



Responses to the Financial Compliance Regulatory on Business Initiatives & Data Management Strategy

Managing the wave of new global regulatory compliance while controlling costs is an intimidating challenge in both IT/data management as well as process automation.

“The rewards for success are often small, while the price of non-compliance is quite high.”

- Lady Olga Maitland, Chairman, Copenhagen Compliance®



Introduction

**Do not let
regulatory
compliance be
a reverse
Corleone from
the regulators:
an offer that
you cannot say
yes to**

Managing the ever increasing complexity of the new range of regulatory initiatives will require massive investment in both technology and talent. The key challenge will be to be able to connect operations to compliance with the related components of governance, risk and IT security, discover inconsistencies. Above all, it is necessary to address the overlapping compliance functionalities with common reporting requirements across operations, business related processes & activities

The success of this integrated approach will be determined by management's ability to;

- Design the new enterprise operating & compliance model
- The investments in product and technological innovations and managing resources, skills and talent. In other words to restructure enterprise-wide compliance data architecture and systems
- Stop implementing piecemeal compliance with every single regulatory measure is no longer a valid option. An estimated 20-40% of future compliance cost can be avoided if overlaps, duplication, models, transactions, reporting and record retention issues are addressed in an uniform, integrated, timely and structured manner.
- How to Comply with the regulatory environment and provide the ability to systemise big data to management, oversight and reporting purposes, in spite of the cost pressures from the board of directors.

The financial crisis from 2009 to 2013 cost Denmark around \$400 billion. 200 billion in lost production and almost 200 billion bank write offs according to the Rangvid Report. In the report he presented 18 recommendations to avoid another crisis in Denmark. The following 18 pages addresses the need for global companies to comply , compete and be in control.

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The Regulatory Compliance Journey

The overly regulated oversight reporting, requires an integrated compliance landscape, to know where and how to start the compliance journey

- The typical approaches to addressing the regulatory IT initiatives in financial services
- Approach compliance from being an check-the-box exercise to an integrated & proactive part of IT/business alignment and strategy
- What are the components of a holistic financial regulatory compliance approach that service KPI's and satisfy the oversight authorities and all stakeholders.

The primary objective of the compliance journey is to address the regulatory overreach that affects business initiatives & data management strategy;

- How to determine the compliance demands
- How to enforce global regulation
- How to implement a meaningful compliance
- How to develop an optimal and Data strategy to save cost, capital, time and create value for the financial institution.



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Think global, but to act on the each compliance component and the organisation's changing compliance profile

Prevent another crisis that can destabilize the global financial system

- Oversight, politicians & supervisory bodies, expanded the regulators' authority to shape the future financial system
- Regulation is vastly overreaching & intrusive across internal processes of the financial industry on all continents
- A number of new regulatory legislative initiatives are implemented to avoid another global financial crisis
- Maintain the financial markets' regulatory parameters
 - Ensure financial stability
 - Focus on the root causes of deregulation, lack of regulation, weak risk management, predatory lending, unregulated derivatives and greed
 - Avoid future bailouts

Managing compliance by the financial services industry is currently on a jurisdiction-by-jurisdiction, regulation-by-regulation basis. The continued fragmentation of the required disclosures creates significant challenges for the financial services sector. There are efforts to globalise the financial regulatory policy into a seamless, enterprise global compliance systems.

Until then for most financial and asset management companies, the current legacy data management, and regulatory reporting systems are unlikely to be sufficient or adequately meet the new and upcoming complex global regulatory compliance challenges in a cost-effective and timely and value creating manner.

To prevent another crisis that can destabilize the global financial system, an alarming number of new and complex legislative initiatives are introduced and implemented. The sheer magnitude of regulation has brought the financial service industry and the asset management sector in the focus of politicians and regulators because regulatory compliance has become vastly disturbing for directors, management and C-level officers across the globe.

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How are compliance breaches effectively communicated, to improve compliance quality, reduce costs, increase productivity, decrease compliance risks and develop a culture of trust in the organisation?

Cost of the Global Financial Crisis

- The old school, silo oriented, check-the-box, jurisdiction-by-jurisdiction, report-by-report or form-by-form basis approach is inundated and unsustainable
- Recreating the wheel to comply with each regulatory measure is not an option
 - >40% of compliance costs are from duplication, reporting & record retention
- Adoption of a enterprise-wide, holistic business operating model with focus on costs, avoid duplication & more automation/IT
- Restructure the framework, data architectures & internal processes
 - implementing a more cost-effective, scalable, firm-wide compliance strategy
 - 'Outsourcing' for comprehensive regulatory services that cover many dozens of regulatory filing requirements

The 2008 financial crisis cost the U.S. economy more than \$22 trillion, according to a study by the Government Accountability Office. The many financial reform laws that since have been enacted to prevent another crisis, by contrast, will cost a fraction of that.

By comparison the global GDP is approx. US\$87.25 trillion in terms of purchasing power parity (PPP), and around US\$74.31 trillion in nominal terms.[1] According to a separate estimate by the World Bank, the 2013 nominal GDP was approximately US\$75.59 trillion.

The costs of compliance continue to increase and are now excessive by all measures. This is especially the case in the EU, where most firms are still spending heavily on IT improvements to respond to the required infrastructure in the areas of securities, derivatives and payments. The costs have another negative assault on the amount of useless time consumed by the staff for check-the-box compliance, instead of focusing on business growth.

- According to Forbes/Standard and Poors the 8 largest banks will spend \$34 billion annually to comply with Dodd Frank.
- Compare that with \$103 billion spent by the big banks on legal fees after the financial crisis. (Bloomberg)

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A holistic approach to comply with the massive overreach is to keep the religion but change the rituals.

Take a Holistic Approach

- Scan the current and the forthcoming regulatory compliance landscape for ambition, process, implementation & communication plan¹
 - What do we want to achieve
 - How do we manage and integrate compliance activities across the Organisation
- Should it be Manage compliance and Assess current and Deploy Regulatory compliance methodology as an integrated GRC framework
- Develop and Implement an Enterprise Compliance Management program with a roadmap, framework & an annual assessment program.

<http://www.riskability.org/GRC3.html>

- Governance, Risk & Compliance, Global Reality Check for Guidance, Responsibility and Clarity

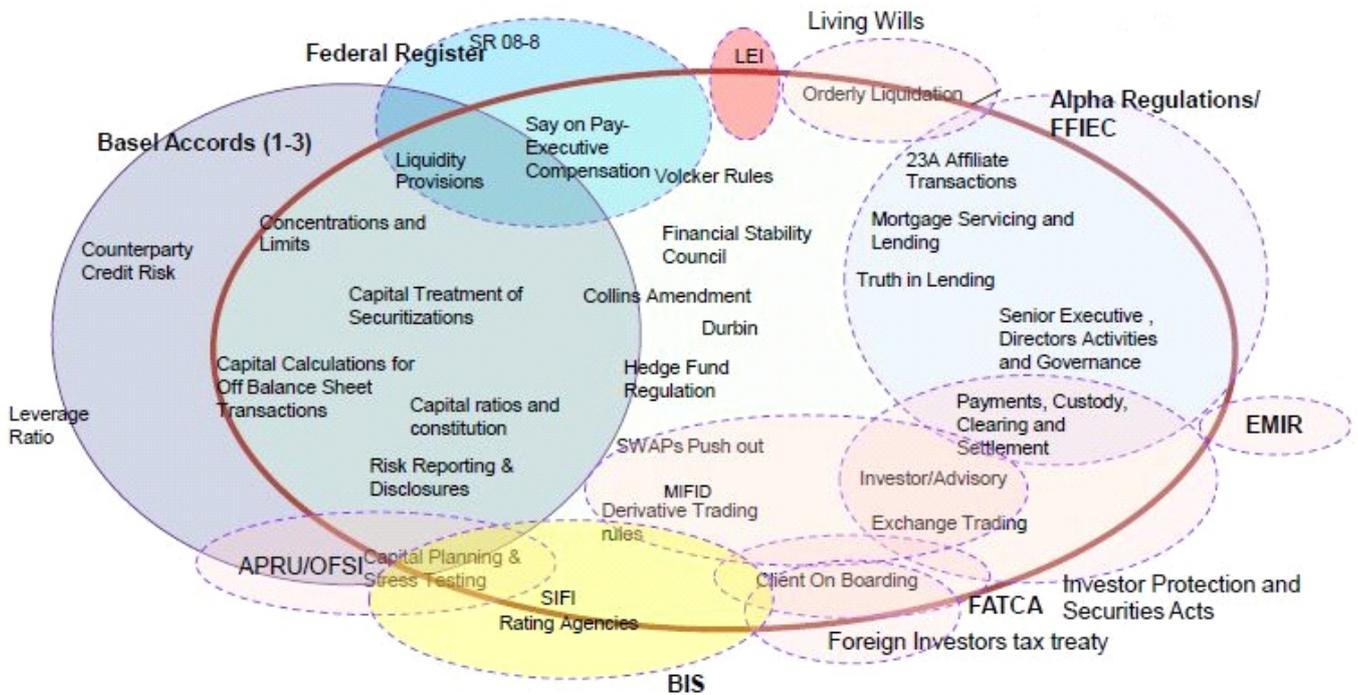
The right response is to create a comprehensive, across the board compliance program that will help build and preserve a culture of integrity within the organization. It must be accountable and transparent enough to document and demonstrate to regulatory and law enforcement authorities - and investors-and stakeholders that if a compliance issue does occur, the irregularity is irregular and does not per say, constitute wrongdoing by the company or the management.



The monitoring of regulatory compliance is important because an organization can be found liable for misconduct on the part of individual employees or agents or third parties. Therefore proper monitoring and internal controls, including a well-designed compliance program, can help an organization avoid such liabilities.



The Regulatory Landscape



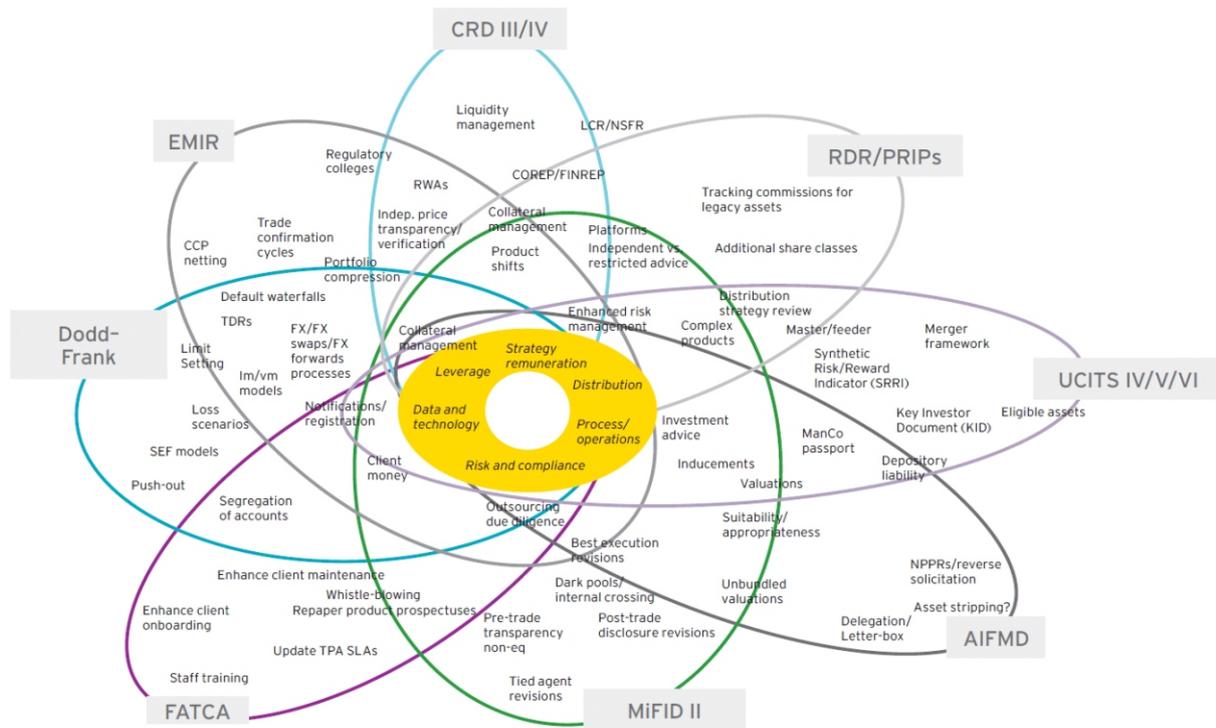
The restructuring of the entire regulatory compliance environment caused by globalisation is expected to continue for the foreseeable future even though it is taking longer for global regulators to agree upon a uniform reporting system. The political priorities are partly due to the complexity of implementing current regulations and more new measures that continue to be proposed than initially expected. The only certainty in planning for future compliance is that uncertainty will continue.

The risk and compliance advisory service delivery of Copenhagen Compliance® as an independent GRC vendor are to support compliance services and offerings a single contractual relationship. We draw on third party technical GRC and IT expertise to deliver targeted advisory work.

Copenhagen Compliance® has collected a comprehensive group of experts and associates incl: academics, researchers, professors, experienced advisory consultants, legal advisors and CPA's and other specialists with extensive experience in the Financial Services sector, to conduct workshops, seminars, provide implementation guidance, templates, controls and IT tools, throughout the EU member states.

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The Integrated Compliance Landscape



Source: <http://www.copenhagencompliance.com/2014/annual/FinancialFramework.pdf>

The above mentioned uncertainty means that ploughing up the compliance landscape, as part of the journey to comply with every single regulatory measure is not a valid option. An estimated 20-40% of future compliance cost can be avoided if overlaps, duplication, models, transaction reporting and record retention issues are addressed in a timely and structured manner.

Implementing a Global Financial Regulation Programme is the focal point of reference for the principles, procedures, framework, structure and organization to support the supervision for governing the formation of the e.g. EU Banking Union and the implementation of systems, processes, controls and IT tools for the financial regulation program.

The first step is to integrate the number of financial regulations in a framework. The result is that the sum of the components of financial regulation together will constitute the basis of a relatively straightforward answer on how the financial industry must run the Governance, Risk Management, Compliance and IT security processes and controls so that we can set the financial and regulatory systems back on track.



Big Data

The effectiveness of a compliance program depends on statistical data, facts and figures, as well as anecdotal information.

- Compliance IT strategy to integrate & coordinate all data sources
- Redesign for robust architecture, powerful data processing speed and storage capabilities to analyse entire data sets instead of just subsets.
 - Shifting from historical client transaction to cross the board trading activity in all asset classes
- Regulatory requires quantity of data reporting, communicating & frequency
 - Interactive data & systems for oversight, disclosures, selling & communications
- Regulatory requirements is sourcing, managing and processing data
 - Accurate business insights for oversight and improving business performance.
- Managing compliance reporting to separate jurisdictions is a complex job
 - Analysing data to improve KPIs for tangible and valuable results in profitability and growth.
- New types of disclosures risk, remuneration & document compliance evidence
 - Commercial advantages that go beyond check-the-box form filing to enterprise risk intelligence
- Areas of overlap and differences & multi-structured data & different data sets
 - Monitoring product-specific metrics (sales, profitability) regressed against market environment
 - Identifying potential client and market demand for new products

- <http://www.ibm.com/smarterplanet/us/en/ibmwatson/what-is-watson.html>

Managing the wave of new global regulations while controlling data and IT costs is a formidable challenge. In addition to IT and data management, process automation in the new regulatory environment is to structure data, sourcing data, managing data, and processing data in extremely large quantities.

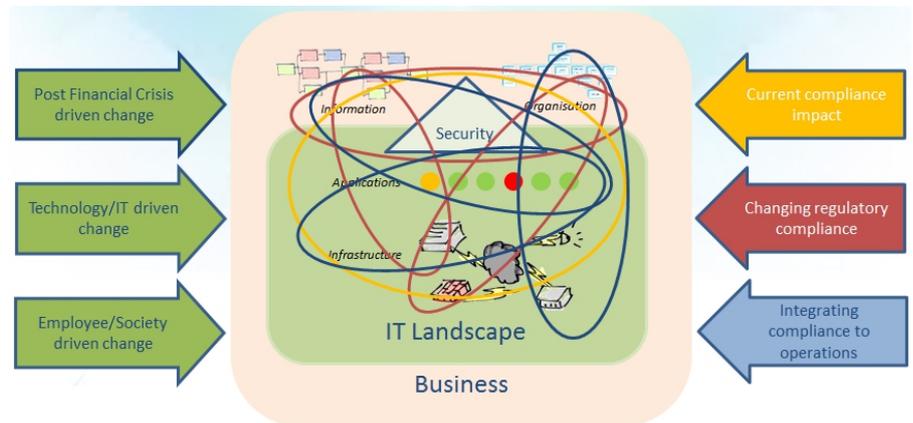
The total quantity of reports and the amount of data that is communicated to regulators have increased by leaps and bounds. Regulators are also demanding entirely new types of data in new formats as well as to document audit trails with evidence of compliance.

The increasing globalisation of capital markets, investors, and regulators involve significant areas of overlap, but there are also many differences. Managing compliance reporting in separate jurisdictions is a complicated job because enterprise data is extracted, analysed, & controlled from a variety of sources, across several functionalities and geographies. There is a need of an IBM/Watson type of a powerful approach to scan the compliance landscape for details, overlaps and answers.

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Compliance & Data Management Strategy

Focus on the interplay between an active enterprise compliance program that helps to manage risks to the company's strategy, reputation, financials, and operations.

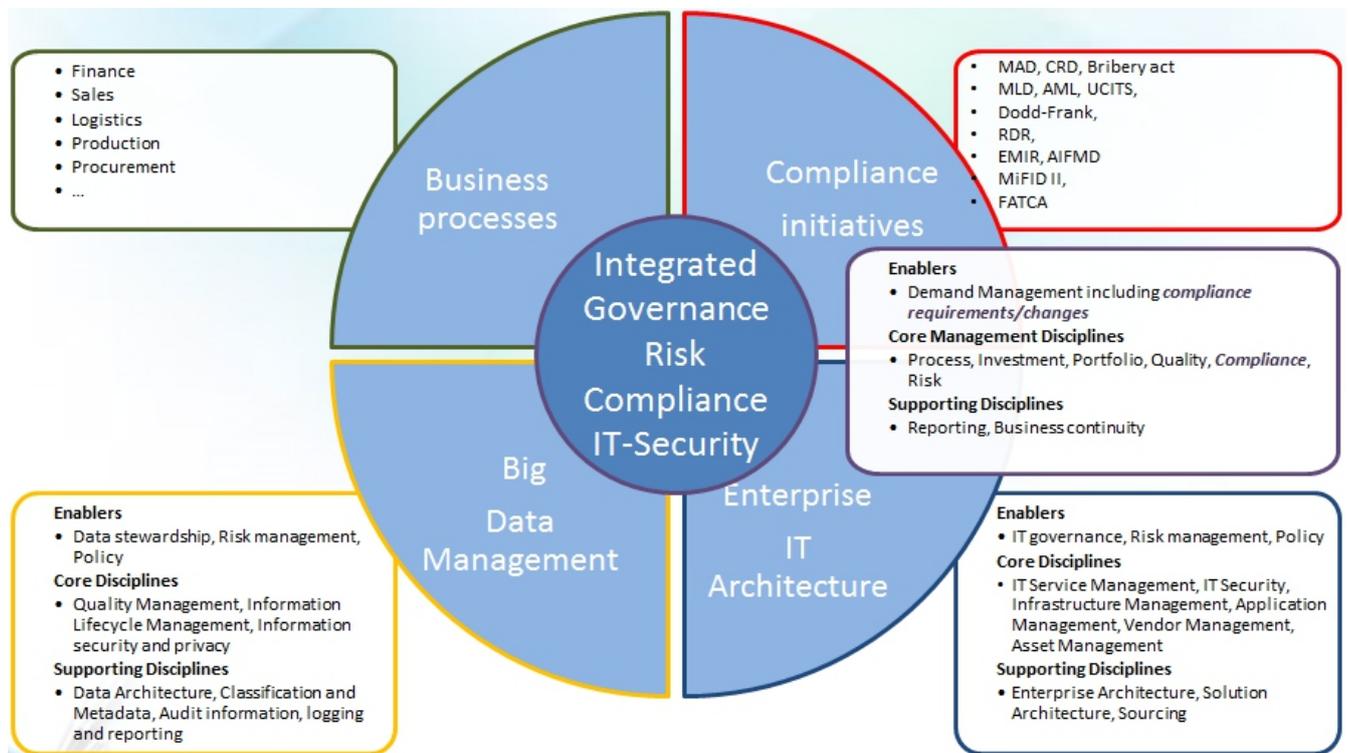


Besides connecting Big Data components, implement the right enterprise IT strategy to avoid excessive waste of time and energy on check-the-box compliance activities need to be controlled. Cross-functional reporting and disclosure require synergies that are designed for integrated implementation.

Many reports indicate that an estimated 30% of future compliance implementation costs are due to the inefficient compliance process of dealing with each regulation on an isolated, form-by-form, in-a-silo basis.



Integrating Governance and Compliance



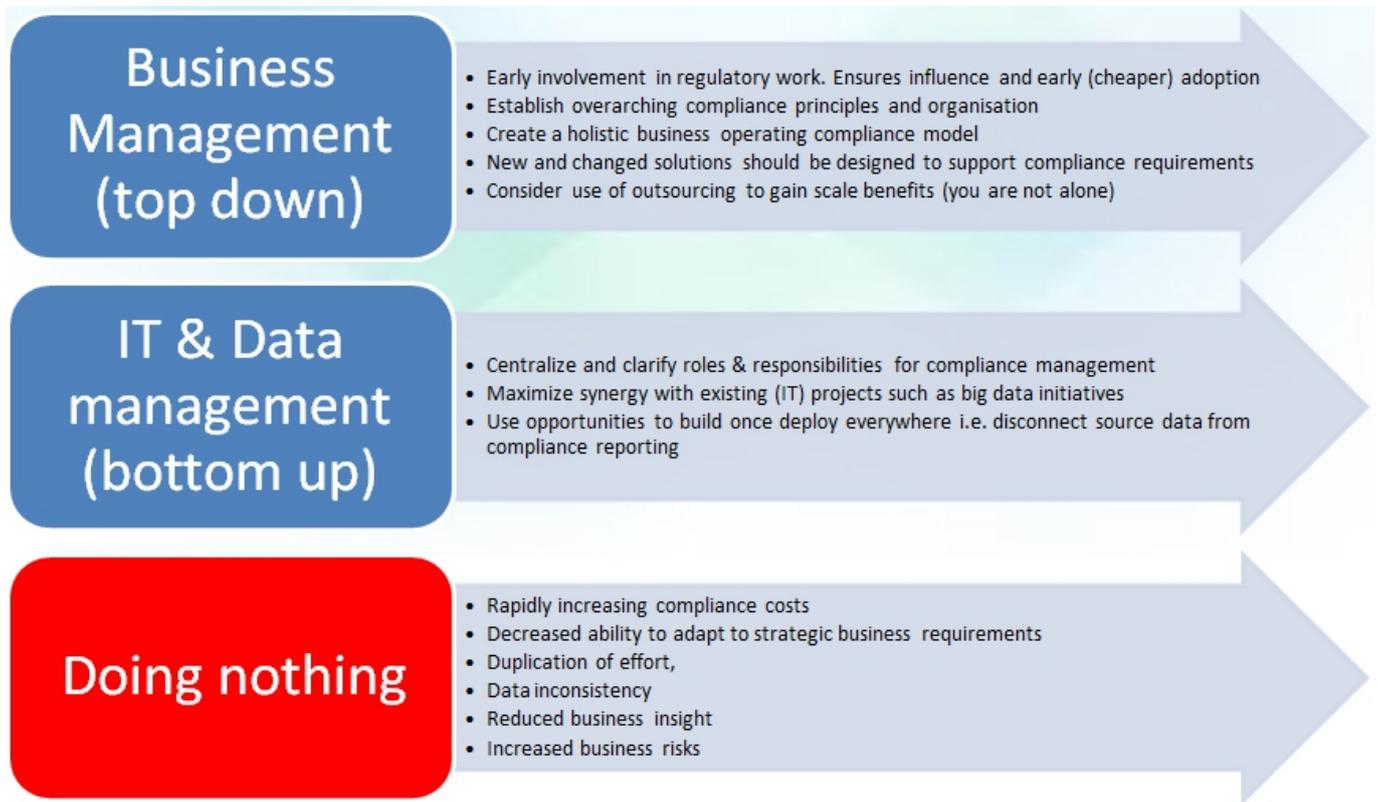
Define a target operating model strategy and specific regulatory disclosures:

- Create an 'outsourcing' business case and integrated economic model
- Conduct compliance & market scan for competition & analysis (product, vendor, competitor)
- Determine the baseline for operational performance, metrics & compliance
- Design governance and performance framework to manage GRC relations

Copenhagen Compliance® has tested the compliance value proposition on several clients. We are committed to focusing on the Governance, Risk Management, and Compliance concerns, and on delivering a comprehensive and integrated GRC value proposition. We conduct workshops and breakfast briefing seminars on these compliance challenges to developing a customized roadmap and framework.



Meeting the Compliance Challenge



Is our organisation riskier today that it was yesterday or is it likely to become more risky tomorrow than it is today?

Managing the ever increasing complexity of the new range of regulatory initiatives will require massive investment in both technology and talent. The key challenge will be to be able to connect operations to compliance with the related components of governance, risk and IT security, discover inconsistencies, overlapping functionalities with common reporting requirements to all operations and business related processes and activities.

This is achieved by redesigning the entire enterprise-wide data architecture and take on the big data challenge with robust and powerful data processing speed and storage capabilities that examine client transaction across the enterprise and not on each trading activity in any asset class.

“While it is true that the financial crisis has changed compliance disclosures and reporting forever, but more importantly the reverse is also true.”

- Kersi F. Porbunderwalla, Secretary General, Copenhagen Compliance®

Integrated Components and Impact

There are two roads in order to comply. *Road I* simply extends the current compliance methodology for all segments. *Road II* develops a compliance strategy for disclosures and reporting to the oversight authorities.

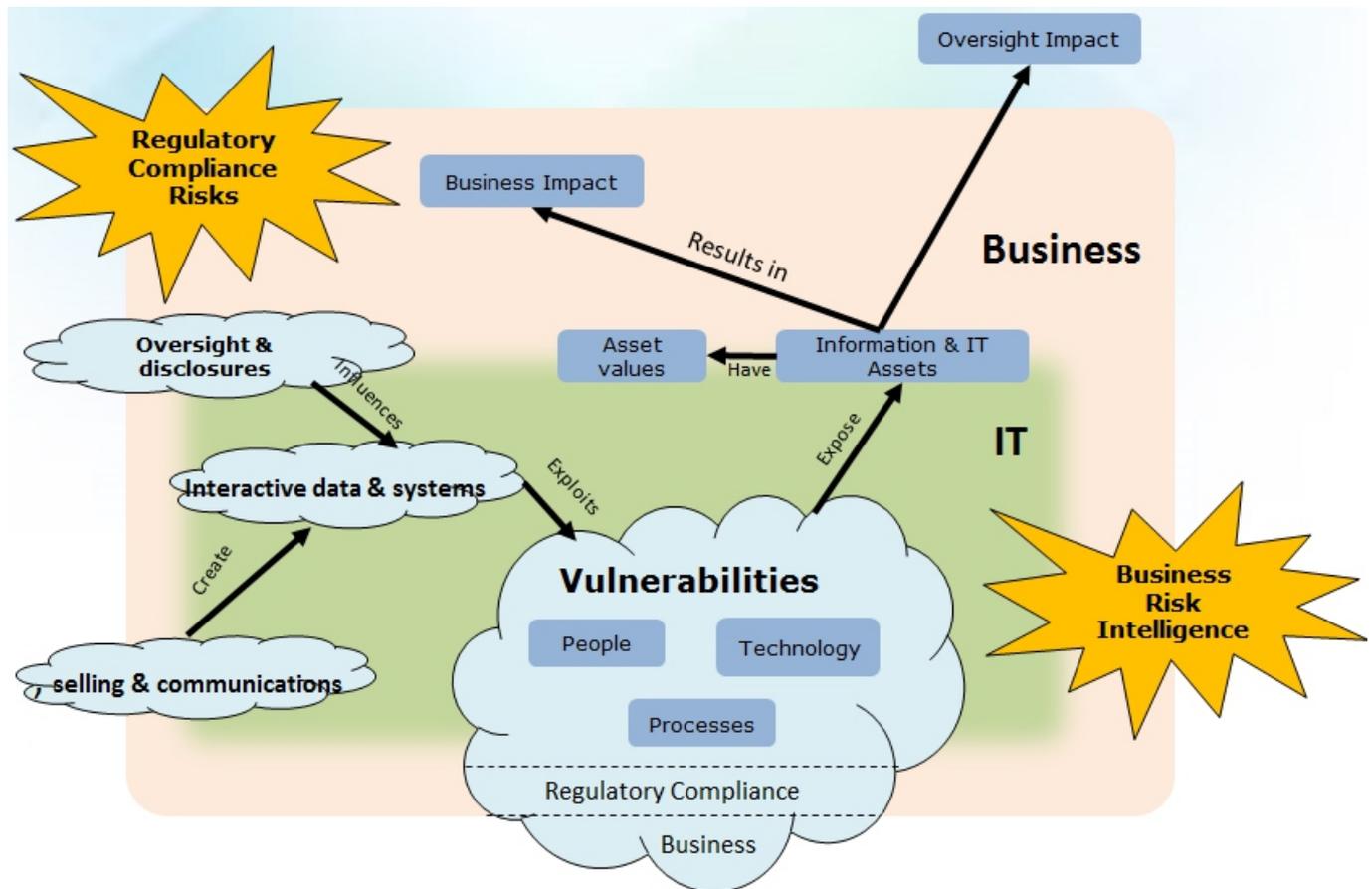
- Speed & Agility in both organisation, business and IT projects
- Data size, availability, security and reporting performance
- The operational cost issue just to “stay alive”
- Design the new enterprise operating & compliance model
- Investment in product and technological innovations to manage resources, skills and talent to restructure enterprise-wide data architecture & systems
- Comply with the regulatory environment to provide the ability to systemise big data for management and reporting purposes and at the same time withstanding cost pressures from the board of directors.

The success of the integrated approach will be determined by management’s ability to:

- Design the new enterprise operating & compliance model
- The investments in product and technological innovations and managing resources, skills and talent to restructure enterprise-wide data architecture and systems
- Piecemeal compliance with every single regulatory measure is not a valid option. An estimated 20-40% of future compliance cost can be avoided if overlaps, duplication, models, transactions, reporting and record retention issues are addressed in an integrated, timely and structured manner.
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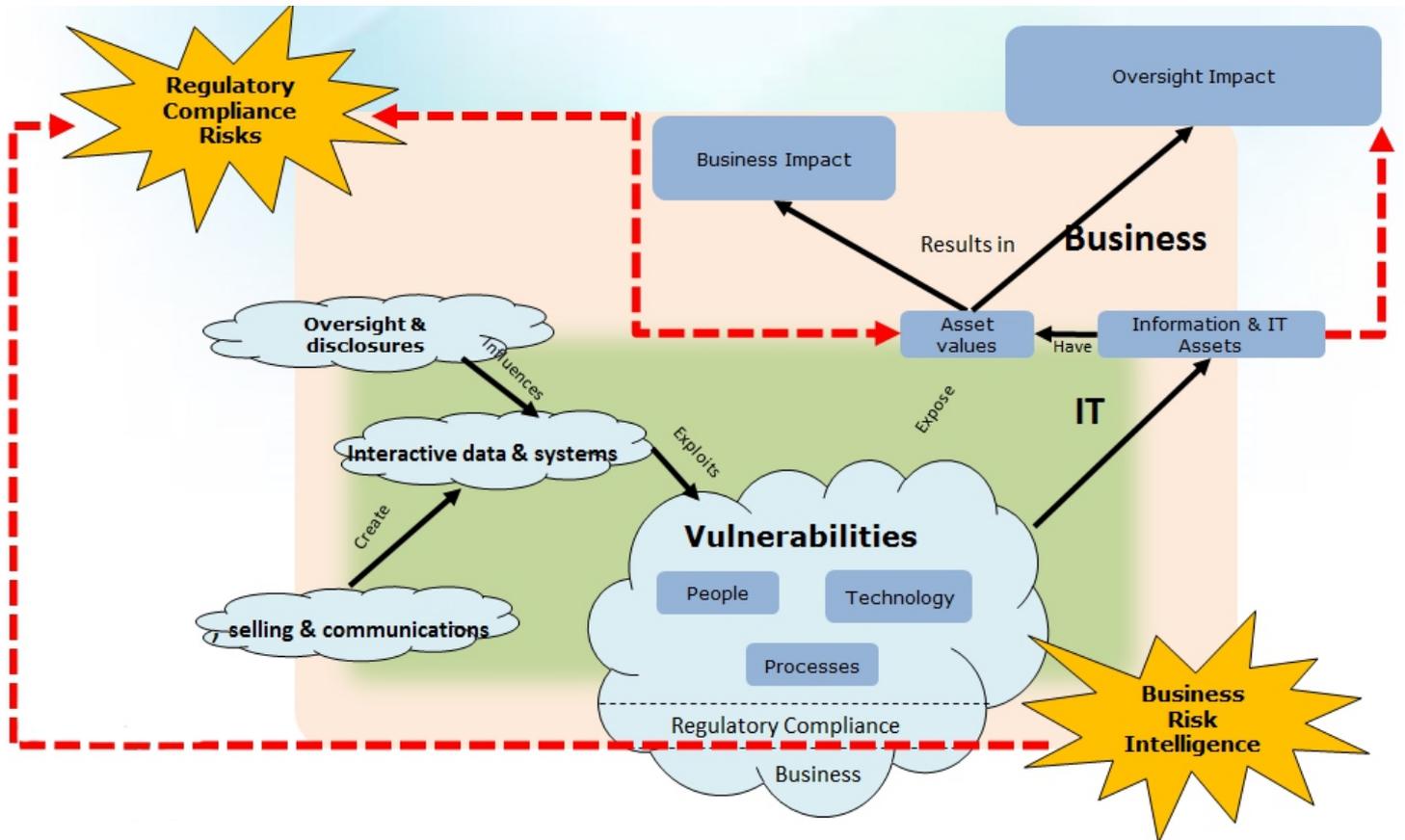
The Automation Challenge for Savings, Scale, and Skills



At the realm of compliance is; behavioral risk management, principled performance and its correlation between business ethics and compliance.

Therefore, even large financial institutions can benefit from taking an outsourcing approach to their back, middle and front office functions to convert fixed costs into variable expenses, manage market and reference data challenges. However, the outsourcing program must be maintained diligently because if outsourcing is the creation of “letter-box entities” there can be a series of potentially hidden systemic risks. It is advisable to conduct thematic reviews of the risks involved in this area.

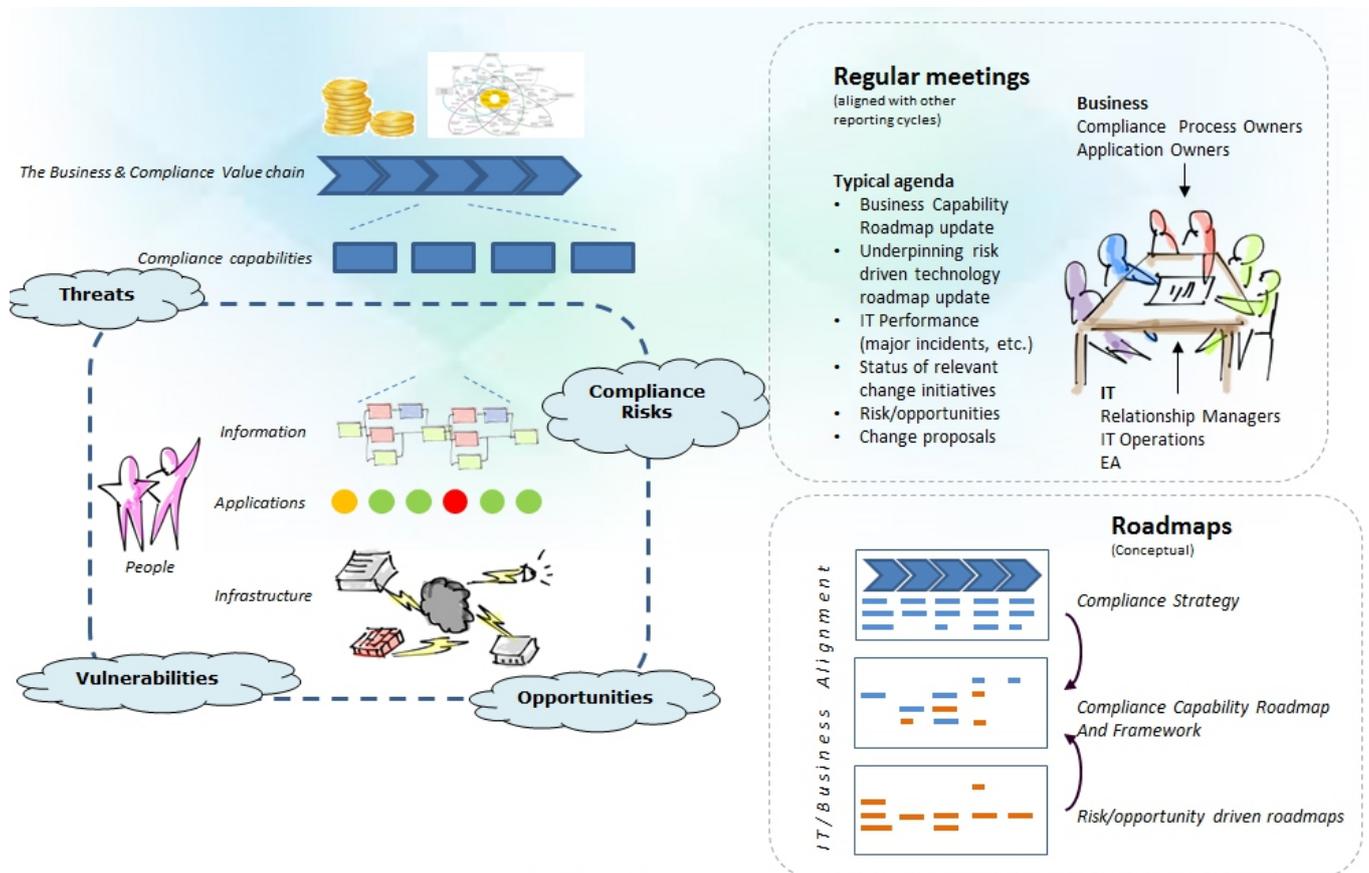
The Commercial Advantages of Automating Beyond Compliance



Compliance storytelling is a powerful tool to impact that numbers will sink in deeper and make good use of the abundance of compliance data.

- Enhancing enterprise risk management across client segments
- Deepening “know your client” (KYC) insight
- Modeling the effectiveness and return on investment (ROI) of costly compliance & marketing campaigns
- Identifying potential client/market demand for new products
- Implementing aggressive fraud detection and IT & Cybersecurity defenses
- Identifying revenue potential and value in terms of actual revenues

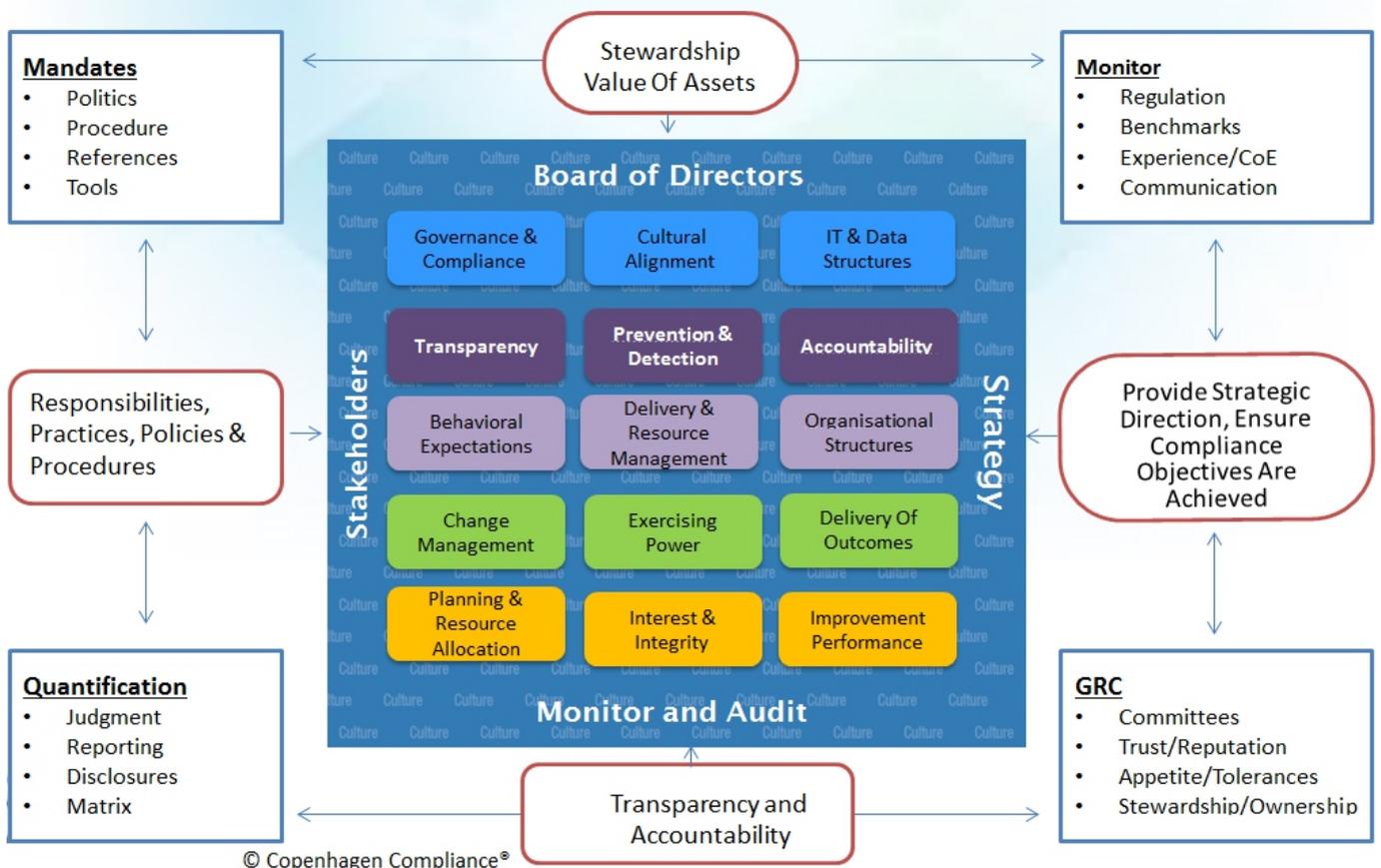
Creating a Cognitive Compliance Framework



Monitoring product-specific metrics (cost-income ratio) and the market setting should continue? However with the right IT and data management strategy, compliance can leverage and manage risks and be used for business development. As regulators require more reports derived from interactive information management systems, an enterprise compliance & disclosure approach can take advantage of using the new data systems for adequate support of sales, marketing and client communications activities & efforts.

The theme and agenda of Copenhagen Compliance® seminars and workshops are developed, based on research and the material gathered from the most recent conferences held by the EU commission. During the briefing/seminar, Copenhagen Compliance will draft the seminar presentation to include a Copenhagen Compliance value proposition. This value proposition is refined using compliance contacts, to ensure that the components and content are relevant to the seminar attendees and demonstrates governance, risk management, and compliance responsibilities.

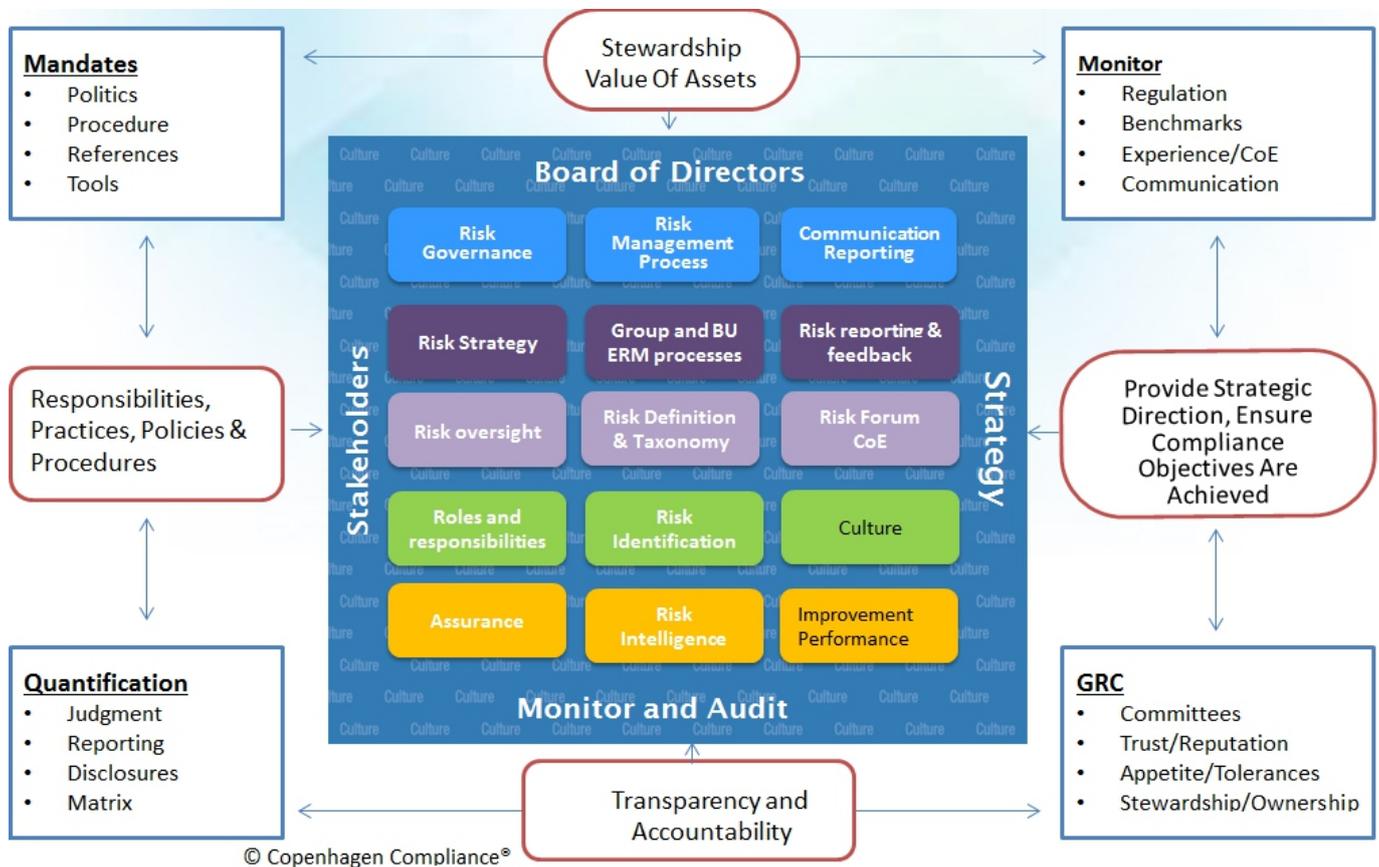
Financial Compliance Framework



To avoid the impact assessment of the individual regulations and create enterprise compliance dealing without focused on each law in isolation on a jurisdiction-by-jurisdiction, report-by-report or form-by-form basis, piecemeal basis. This avoidance of narrowly defined compliance functions is suboptimal, costly and unsustainable in the new compliance regime.

Therefore we have prepared a optimal and sustainable methodology that focuses on restructuring the reporting roadmaps and frameworks with data architectures and internal processes that address the prerequisites of a cost-effective, scalable, enterprise IT based compliance strategy that look at compliance outside in for all regulations at global, regional and local levels. At the same time, we review the identified regulatory requirements inside-out by comparing the existing capabilities and performing a gap analysis for each regulation.

Financial Risk Framework



The enhanced jurisdiction of global oversight authorities, including The U.S. Federal Reserve, the U.S. Securities and Exchange Commission (SEC) and the U.S. Commodity Futures Trading Commission and corresponding local oversight authorities are forced to be active. Also to the local and regional authorities, financial institutions can be subject to the jurisdiction of regulators from the European Union (EU) and European Economic Area (EEA).

Given the scale and magnitude of forthcoming regulatory change it is possible that profit margins or a cost-income ratio of many asset managers could increase two to three points or even more. Therefore adopting a new enterprise-wide, holistic business operating compliance model can minimise costs, eliminate duplicative and wasted efforts, and ensure future flexibility, to meet the regulatory obligations.

Therefore the framework can address more rules that broaden the jurisdictions and result in the enforcement power of regulators across different domains.

One Size Still Does Not Fit All



The timeframe is an issue. The deadlines are tough, and the complexities need undivided attention on how the key players will implement the new reforms and regulations without damaging the operation.

- Regulators do not always get things right by employing a standard approach
 - Must be comparable across multiple firms.
- Regulators think holistically about the entire financial system
 - The macro prudential approach requires the regulators to get things right
- Tailor risk management programs to unique circumstances & risk profile
- Specific Governance, Risk Management & Compliance data is critical
- Staff absorbed in regulatory compliance lack integration discipline
- Compliance departments must maintain the ability to act independently & protect against the regulators' grip on macro-prudential regulation
- Market mechanisms must be able to respond organically as the problems arise.

The best way to attack future compliance and regulations is to define the requirements when these are still only for a proposal or consultation stage. Despite uncertainty caused by the lack of finalization, there is most often enough clarity in the reasoning behind the proposals that companies can begin to prepare for various regulatory challenges of duplication of efforts, overlaps on each regulatory subset for likely overlapping and duplication of other regulatory data requirements.

The analysis of multi-structured compliance data with a series of data sets produces additional business insights and at the same time reveal previously unknown opportunities. The result is accurate business insights that help to improve business performance and deliver reliable and valuable results in terms of profitability and growth when satisfying the regulatory compliance demands.

GRC Implementation And Monitoring Solutions From A Single Source.

- Provide knowledge on GRC components for operations oriented strategic and financial planning
- Higher security demands on processes and strict compliance regulations are a real challenge for companies.
- The interesting solutions and best practices for analyzing huge amounts of data
- Implement innovative approaches to applications and technologies for automating GRC.

Copenhagen Compliance® was established in 2006, to support comprehensive global overview on corporate Good Governance, Risk Management, Compliance and IT-Security (GRC) issues.

Copenhagen Compliance® is an independent GRC competence center, with added specialization in bribery, fraud and corruption (BFC) prevention and Corporate Social/Stakeholder Responsibility (CSR) issues. We named our services Copenhagen Compliance® because Denmark/Scandinavia is traditionally known to provide global guidance on integrity, accountability and transparency issues. Scandinavian countries continue to be on the top of the list as the least corrupt, and are in the forefront to introduce global GRC/CSR and BFC codex and framework.

The primary objective is to strengthen the international GRC implementation system, whose greatest responsibility and challenge is to help managers, companies and regulators to understand, cope and comply with the current GRC problems and help them to formulate a safer and more sustainable GRC strategy.



The chairman is Lady Olga Maitland, board members are Torben Nielsen, ex-governor of the Danish National Bank, Mariano A. Davis, President of the British Chamber of Commerce, Tony Hegarty ex. The world Bank, CFO and the Secretary General is Kersi. F. Porbunderwalla

Copenhagen Compliance® is composed of three groups/Divisions- the Riskability IT Tools provides assessment on BFC/GRC/CSR issues. Copenhagen Charter provides global guidance on GRC/CSR/BFC principles and practices for certification purposes.

Our LEAN GRC implementations and independent review on GRC effectiveness are based on defined principles and practices. Additional services include; interim GRC personnel (search and selection), CERP (clear eyes review process) in-house training, conferences & webinars.



Copenhagen Charter further develops customised principles on corporate Code-of-Conduct including board committee charters based on key governance components; integrity, accountability ethics and transparency, to create value and improve global GRC processes & business standing for our clients.

The advisory assignments, conferences, seminars & workshops are based on our Maturity Model, Framework and CERP® methodology. We provide Roadmap for enhanced GRC stakeholder implementation, monitoring & reporting. LEAN GRC implementations and independent review on the GRC effectiveness are based on the defined principles and practices of Copenhagen Compliance.

When you get certified, you get recognized: As an independent body, we provide assessments, certification, opinions & autonomous papers & reports on audit, legal and policy issues to companies, organisations & associations.



The extended scope of Copenhagen Compliance framework(s) will accelerate the execution of your GRC/BFC/CSR profile to secure a major impact on your top and bottom lines. In other words, Copenhagen Compliance provides a range of practical and hands-on advisory services, which combines the vision of the annual Davos Summit, together with the framework and process of the Basel Accords garnished with the oversight of the Bilderberg group.



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