

Some current trends in compliance organizations

May 2018

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Some current trends of compliance organizations

- Recognizable shift to Chief Compliance Officer (CCO) being independent of legal, and often, other groups
- More organizations are moving to standalone CCO and Chief Legal Officer (CLO) versus that of dual-roles
- CCO roles, responsibilities, and expectations continue to evolve

Chief Legal Officer today

Today's CLO role typically includes:



4

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5

Chief Compliance Officer today

Today's CCO role typically includes:



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Source: CLOs and CCOs: A new era of collaboration,
Deloitte Financial Advisory Services LLP, 2017

Some current trends of compliance organizations

At **33%**
of companies surveyed,
the designated CCO is a
standalone position

73% have
fewer than 20 full-time
resources

21% of
companies do not have
a designated CCO

20%
of companies surveyed
indicated the CCO is
also the CLO

59% reported
having a total annual
budget for enterprise-
wide compliance
functions — including
people, processes, and
technology — of less than
\$5 million.

Source: 2016 Compliance Trends Survey, Compliance Week

Some current trends of compliance organizations

Some considerations for the shift in compliance organizations

1

Evolving and diverse skill sets required to implement and maintain modern compliance programs

2

Growing regulatory enforcement and emphasis on structural aspects of an effective compliance program

3

Increased focus on independence and corporate transparency

4

The increasing responsibilities for compliance organizations across many domains

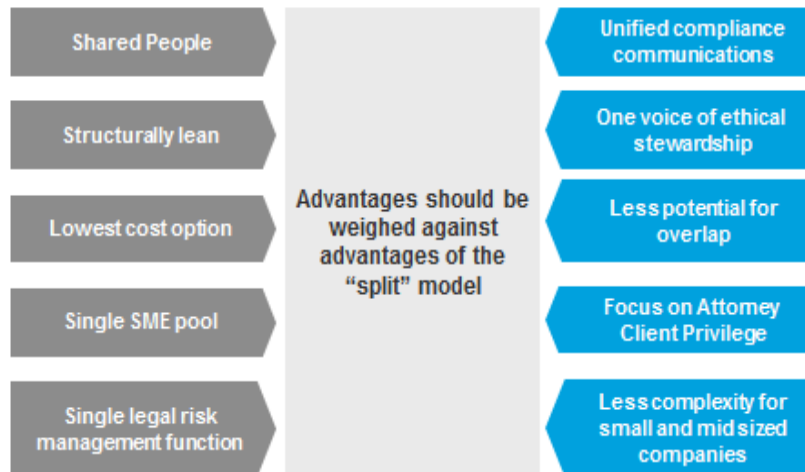
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Direct access to Board and CEO

Some current trends of compliance organizations

When Legal and Compliance are combined

Several potential advantages are apparent ...

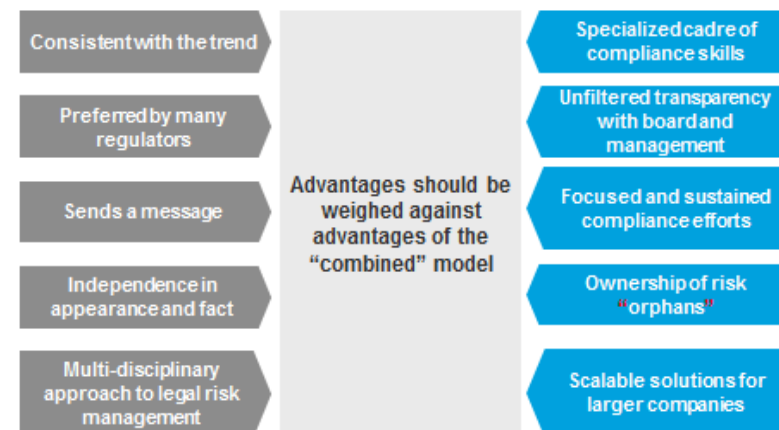


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When the CCO is independent from the CLO

Several potential advantages are apparent ...



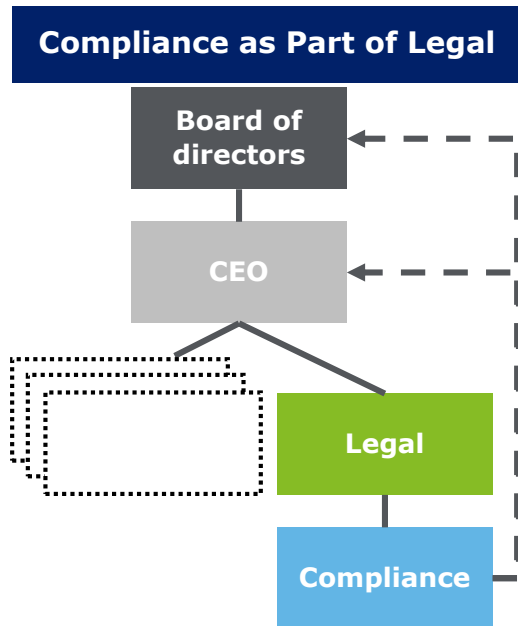
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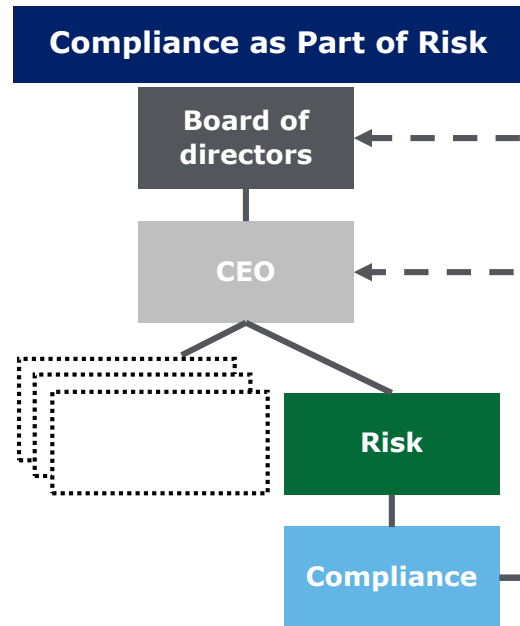
Source: CLOs and CCOs: A new era of collaboration, Deloitte Financial Advisory Services LLP, 2017

A look at some compliance reporting lines

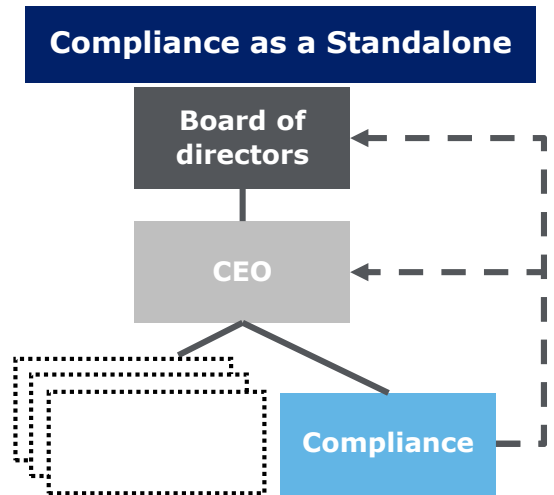
Compliance has historically been aligned to several different organizational groups



- Head of Compliance reports to CLO/Office of General Counsel
- Historically most common reporting structure
- Legal and compliance partner/jointly work on compliance-related issues/activities
- Independent from business lines
- High level of subject matter, legal, and compliance knowledge
- Allows for attorney-client privilege



- Head of Compliance reports to Chief Risk Officer (CRO)
- Most common reporting structure recently in financial institutions
- Provides for cohesiveness across Risk allowing for more view of risk
- Streamlines alignment to businesses from an holistic risk perspective
- Independent from business lines and legal organization



- Head of Compliance reports to Chief Executive Officer (CEO) or board of directors
- Positions compliance as a key function of the organization
- Compliance is independent from both risk and legal
- Requires effort to confirm coordination among lines of business, risk, and legal

Some areas of focus for today's CCO

1

Managing the risks related to the use of third parties

2

Developing and promoting employee awareness and training

3

Decreasing or flat budgets with increased expectations

4

How to gain efficiencies through the use of tools and technologies

5

Anticipating and responding to regulatory, reputation, compliance, and culture risks

Elements of an effective compliance program



Key compliance program enablers

People

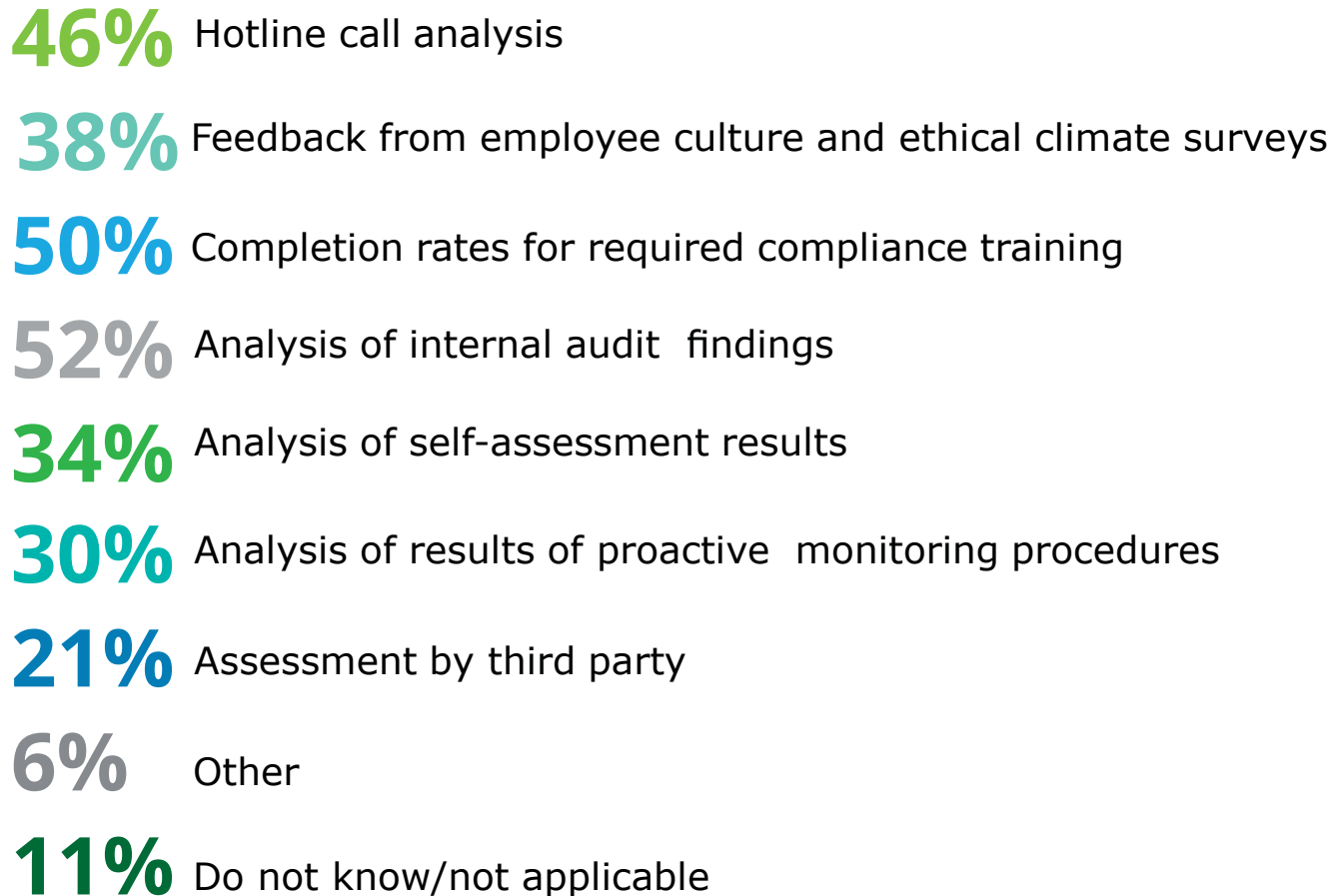
Process

Technology

Analytics

Measuring compliance program effectiveness

How does your organization measure compliance program effectiveness?



Source: 2016 Compliance Trends Survey, Compliance Week