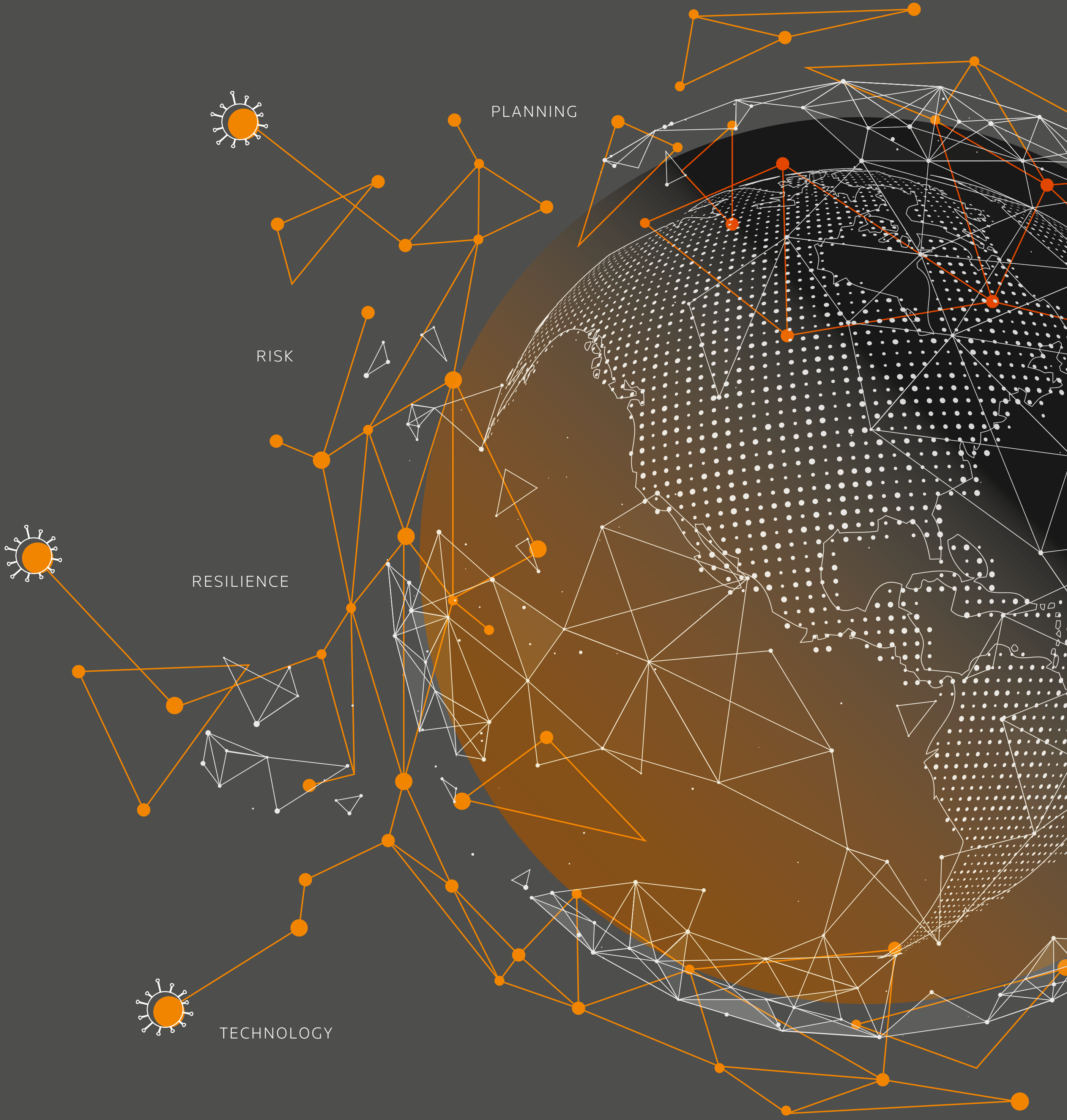
Cost of Compliance 2020:
COVID-19 update

By Susannah Hammond & Mike Cowan



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EXECUTIVE SUMMARY

Financial services firms face immense pressure from all sides because of the novel coronavirus pandemic. They have had to remain compliant with all relevant rules, requirements and expectations and continue to deliver consistently good customer outcomes. COVID-19 has affected almost every aspect of day-to-day life with the imposition of lockdowns, a closure of international and domestic borders and the need to implement, at speed, remote working capabilities for thousands of employees.

There are uneven signs that the world is emerging from the worst but it is too soon to tell ahead of a potential second wave of infections. This interim cost of compliance report is a snapshot check-in to understand how financial services firms are responding to COVID-19. More than 50 senior compliance practitioners responded to the short survey updating the perspective from the 11th annual cost of compliance report[1].

The additional survey and report were undertaken as Thomson Reuters Regulatory Intelligence closed the 11th annual survey on the cost of compliance before the ramifications of COVID-19 became apparent. That survey had more than 750 responses from risk and compliance practitioners representing global systemically important financial institutions (G-SIFIs), banks, insurers, brokers, wealth managers and payment services providers. While the resulting cost of compliance survey report did consider the regulatory response to COVID-19 it could not take into account the views and practical experiences of the respondents.

The snapshot survey results are considered alongside those of the 11th cost of compliance report itself. The survey includes a specific COVID-19 question focused on the single biggest concern arising out of the pandemic. The report will allow firms to benchmark their views against their compliance peers, while gaining insight into the direction compliance functions are taking in response to COVID-19.

The findings of the report are intended to help regulated firms with planning, resourcing and direction, and to allow them to determine whether their resources, strategy and expectations are in line with the wider industry as part of the international response to the pandemic.

Where permission was received anonymized quotes from risk and compliance practitioners have been included in the report.

"This is a critical time for financial services and those working in financial services - to play an essential and important role in supporting the economic recovery and the wellbeing of the Irish public. Unprecedented as the circumstances are, it is a moment of opportunity for financial service firms to meet their commitments with actions and to evidence their trustworthiness to their customers and wider society. As compliance officers and professionals, you play a critical role, and your role will be vital throughout this crisis in ensuring consumers and investors are protected."

Derville Rowland, Director General, Financial Conduct at the Central Bank of Ireland. June 2020

1 http://financial-risk-solutions.thomsonreuters.info/Cost-of-Compliance-2020

INTRODUCTION

Financial services firms and their regulators have adapted quickly to the seismic changes and continuing uncertainty of the COVID-19 pandemic. Many regulators are seen to be having a ‘good’ crisis, having responded with a raft of mitigation measures in the early stages. Firms have implemented sweeping changes at unprecedented speed. They have often implemented wide-scale remote working for employees with, for the most part, significant success.

This report assesses changes in perceptions of the single biggest culture or conduct risk now facing firms and considers how the three key skills required for an ideal compliance officer in 2020 and beyond have altered. Respondents were also asked their views on the single biggest concern arising as a result of the pandemic.

Firms are placing a greater emphasis on developing a compliance culture during the pandemic, the survey found. Culture emerged as the top compliance challenge for boards and also the greatest conduct risk. This differs from the cost of compliance 2020 findings where budgets and regulatory change were seen as greater challenges. It is important for firms to have a strong conduct and compliance culture embedded throughout their organisations. Firms are beginning to accept that operating an effective framework for culture, conduct and compliance is equally as important as their financial frameworks.

Monitoring of staff activities was also a key feature of the survey. It was seen as the biggest compliance challenge and the largest threat to conduct risk within a firm. Remote working, lockdowns and a cessation of almost all travel has fundamentally altered firms’ way of working. Employee welfare has been in the spotlight as never before alongside how to have line of sight to (and to be able to demonstrate) compliant remote activities set against a backdrop of a profound economic shock.

Many firms have implemented remote working satisfactorily and now one of the many challenges facing firms is how they emerge from lockdown and return, at least in part, to an office environment.

Finally, the need for compliance functions to be resourced with adequate subject matter expertise again came across strongly in the survey. This echoes the findings from the cost of compliance report 2020. The pandemic has been a catalyst for some of the wider change that was already happening in financial services. This means that as firms develop their operations, compliance functions are expected to develop new disciplines and expertise. Delivering on this, at the right price, is a challenge for compliance officers.

The challenges set out in the original cost of compliance survey report have not gone away, and it is possible many of those challenges will have been exacerbated by the pandemic. Firms’ thinking and approaches to the greatest challenges have shifted, from both the perspective of the compliance function and the board.

2020 was always going to be challenging for compliance officers, but no one could have foreseen quite how challenging the year has already turned out to be. We hope you find this update to the 11th annual cost of compliance report useful in developing and benchmarking your firm’s risk stance and compliance practices in these difficult times.

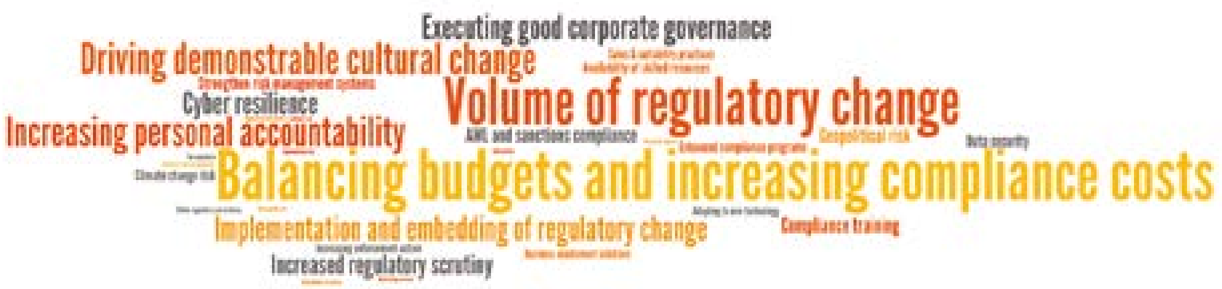
Susannah & Mike

GREATEST COMPLIANCE CHALLENGES FOR THE BOARD

"It is inevitable there may be low appetite for increased compliance spending particularly in the area of advanced technology solutions. As such, a challenge for the Board is to strike the appropriate balance between compliance necessities and reduced budgets…"

Chief Compliance Officer, Middle East

Cost of Compliance 2020:
The greatest compliance challenge(s) the board expect to face in 2020 is/are…



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

Cost of Compliance – COVID-19 Update:
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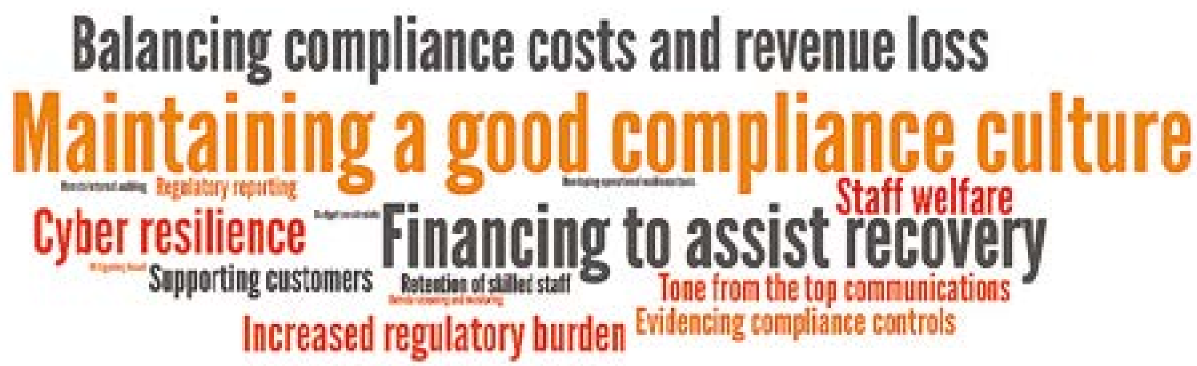

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Since the publication of the cost of compliance report for 2020, firms have had to deal with a new list of compliance-related challenges. This has meant the promotion of some challenges identified in the 2020 report and the inclusion of some brand-new ones.

Before COVID-19 it was noticeable from a compliance perspective that boards were focused on balancing budgets and increasing compliance costs, coping with the volume of regulatory change and driving demonstrable cultural change. COVID-19 has brought compliance culture to the fore. Firms have recognised that greater remote working and changes to operations, introduced at speed, call for a strong compliance culture.

During business as usual, material reflecting the cultural and ethical approach the board wishes the firm to adopt would have been developed, communicated and trained over a number of years. The culture would be embedded in business processes, customer-relationship strategy and decision- making. The outcome firms wish to achieve is to get employees used to operating in a certain way.

The pandemic may have altered many business processes. In times of crisis there is insufficient time to redraft procedures, manuals and guidance to accommodate dealing with every customer, circumstance and issue in the way that the board might wish.

This then means more reliance on employees' cultural and ethical approaches to business decisions. That in turn increases the need for amendments to business processes to be approved by a compliance or conduct risk function. Communications and training on culture and conduct matters should be reviewed and circulated to remind employees of the firm's commitment to treat customers fairly and acting in an appropriate manner.

This is difficult, especially in a devolved working environment. It requires greater communication and influence among the compliance officer and other senior managers in the firm. It requires engagement at board level about governance and culture and focused training throughout the organisation on cultural issues.

The challenge requires greater co-ordination between compliance teams and HR functions to monitor and act on breaches in the correct way. Accountability at senior manager levels is crucial during this time of change, and frameworks within firms need to be developed to provide evidence of that accountability.

Finances will always be part of a board's considerations regarding compliance. and there is some commonality between the thinking pre-COVID-19 and during COVID-19. The main cost of compliance 2020 report identified balancing budgets and increasing compliance costs as the number one challenge. The COVID-19 results showed that balancing compliance costs with revenue and financing to assist recovery to be in the top three concerns for boards.

The cost of compliance report 2020 showed an emerging belief that budgets would not increase as in previous years. The COVID-19 crisis hastens that concern.

Another notable change was that the volume of regulatory change/regulatory burden is seen as less of a challenge in the boardroom during the pandemic. This may be due to the regulators' approach to the pandemic which, on the whole, has been sympathetic to firms and seen a number of burden-reducing amendments to requirements.

The change may be due to other priorities taking precedence. The survey showed areas such as staff well-being and cyber resilience rose as a concern in the boardroom during the crisis. Firms are seeing an increased risk of cyber-attacks, and boards will want to see earlier investment in cyber security realised now when the threat is greatest.

The complex and specialist nature of cyber resilience may mean this is an area that the board members feel less comfortable about. Risk and compliance officers need to establish reporting mechanisms that explain quite complex IT issues in a manner that boards and senior managers understand. This can be achieved by using the common risk language within a firm to translate technical language into a medium that all can understand.

Finally, understandably during a health crisis, boards are concerned about the well-being of their employees and the overlapping risks of individual health and safety, complying with workplace regulations and still trying to achieve the firm's strategic objectives.

"Alongside the Bank [of England], we are actively reviewing the contingency plans of a wide range of firms. This includes firms' assessments of operational risks, their ability to continue to operate effectively and the steps they are taking to serve and support their customers."

Megan Butler, Executive Director of Supervision – Investment, Wholesale and Specialists at the UK Financial Conduct Authority. June 2020

GREATEST COMPLIANCE CHALLENGES

"We regulators have had a role to play too. Showing just how fast-moving this crisis has been, in January APRA published a comprehensive policy and supervisory agenda for 2020. Eight weeks later, we announced most of it would be deferred until at least the end of September. Realistically, many items will not restart until 2021."

Wayne Byres, Chair at the Australian Prudential Regulation Authority. May 2020

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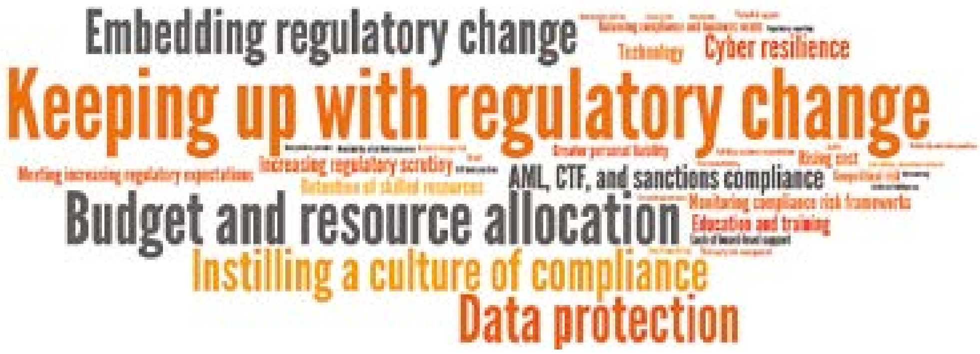

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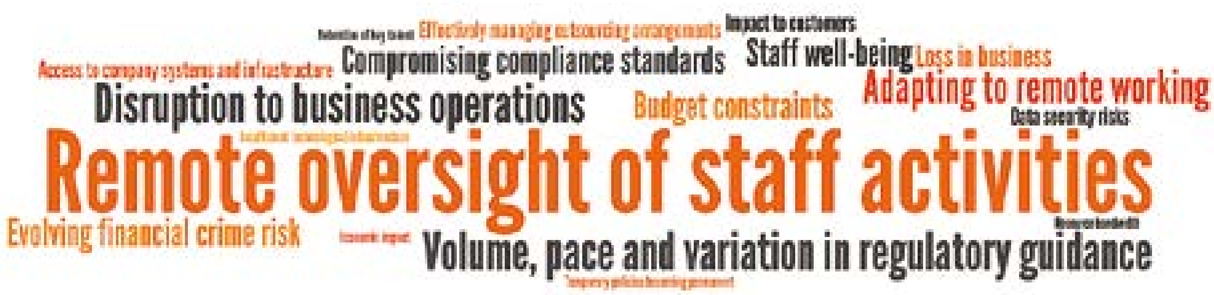

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For compliance officers the challenge of keeping up with regulatory change has been overtaken by the challenges of remote oversight of staff activities since the outbreak.

The move to home working has posed many compliance difficulties. Some traditional functions of a compliance department can be overseen remotely more easily than others. These tend to be areas where a regular, common output from the work can be seen. For example, horizon monitoring and reviews of new business policy and procedures can be accommodated at home if IT and communication channels are operating effectively. Home working, however has its challenges when overseeing employees in roles such as compliance monitoring, training and more general project support.

When it comes to monitoring, compliance officers may have to adapt their thinking and innovate new ways of operating. The following are areas where compliance monitoring functions could look to amend their processes.

- Review risk assessments – The current situation may raise the risk profile of certain policies, processes or systems, making it necessary to revise compliance-monitoring priorities. A risk assessment should be reviewed regularly, or changed when significant changes in strategy or operating procedures take place. The risk assessment should be approved at risk or audit committee where there is a mix of executive and non-executive directors.
- Reassess controls remotely – Doing a desk-based review of the controls that have changed as a result of the pandemic may also be useful. It may be that by changing the focus of the business some controls are being relied upon more than previously. This in turn may raise their risk profile and require increased monitoring.
- Submit a revised compliance monitoring plan – Based on the above it may be that the previously agreed monitoring plan is not appropriate. It is important that senior management are aware of, understand and agree with any changes to monitoring that may be required. The plan may be for a shorter term to allow for the temporary nature of the pandemic. There may be two plans; a high-level annual plan that puts regulatory risk in the context of the wider strategic direction of the firm and a shorter-term plan to address the risks of the current crisis. The plan should be simple, transparent and show management how the compliance/regulatory risks of the firm are going to be monitored.
- Changes to monitoring operations – The physical working world has changed, and this means that practices used in business as usual compliance monitoring may not be possible. Practices such as face-to-face meetings and on-site file checking all now need changed approaches. More reliance must be placed on scheduled, virtual meetings with the ability to share screens where possible. There may be greater emphasis on issuing reports, and management information, in draft and discuss with affected parties before issuing formally. Access to IT systems and data is vital. Some form of data audit may be worthwhile, to ensure delivery of the correct data by the correct people at the correct time.

Holding compliance department professionals accountable for their work relies on the adoption of the firm's performance management framework. Setting objectives, checking outputs, holding regular performance meetings and discussing and enabling development and training opportunities all contribute to effective management of employees.

It is not only the accountability of compliance staff that compliance officers need to be concerned with, but also the accountability of senior managers. Senior management accountability regimes require this.

It may be in future that the compliance and HR functions within organisations need to work more closely together. In the UK HR and compliance worked together to implement the Senior Management and Certification Regime. The compliance function advised on the regulatory implications of the requirements and HR put in place performance management systems to monitor role profiles, performance against profiles, training on conduct issues and disciplinary procedures where individuals fell short of requirements.

Disruption to business processes also features highly in the challenges for compliance officers. This goes hand in hand with working from home. As employees' working locations change so there will be a need to change business processes. This can be difficult given the need to get data and IT access right and then amend reporting and monitoring lines.

Compliance officers must be conversant with the firm's business continuity plan. They should not only know how the plan relates to the compliance function but should have assessed the plan for potential areas of non-compliance.

The greatest compliance challenges I expect to face due to the COVID-19 pandemic is/are…

"Banks need to ensure compliance facets continue to be up and running. Challenges like data protection and system availability implications hinder staff ability to remotely perform the most critical of these tasks; namely investigations and sanctions. In addition, third-party vendors may be unable to continue adequate service of existing compliance solutions while other planned technology solutions and AI initiatives may be put on hold. "

Chief Compliance Officer, Middle East

SINGLE BIGGEST CULTURE OR CONDUCT RISK NOW FACING FIRMS

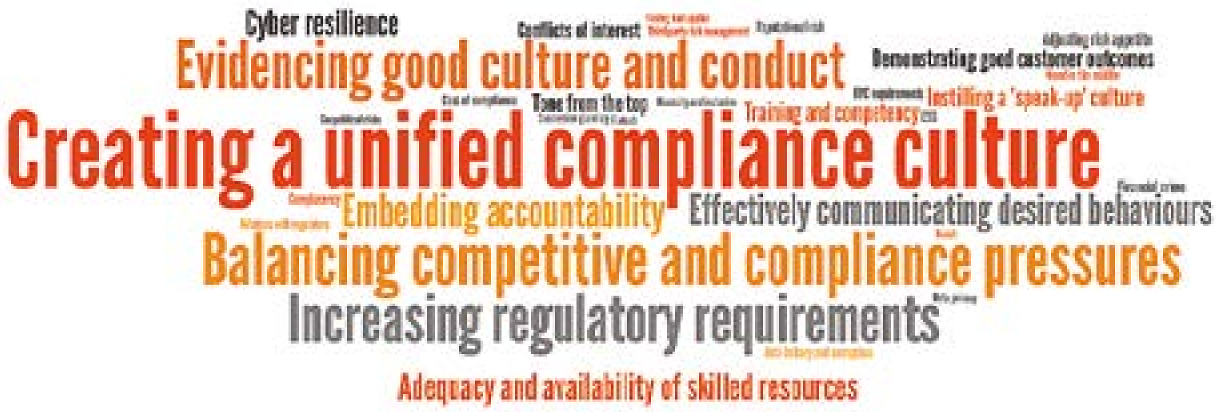
"…we have developed questions and answers on recent COVID-19 related regulatory measures and put them on our website. These are updated regularly as conditions change and when OSFI takes action. This promotes a consistent understanding of OSFI's expectations across market participants and limits speculation that can occur in the absence of clear information."

Ben Gully, Assistant Superintendent, Regulation Sector at Canada's Office of the Superintendent of Financial Institutions. May 2020.

In the 11th annual cost of compliance report the top single biggest culture or conduct risks facing firms were considered to be:

1. Creating a unified compliance culture
2. Balancing competitive and compliance pressures
3. Increasing regulatory requirements
4. Evidencing good culture and conduct
5. Embedding accountability

Cost of Compliance 2020:
What is the single biggest culture or conduct risk your firm is facing?



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

The creation of a unified compliance culture across a firm, particularly one with several business lines in different countries, is a large but not insurmountable task. As regulators and policymakers alike have made clear, the impetus must come from the board and be championed by all senior managers. The firm must have policies and procedures tailor-made for the business and part of an overall control infrastructure which enables the firm to know its culture and conduct risks.

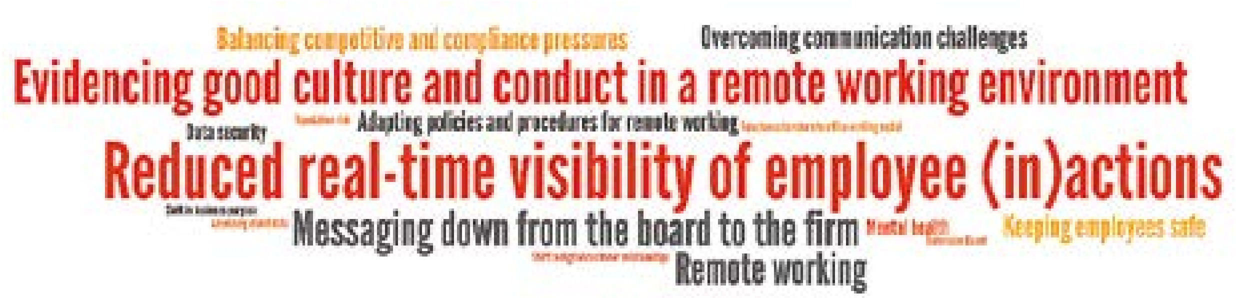
Line of sight to the key culture and conduct risks now arising as a central feature of the COVID-19 responses. Those firms who had invested in embedding a risk-aware approach to culture and conduct pre-pandemic will emerge from the crisis ahead of those who simply had a tick-box approach.

What is the single biggest culture or conduct risk your firm is now facing?

"That risk and compliance will be again seen as a non-important aspect of the bank operations, particularly at times of high stress"

Compliance Manager, Australasia

Cost of Compliance – COVID-19 update
What is the single biggest culture or conduct risk your firm is now facing?



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The single biggest culture or conduct risks facing firms under COVID-19 are:

1. Reduced real-time visibility of employees (in)actions
2. Evidencing good culture and conduct in a remote working environment
3. Messaging down from the board to the firm

Reduced real-time visibility of employee actions, while an obvious concern, should be less of an issue in a firm with an already strong approach to culture and conduct risk. Employees should understand what is expected of them and know to do the right thing regardless of whether anyone is watching. That said, firms will need to have updated their policies, procedures and stance on oversight and monitoring and may well be relying more on technology both for a line-of-sight to employee behaviour and for recordkeeping.

Many firms are considering a post-pandemic review, not necessarily as part of a return to prior ways of working but to understand the effectiveness of the revised control and reporting infrastructures hastened into service when the crisis hit. Any-post pandemic review should include an assessment of how the firms' culture held up under pressure, in terms of the mental health and well-being of employees as well as delivering compliant outcomes for the firm.

"...mandatory reports and notifications give us a helpful view into a company's compliance program, and whether the company has been treating compliance as a year-round exercise or as a mere deliverable that must be turned in before the year ends. Just like a college professor, we can tell when something was thrown together at the last minute."

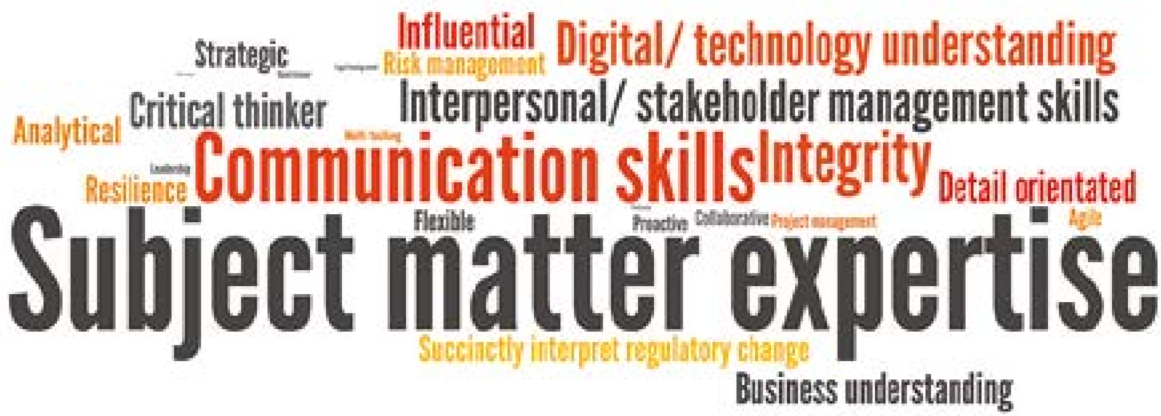
John C. Demers, Assistant Attorney General for National Security at the U.S. Department of Justice. July 2020

KEY SKILLS NOW REQUIRED FOR COMPLIANCE OFFICERS

"The first months of this pandemic have forced some lessons on all of us – and banks are no exception. Those coming out of it in good shape will have learned how to ensure operational resilience while running operations in an entirely digital environment. They will have designed risk management processes that will remain relevant in the face of heightened cyber and operational risks. They will have tested their automated wealth management models through extreme market volatility. And they will have upgraded their digital channels and their operating models to the new, digital normal."

Pentti Hakkarainen, Member of the Supervisory Board of the European Central Bank. May 2020

Cost of Compliance 2020:
What are the three key skills required for an ideal compliance officer in 2020?



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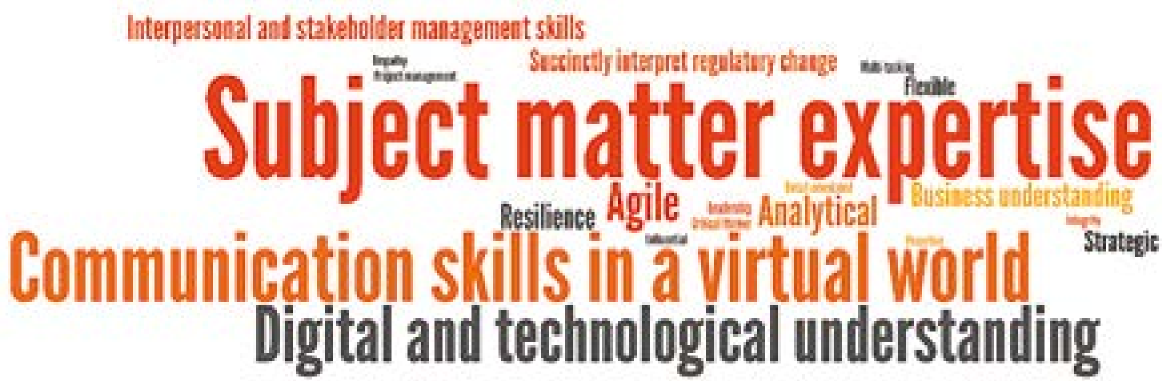
Cost of Compliance – COVID-19 update:
What are the three key skills now required for an ideal compliance officer in 2020 and beyond?



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The role of compliance encompasses a wide range of skills across multiple disciplines. Many compliance functions have routine compliance tasks, but as the financial services industry develops, compliance must accommodate the more technical specialist areas in which the firms operate. This requires the compliance function to move with the times and to develop expertise accordingly.

A comparison of the results from the cost of compliance 2020 survey and this COVID-19 report show that subject matter expertise is now seen as the greatest key skill required by compliance officers.

In general, the key specialties and experience that compliance officers may be looking for now are in subjects such as cyber/IT, fraud and financial crime, operational resilience, outsourcing and third-party management and conduct risk. To dig deeper into specific areas of specialty will be down to the individual firm. To a large degree the subject matter expertise required will reflect the risks to which individual firms are exposed. As regulators increase or change regulations in these areas it is incumbent on compliance functions to have the skills and knowledge to be able to advise the firm accordingly.

The second area highlighted was communication in a virtual world, for which compliance officers will need strong communication skills.

The absence of physical access to senior and operational management poses difficulties for compliance officers. A significant requirement of a compliance officer is discussing issues with management and explaining the benefits of an effective compliance culture at board and governance committees. It is vital that both governance and management communication lines are maintained.

From a governance perspective, when it comes to board meetings and governance committees the UK the Chartered Governance Institute has provided good practice for virtual board and committee meetings. The main points are:

- The choice of the right communication channel is vital – if the technology does not work well the meeting will be harder to run, will likely last for longer than is optimal and will be less effective.
- Virtual meetings need to be well structured and avoid unnecessary complexity.
- Preparation is key.
- The chair will need additional techniques to run an orderly meeting, allowing adequate debate and obtaining the sense of the meeting.
- "Ground rules" for participants should be circulated to all those joining the meeting in good time beforehand.
- Clear instructions on accessing the meeting system or app are essential - not all participants will be familiar with the technology.
- Good boardroom practices are even more necessary for virtual meetings than for face to face.

These tenets form a good foundation upon which compliance officers can overlay their skill of effective communication and relationship management.

It is critical that compliance officers arrange dedicated time with key senior managers to discuss issues. Time in a diary is now more important given that ad hoc access to management is more difficult.

The purpose of any communication could be to gain information or understanding or try to influence in some way. Some techniques to help make this communication more effective could be:

- Strike up a positive relationship – compliance officers should demonstrate they are trustworthy and honest, and they will operate, where they can, in a no-surprises manner.
- Make stakeholders feel special – if managers think that compliance officers can get them ahead of the game or are putting extra effort into helping them, they will be more open in the relationship.
- Help others when you can – in general, most managers will acknowledge when you have helped them out and this may make them more open to be cooperative in the future.
- Get them on board – it is more likely managers will be cooperative if you have spoken to them early about the matter in hand and taken their comments before the issue is formalised.
- Use existing examples – managers will respond better where live examples can be demonstrated.

"...in order to cope with all of this, firms are going to have to invest in new business processes. Expect then a sustained period of low measured productivity, as firms have to spend more resources revising their business processes. More speculatively, the returns to buildings might fall, as firms move away from specific geographical locations, but the returns to a well-managed business will rise as firms put in place new organisational design for their employees."

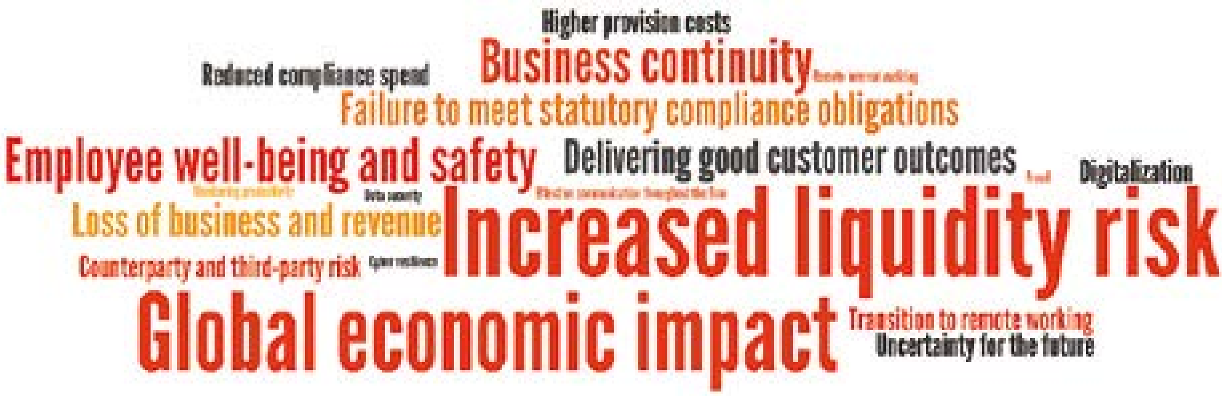
Professor Jonathan Haskel, External Member of the Bank of England's Monetary Policy Committee. July 2020

CONCERNS ARISING AS A RESULT OF COVID-19

"…a customer-centric culture and robust governance of conduct are particularly important in times of stress to reduce risks to customers and investors. Similarly, maintaining trust and confidence in capital markets will be critical to ensure a smooth recovery from the economic impacts of COVID-19."

Statement of Intent 2020-2024, New Zealand Financial Markets Authority. June 2020

What is the single biggest concern arising as a result of the COVID-19 pandemic?



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What is the single biggest concern arising as a result of the COVID-19 pandemic?

"Delays in regulatory change programmes deadlines. Contract formation and evidencing - digital signatures, digital identity - identification and verification requirements of AML/CFT to allow for digital onboarding new clients, verifying beneficial owners for legal persons and online notarial attestations. Not having enabling regulation for digitalisation or fast tracking of regulation for digital - digital identity, electronic signatures etc."

Head of Strategy and Innovation, Africa

Increasing liquidity risk is seen as the greatest future concern. Liquidity risk is a firm's inability to meet its short-term debt obligations. Firms need to have appropriately available assets in order to meet liabilities as they fall due, if they do not, they may be cash-flow insolvent. All assets have varying degrees of liquidity i.e. the ease upon which they can be turned into cash.

Financial services firms are required to hold an amount of high-quality liquid assets to cover them for demands from liabilities. In normal times banks, for instance, hold substantial liquid assets so that they are better able to accommodate increased demands for liquidity from customers and clients and lower inflows of funds in times of stress.

The message from the UK Prudential Regulation Authority has been clear about how liquidity should be managed during the pandemic, and their advice is useful for firms everywhere. The PRA expects "banks to focus on continuing to service and support their customers and clients. Banks are expected to use their liquidity buffers in doing so, even if it means liquidity coverage ratios go significantly below 100% […] The PRA expects that banks will continue to manage their liquidity risk in a prudent way. But the PRA recognises that this is not the same thing as maintaining the Liquidity Coverage Ratio at a consistently high level."

For compliance officers this means that for firms to maximise cash in the bank -- the most liquid of assets –

firms may try to reduce costs. This may mean reductions in investments, headcount or other resources.

This risk is supported by the second biggest concern identified – economic impact. In its World Economic Outlook in June 2020 the International Monetary Fund projects that global GDP in 2021 will be 6.5 percentage points lower than in pre-COVID-19 projections of January 2020.

The financial services industry will not be immune. The onus is on compliance officers to innovate and use the resources available to them more effectively. This could mean streamlining compliance monitoring methods or using new "regtech" tools for horizon scanning for example. It could mean reviewing risk assessments, focusing more on the higher risk areas of a firm. It may mean the use of third parties or outsourced services. The value that a compliance function generates should be brought forward to senior managers, and there are ways to monetize activities to the advantage of the firm then all the better.

Finally, the survey showed that operational considerations were considered less important than the financial considerations. Employees wellbeing and safety was more prominent in this survey, with business continuity and customer concerns also featuring.

"In the case of requests that we consider to be opportunistic and designed to undermine consumer protection, we will reflect on what this tells us about the firms involved or conduct in the sector."

Extract from UK FCA Dear CEO letter to firms providing services to retail investors about coronavirus, March 2020

CLOSING THOUGHTS

Risk and compliance officers have been, and need to remain, front and centre in preparing their firms for any and all eventualities. There are several threads emerging from the COVID-19 snapshot update of the 11th annual cost of compliance report.

The importance of culture in a firm has become even more pronounced. An effective risk-aware culture could perhaps be the most valuable asset a firm can develop and maintain. Such a culture will enable it, and its employees, to better weather uncertainty and change.

The crisis has shown that firms can change and adapt with speed when necessary. Their agility in responding to the pandemic is to be commended. Consideration should be given to deploying those same capabilities to drive forward the next iteration of technology innovation. For instance, in theory, a regtech solution appropriately deployed should be geography neutral and able to deliver tasks such as compliance monitoring irrespective of a worker's location. One estimate is that the crisis has accelerated digital transformation in terms of online product and service offering to customers by as much as three years.

Other ways of working have also changed, probably permanently. Many financial services firms have cut bureaucracy to focus on decision-making. Governance and reporting structures have been made more flexible. Boards, committees and teams often are meeting more frequently, sometimes in smaller groups made up of key decision makers, and usually online. Compliance professionals have been adopting new governance structures and ensuring that the flow of management information has been tailored to the new circumstances to facilitate better awareness of the risks.

Regulators have already committed to post-pandemic reviews. While firms are likely to want to do the same, they should ensure a continuing immediate focus on recordkeeping. Specifically, meticulous care must be given to ensuring that all changes to policies, procedures and oversight have been recorded, and decision-making has been comprehensively documented. Without detailed recordkeeping and retention, it will be all but impossible to show that the firm has followed procedure during the pandemic.

One topic which has not featured heavily among identified pandemic-related challenges and risks identified is personal accountability. Firms are rightly focusing on managing the crisis day-to-day, with supervisory forbearance likely until the pandemic has passed. Personal liability, however, has not and will not go away, and senior individuals need to continue to discharge their responsibilities and ensure compliant activities in their sphere of control.

Many firms will choose not to return to their previous modes of operation. The onset of recession means firms will be aiming to economise and cut costs. Risk and compliance functions will not be immune to the budget constraints. Firms need to recognise, however, that without a skilled, well resourced, technologically aware compliance function they are unlikely to be able to manage and mitigate regulatory and other challenges.

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