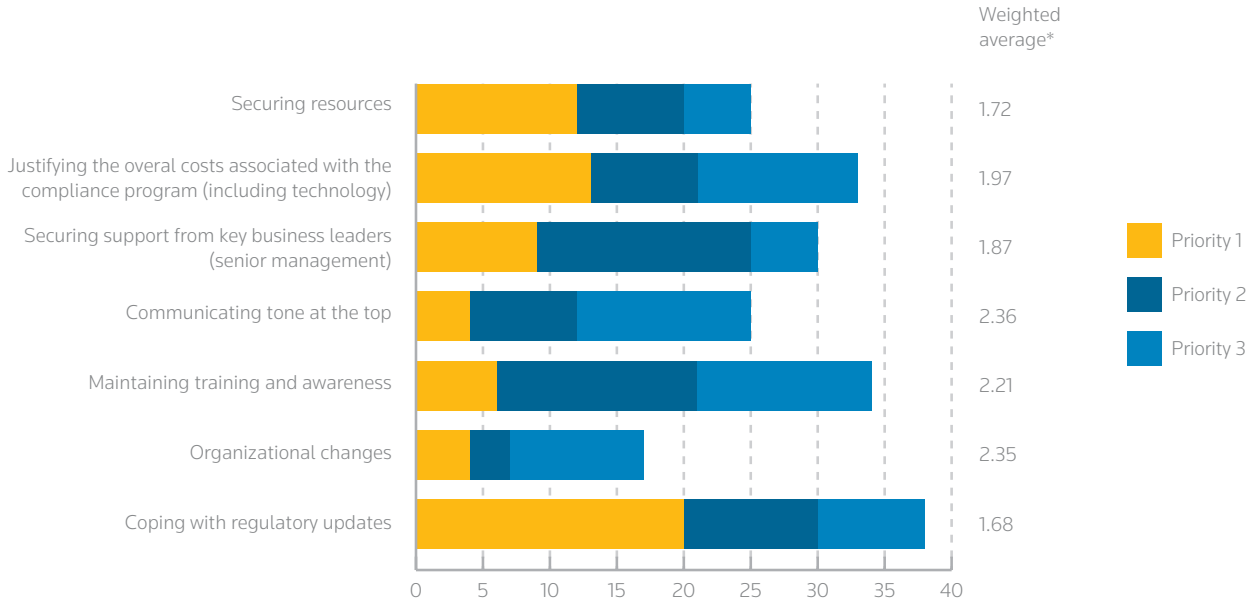


Question 12: In your organization, what do you believe are the key concerns in terms of financial crime and compliance?

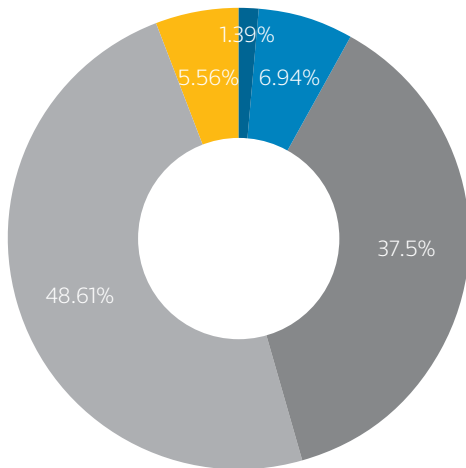


SURVEY RESULTS (CONTINUED)

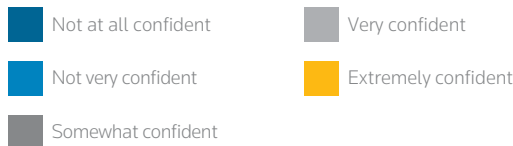
Question 14: Over the next two years, what do you believe will be your biggest challenges to the effective management of a financial crime and compliance program?



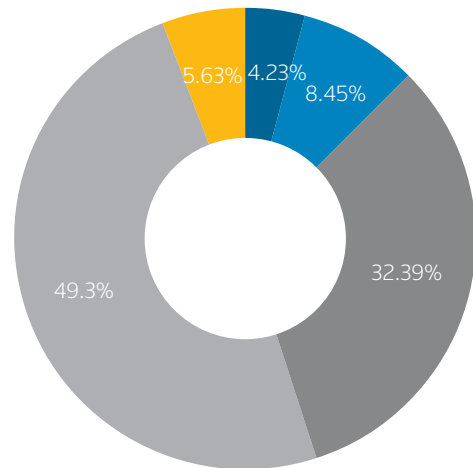
Question 15: How confident are you that your financial crimes prevention program is compliant with all your domestic regulatory requirements and expectations?



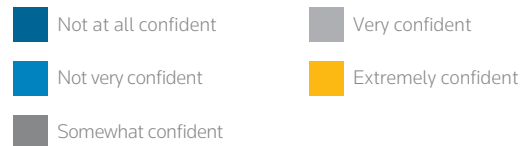
Confidence level



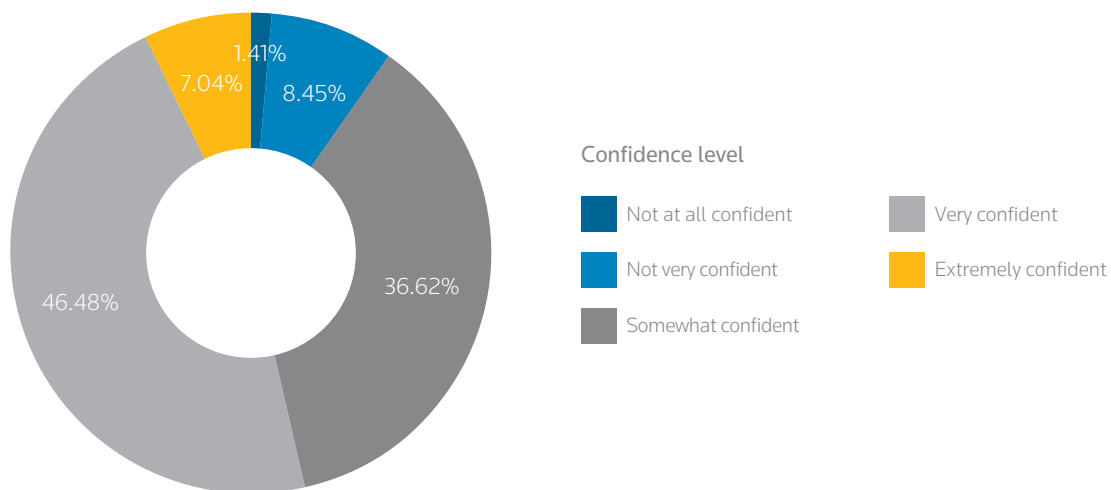
Question 16: How confident are you that your financial crimes prevention program is compliant with all your international regulatory requirements and expectations?



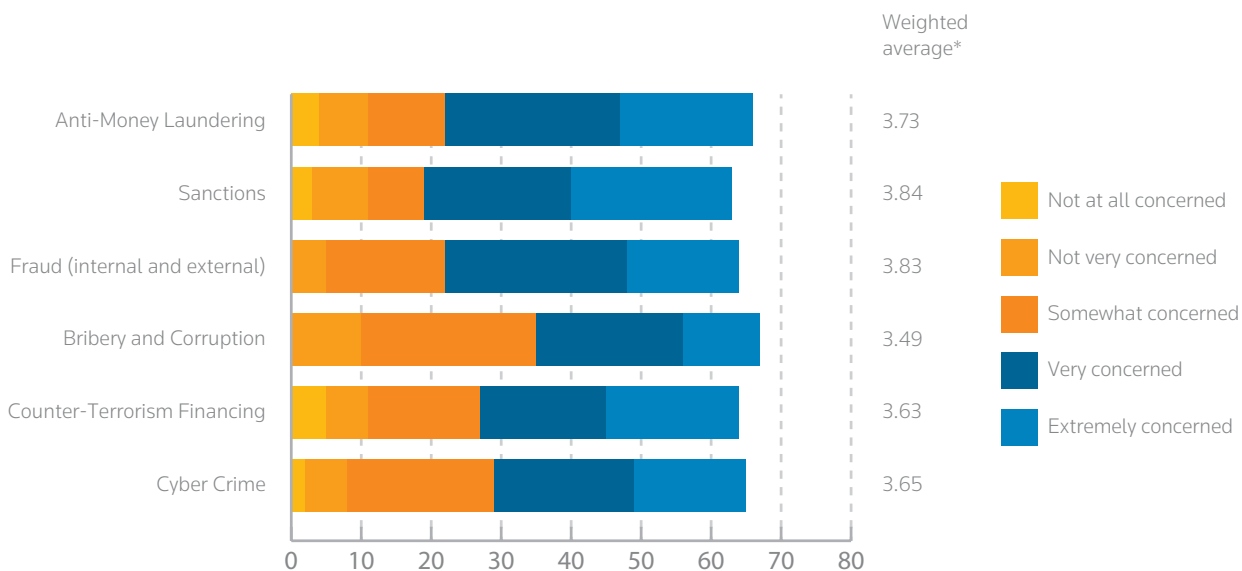
Confidence level



Question 17: How confident are you that your financial crimes prevention program is preventing the type of illicit actions and transactions that would otherwise significantly damage your institution's reputation?

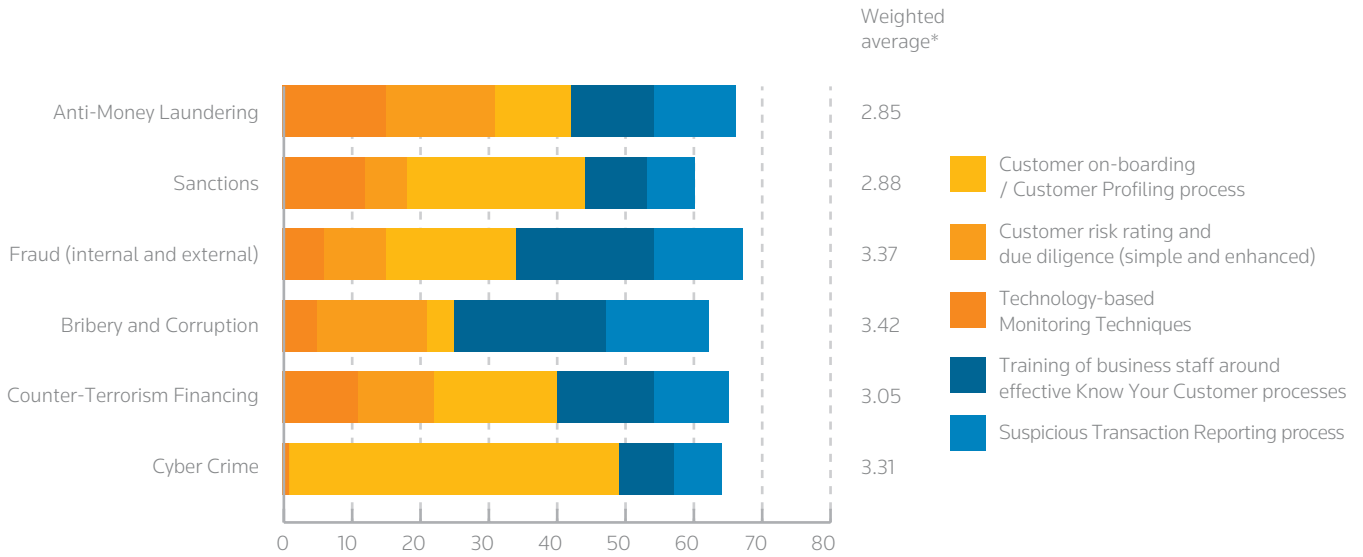


Question 18: Using the scale below, please indicate how concerned you are with these financial crime issues.

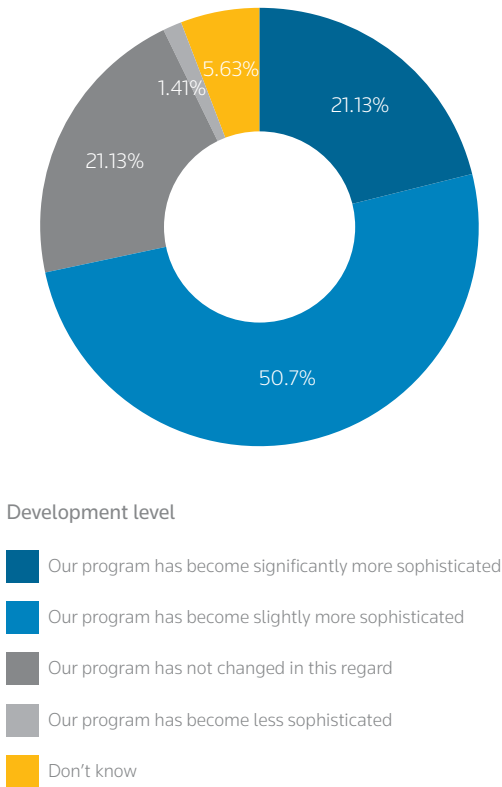


SURVEY RESULTS (CONTINUED)

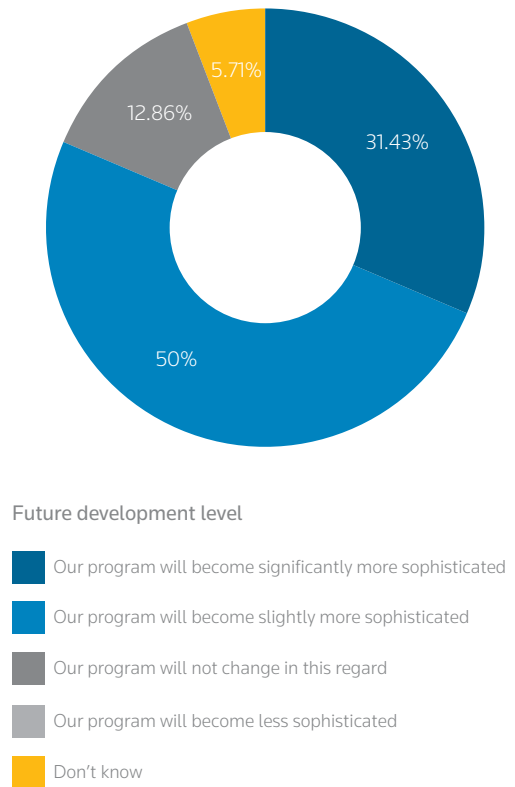
Question 19: For each of the financial crimes programs shown, please indicate which, in your opinion, is the most important tool in managing the prevention and / or detection of financial crime.



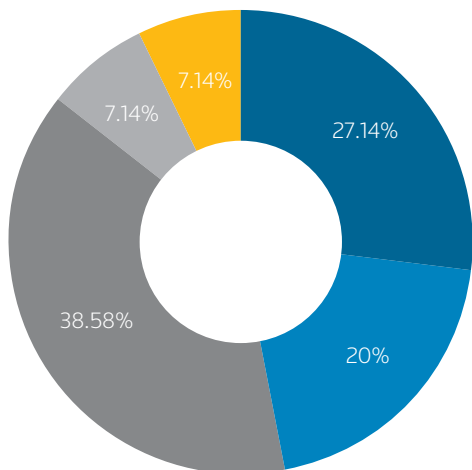
Question 20: The worldwide market in general has seen increasingly sophisticated technological solutions being applied to financial crime prevention. How would you say your own financial crime prevention program has developed in this regard over the past two years?



Question 21: How do you expect your program to change in this regard over the next two years?



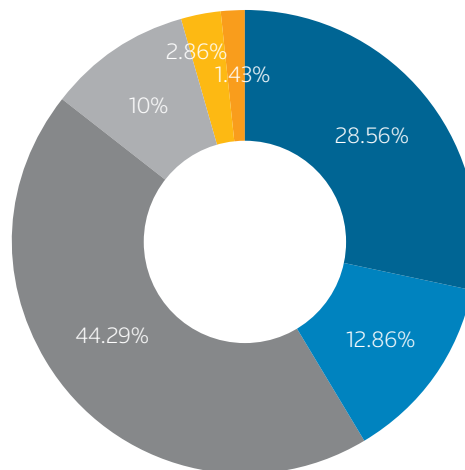
Question 22: What, in your opinion, is the main advantage of a sophisticated technological solution?



Main advantages

- Increased quality of financial crime prevention work
- Increased efficiency of financial crime prevention work
- Increased coverage of financial crime prevention work
- Increased consistency of financial crime prevention work
- Increased ability to store, retrieve and analyze financial crime prevention information
- Other

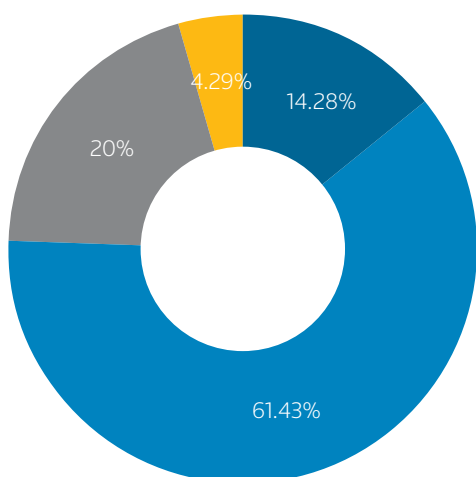
Question 23: What, in your opinion, is the main disadvantage of a sophisticated technological solution?



Main disadvantages

- Cost to implement
- Time to implement (including training)
- Risk of over-reliance in technology
- Cost of maintenance of technological solutions
- Would not add value to our current program
- Other

Question 24: How confident are you that your company's technological financial crime solution is fully optimized and that staff members understand its requirements?



Confidence level

- Very confident
- Fairly confident
- Limited confidence
- Not at all confident

CLOSING THOUGHTS

Last year, we said that compliance officers will need to do more with less in 2015. While that remains true, an added requirement in 2016 for compliance executives will be to improve on their negotiation skills. Achieving best practice and pushing back risk will partly depend on how well those charged with compliance will be able to influence their colleagues at all levels and ensure that everyone within the organization, from the top down, understands their compliance obligations.

While it is encouraging to see MENA organizations moving forward in attempt to align themselves with international best practice, from the responses to the survey, it appears that a full understanding of the requirements of tone from the top is not yet realized, and more needs to be done to translate this concept into practice. It requires careful management of relationships with those in senior executive positions, as well as good communication throughout the organization. With the overwhelming amount of regulatory updates and the stepping up of global enforcement activity, gaining the support at every level of the organizational hierarchy will become crucially important for compliance success.

As well as improving their personnel skills, compliance executives will need to become chief cheerleaders for their compliance programs. To improve confidence levels in their policies, the successes need to be publicized, which will also help to sustain a healthy compliance culture. But more than this, compliance executives should conduct a skills audit on a regular basis to understand the skills gap, and then seek to redress it.

Improving on skills capacity should help to cap over reliance on technology. While the use of sophisticated technology in compliance is not necessarily a negative, trusting that this technological solution will be enough

to meet all obligations is misguided, and exposes senior executives and the organization to substantial risk.

Another five steps that can be taking to improve on confidence levels include:

1. Communicate with regulators and understand what is expected
2. Present a compelling case for senior executive commitment and support
3. Train from the top down
4. Regular monitoring and audits of compliance programs
5. Create frequent and regular communication between management and employees

That last point is particularly notable – a good compliance policy and the reduction of risk is very difficult to attain without a robust corporate governance framework. The importance of tone from the top cannot be over emphasized, it is necessary for creating a solid foundation on which a best practice compliance policy can be constructed. Without this level of support, it is possible that enforcement agencies will easily identify flaws and structural weaknesses in a policy that probably looks good on paper, but fails to adequately address vital issues.

Addressing the skills shortage may also help to ensure a better spread of financial crime policies. Organizations who invest the bulk of time and resources into anti-money laundering policies at the expense of regulatory demands leave themselves open to risk.

There is no sign that the high rate of regulatory updates will abate in the short or medium term. Coping with regulatory overload and keeping regulatory fatigue at bay will be a feature of the compliance department for some time to come. Experienced and skilled compliance staff are becoming a sought after commodity and it is estimated that the cost of compliance skills will rise significantly in 2016. Future-proofing your organization by increasing staff capacity where possible will help to alleviate some of the regulatory pressure.



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