**Compliance: Everyone's Responsibility**

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The current FCA regulatory climate has placed such a great demand and responsibility on the Board of a firm and its senior management team. This can be quite daunting for firms that are new to FCA regulation and all its fundamental obligations.

It is a move from just having compliance as a tick box exercise and following a set of do's and don't to a more principle based, conduct driven regulatory environment.

The question that most firms new to FCA regulations seem to be asking is "what do we have to put in place to remain compliant after authorization?”

Well, from my experience, I have identified the following points as key factors (though not exhaustive) that can help strengthen and enhance business operations under any regulatory climate.

**Point 1: The Culture of  your firm.**

I grew up understanding culture as a way of life, a way a group of people with common and similar beliefs, attitudes, thoughts and values who have chosen to live and interact with each other in a community. Bringing this into context within an organization/business, it encompasses a set of values and work ethics chosen and agreed by the Board for effective business operations embedded within its business model and regulatory business plan. The culture of a business, if taken very seriously and not just used as a decorative tool to keep and/or attract clients by making the business look good, can have a positive and great impact on the success of any business. This can be seen in an increase in staff moral bringing about an increase in productivity and staff loyalty, more happy customers/clients which ultimately makes room for new business.

The value you place on your staff directly has an impact in achieving your firms business objectives.

A good and effective organizational culture embedded within BAU helps generate more money for the business and loyal customers, why? because you have happy staff members who feel valued and motivated to do their best for the firm. This will ultimately ensure that your customers/clients have an excellent experience based on the quality of the service provided you give them.

**Point 2: Move away from the blame culture**

A lot of things go wrong in firms. There is always one person to blame, who ends up getting the finger pointed at. The minute we learn to become accountable and responsible, good stewards over that which has been entrusted, then even when we do mess things up, we can all come together and fix things. How does blaming an individual or a team help make things better? Correct the issue! Make sure your feedback to the individual or the firm is constructive, and if support is required, i.e. training, coaching etc ensure to give it. As the saying goes, united we stand, divided we fall.

Identifying an issue and fixing it puts you and your firm in a better and defensible position rather than identifying and not doing anything about it. A culture that chooses to take remedial action by fixing the problem with effective milestones will thrive better in the current regulatory climate than one who constantly is blaming its employees for its failures.

I believe that it is easier and more important to manage the risk of brand reputation via building and embedding an effective culture, one with ethical values, than trying to manage and tick a box for regulatory compliance.

**Point 3: Robust Governance, Compliance and Risk Committee**   
  
We all know that these three functions are seen and known as the 'Three Pillars' of any organization. The problem that most organizations/businesses experience is that these three functions are, most of the time, left as separate functions. Now don’t get me wrong, I do agree that the Governance, Compliance and the Risk function have different responsibilities and goals within any organization/business, however, with an integrated approach, that is when all three functions come together and become responsible and accountable for effective management and oversight of business practices, regulatory requirements/obligations/assurance and the smooth running of the business will definitely lead to a shared sense of doing the right thing via creating and implementing best practices and minimizing risks and practices that can be detrimental to the business.

It is important to note that achieving the right behavior, culture and good business practices for your organization has to be driven via a top-down management structure. A good GRC framework can be measured via the support it received from the Leadership team in your organization.

**Point 4: An Empowered and Independent Compliance Function**

The Compliance function is one that advises the business on regulatory requirements that apply to it, helps interpret rules/legislations/directives and also carries out regulatory and compliance monitoring. Highlighting areas of regulatory concerns to the Key stakeholders, developing robust internal controls (systems and controls) and creating appropriate policies and procedures that are aligned to regulatory requirements.  I have always likened compliance to a traffic light system which should never be perceived as been obstructive to business operations but supportive by ensuring the smooth running of the business.

**There is a misconception that most businesses have and believe, which is, that compliance (the process of complying, adhering and conforming to laws, rules, obligations and regulatory standards) sits solely with the compliance function. A thousand times no! it must be said that compliance is everyone’s responsibility, everyone in the business has a part to play in ensuring compliance. The Compliance function should support this responsibility.** This is where the 3 Lines of defense come into play. It is important for any business to ensure that the responsibilities between these 3 lines of defense are clearly spelt out, well defined within the business and understood by all employees. For example, Operations becomes 1st Line of defense, the Compliance function becomes 2nd Line of defense and finally, 3rd Line of defense sits with the Internal audit function and/or External audit where applicable.

However, it is the responsibility of the Compliance function to promote an effective compliance culture within the firm, sell the idea and importance of following best practices, equip and support the board and its senior management team in carrying out compliance correctly within the firm and raise compliance awareness via running compliance training sessions.

Please note, in situations where the compliance function is not given autonomy to operate and function as it should, it becomes susceptible to manipulation and control by business operation and key stakeholders within the firm, thereby generating conflicting interests which adversely impact the business negatively.

**Point 5: Your Customers**

The major challenge that most businesses face is the delivery of quality customer service and ensuring the customer has a great experience whenever they contact the business.

I would say, in order to overcome this challenge, businesses need to learn to **listen** and pay more attention to what the customer the saying, take their feedback seriously, go back to the drawing board if need be and fix, review the process or procedure that might be causing a problem. Take complaint handling very seriously, don’t be so defensive all the time. We all make mistakes, however, the most important thing is that we are willing and ready to learn from our mistakes and do something about  it to avoid any reoccurrence of the same issue. Invest in your staff as this helps build competence and confidence which ultimately aids the delivery of fair outcomes for your customers and also the business.

Have a system that collects and reviews customer feedback. Create business objectives that are aligned to ensuring consumer protection and can demonstrate that the customer’s interest is embedded at the heart of the business. Have a culture of integrity, where people are empowered to stand up and speak out for what is right and not get penalized for doing so.

In summary, I do sincerely hope that this will help shed some light on a way forward for many struggling businesses especially those new to FCA regulation or any other regulator, the principles are the same. As mentioned above, this is not an exhaustive list and I do hope you have enjoyed reading it.

Amy Laotan :)

[**United States Sentencing Commission**](http://www.ussc.gov/)

**§8B2.1.** [Effective Compliance and Ethics Program](http://www.ussc.gov/guidelines/2015-guidelines-manual/2015-chapter-8)

(b) Due diligence and the promotion of an organizational culture that encourages ethical conduct and a commitment to compliance with the law within the meaning of subsection (a) minimally require the following:

(2)       (A)       The organization's governing authority shall be knowledgeable about the content and operation of the compliance and ethics program and shall exercise reasonable oversight with respect to the implementation and effectiveness of the compliance and ethics program.

(B)       High-level personnel of the organization shall ensure that the organization has an effective compliance and ethics program, as described in this guideline. Specific individual(s) within high-level personnel shall be assigned overall responsibility for the compliance and ethics program.

Joe Murphy, CCEP of Counsel Compliance Systems Legal Group May 2009