The impact of regulation
Taking stock at this historical turning point

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Dear Reader

While the financial industry is still recovering from the tempest that hit in the fall of 2008, initiatives for improving regulation are gaining momentum. Whether the financial crisis was the consequence of deregulation, or of ill-targeted regulation, is a question that will be answered by historians in due time, if the question is answerable at all.

This does, however, not exonerate all members of the Financial Services industry, including regulators and legislators, to draw the lessons and design the regulation for the years to come. The answer to the question as to how much regulation there should be and how this regulation is best targeted and calibrated, can probably only be answered via a consensus that emerges from a debate that allows all stakeholders to provide their input. It is to this debate that we want to contribute through this report.

Frank Verhaegen
FSI Country Leader

Acknowledgements
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Executive Summary

Financial institutions operating in Belgium must comply with a myriad of regulatory and legal requirements. Contrary to public perception, these requirements have only grown in number and complexity in recent years. This has placed a substantial burden on financial institutions and has left them with considerable challenges.

The results of this survey provide some interesting insights into the nature of compliance management amongst some of our leading financial institutions. To clearly set the scene, the survey defined "compliance" as conformity with applicable regulatory and legislative requirements, internal policies related to external requirements, and industry standards for operation.

To measure the impact of regulation on Belgian financial institutions, Deloitte conducted over the 2nd and 3rd quarter of 2008 a survey of Chief Financial Officers, Chief Compliance Officers, and other senior executives at 17 institutions in Belgium covering a representative range in size and nature of activities[1]. The results shed light on how banks, insurance companies and investment firms are coping with compliance and their expectations for the future.

While most existing surveys have focused on the cost of compliance, our research attempted to look beyond this and address some additional questions:

- Do financial institutions expect compliance costs to increase or decrease in the future?
- What has been the impact of compliance on their operations?
- How efficient and effective have financial institutions been in meeting their expanded compliance responsibilities?
- How could they improve the management of their compliance obligations?

1 The sample includes major as well as midsize/small credit institutions, investment firms and insurance companies. The quantitative analysis is based on detailed information provided to us by 13 institutions.

Key Findings

The key findings of the survey include:

- In the perception of executives in the financial industry, the number and complexity of regulatory requirements has increased in recent years. All financial institutions surveyed strongly agreed with the statement that compliance with existing rules and regulations had become more complex since 2002. This is contrary to the public perception of increasing deregulation in the financial sector.

- While regulatory complexity has increased, compliance costs have swung upwards as well. Compliance-related spending increased in absolute terms, from an average cost of EUR 0.49 mio in 2002 to EUR 1.70 mio in 2007. And spending has increased even more markedly in relative terms, as a percentage of total operating costs: from 1% of operating costs in 2002 to 4% in 2007.

- The main driver of compliance-related spending is clearly the need to acquire additional human resources. The financial institutions surveyed indicated that 45% of compliance-related spending goes to compensation of staff. Some institutions even reported that they had no dedicated staff at all for compliance-related work before 2002.

- The increase in spending has had a positive impact on the performance of the different oversight functions. Nevertheless, only half of the surveyed institutions claimed that their oversight functions had gotten better at reducing duplication of the compliance efforts across different functions and business lines. 40% believed increased spending had not brought improvement in this area, and 10% of surveyed institutions even claimed that the situation had got worse.

Implications

In return for the higher costs and effort associated with meeting the additional compliance requirements that came into force over the last several years, most financial institutions feel they have achieved a more secure operating environment. However, the increasing scope and complexity of these obligations have led to compliance spending growing rapidly, and significantly faster than other operating costs.

One important reason for escalating costs is that many financial institutions have not taken advantage of the overlapping elements of the requirements they face, such as KYC obligations based on MiFID and anti-money laundering regulation or provisioning for credit under IAS and Basel II. Additionally, many financial institutions have replicated compliance practices in individual lines of business, which has resulted in similar processes, procedures, and requests for information being multiplied across the enterprise.

This fragmented approach has also made it difficult to develop clear and comprehensive compliance information. Compliance reporting flows installed over the past few years, have yet to mature in terms of timeliness and comprehensiveness.

Financial institutions have an opportunity to mitigate rising costs by approaching compliance comprehensively – reducing duplicative processes, eliminating unnecessary procedures, and building the business case for more investment in technology solutions to improve efficiency and provide actionable reporting. Rethinking compliance will require executives to question familiar assumptions and business processes. Yet, taking a more holistic approach to compliance management offers the potential to leverage the common elements of many regulations to achieve more effective compliance management at significantly reduced cost.
Compliance will then become again what it is supposed to be, the entry ticket for taking part in the industry and not a significant burden on management's agenda.

Background

Deregulation has been blamed by a number of commentators as an important cause for the present financial crisis. However, the number of rules and regulations with which Belgian financial institutions have to comply has all but increased over the past couple of years. Since 2002, new national and international requirements, such as Basel II, MiFID, AML, and IFRS have substantially increased regulatory complexity within the Belgian and international context. At the same time, Belgian financial institutions, continuing their expansion across different national boundaries, are reporting to an increasing number of regulators.

Against the backdrop of an explosion in product innovation, the combination of these new or strengthened laws, regulations, and supervisory guidance, together with tougher industry standards, has created a complex labyrinth of compliance, involving engagement with a variety of different agencies. Financial institutions are required to institute new procedures, upgrade technology systems, and commit additional management and staff time to increasingly complex compliance responsibilities.

In all likelihood, this development will become even more pronounced in the near future, as national and international regulators are preparing to further strengthen prudential oversight in the wake of the financial crisis under pressure of public opinion and politicians. The research here presented is therefore more relevant than ever.

Deregulation has been blamed by a number of commentators as an important cause for the present financial crisis. However, the number of rules and regulations with which Belgian financial institutions have to comply has all but increased over the past couple of years.

What do we mean by compliance?

In our survey, we defined 'compliance' as conformity with regulatory, legislative, industry and internal requirements applying to a financial institution's activities.[2]

Some examples of the regulatory, legislative, industry and internal requirements implied:

- **Legislative and Regulatory requirements**: includes functional, national, and international requirements such as MiFID, Basel II, AML, IFRS, Regulatory Reporting Requirements, Large Holdings Reporting Requirements, Data Privacy etc.
- **Industry requirements**: includes requirements imposed by business counterparties, for instance in the context of credit mitigation techniques, the increased use of SAS70 type report,…
- **Internal policies** relating to external regulatory requirements: policies covering conflicts of interest management, conduct of business, segregation of duties, authorizations/approval limits, approved transactions/investments/exposures, training, regulatory reporting, etc.

Estimating the costs of compliance

For the purposes of our survey, we focused on direct costs, such as people costs (compensation), technology costs, and costs of hiring additional external resources that provide assistance to financial institutions in managing their compliance obligations. We emphasize that all results reflect the best estimates and opinions of the respondents.

In responding to our questions throughout, a number of financial institutions requested an opportunity to research their replies before developing a response. While this gave us comfort that their replies were well thought through, it was also interesting to note that much of the information requested was not easily or immediately available. This underscored the difficulty that many financial institutions face in keeping a clear view on the multiple compliance costs across their institutions.

2 This means that we defined compliance more broadly than it is done in the CBFA circulars on compliance (D1 2001/13 of 18 December 2001 for credit institutions, D1/EB/2002/6 of 14 November 2002 for investment firms and PPB/D.255 of 10 March 2005 for insurance companies) where the definition of compliance is focused on compliance with rules relating to integrity in banking, investment services and insurance activities.

Respondent Profile

The survey solicited responses from senior executives at a representative sample of Belgian financial institutions. Nearly half of the survey respondents were Chief Financial Officers, while 15% were Chief Compliance Officers. In addition, another 15% of respondents were CEOs, which illustrates the prominence of compliance matters for financial institutions. [See Figure 1]

The respondent pool reflects well the diversity of the Belgian financial landscape. Most participants were primarily engaged in either retail banking (31%), or insurance (23%), followed by asset management and private banking (each 15%), brokerage and custody (each 8%). [See Figure 2]. 77 % of the respondents have their headquarters in Belgium, 23 % of the survey participants are a subsidiary of an international group.

Figure 1 - Respondent title/level

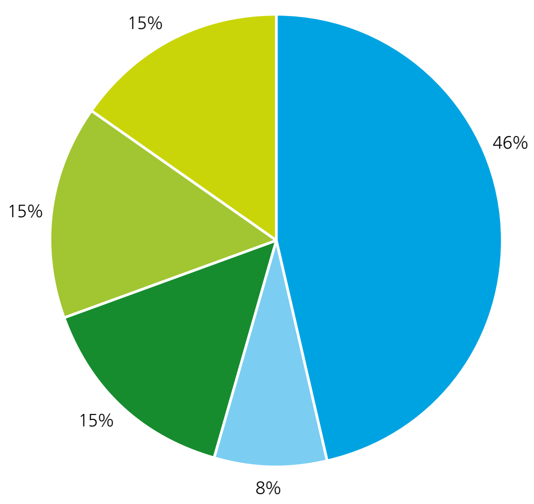
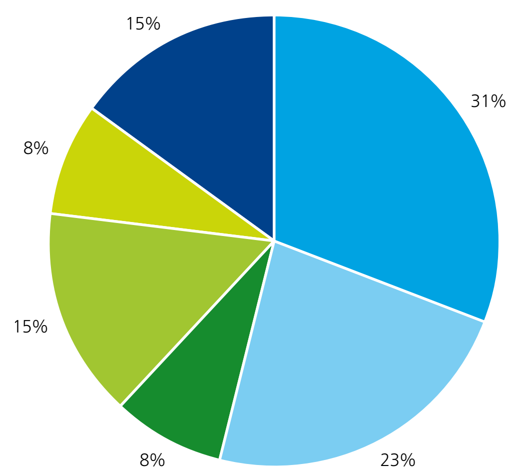


Figure 2 - Primary Industry



An Increasingly Challenging Environment

There was a broad consensus among respondents that compliance had recently become more challenging for their institutions across a range of dimensions. (See Exhibit 1). No less than 100% of respondents agreed strongly that regulatory requirements had become more complex over the past 5 years. Further, all respondents agreed, with 82% agreeing strongly, that compliance with legislation had also become more challenging over the same period.

Similarly, 73% of respondents agreed that compliance with industry standards has become more complex, while 100% felt that it had become more challenging to comply with internal policies relating to external regulatory requirements. Again, 45% or more of the financial institutions surveyed agreed strongly with each of these characterizations.

Looking ahead over the next 3 to 5 years, an overwhelming majority of respondents – respectively 82% and 100% - agreed strongly or agreed somewhat that both regulatory and legislative requirements would continue to increase in complexity, with an additional 82% expecting increasing complexity for industry and internal requirements (See Exhibit 2). These figures are all the more remarkable given the relative absence of major new requirements in the regulatory and legislative pipeline at the time of the survey.[3] The development of the financial crisis in particular was often cited as a trigger which would probably cause an additional increase in regulatory pressure.

Exhibit 1 - "Compliance with following requirements has become more complex since 2002"

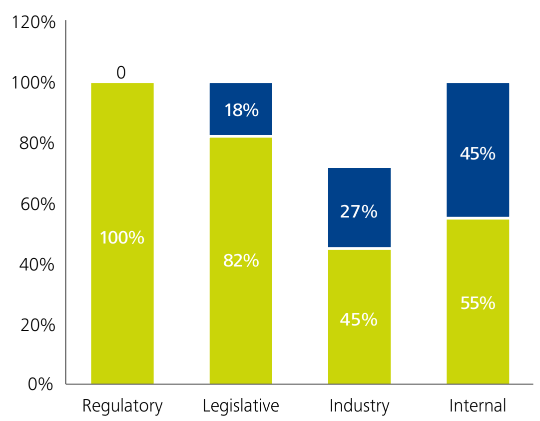
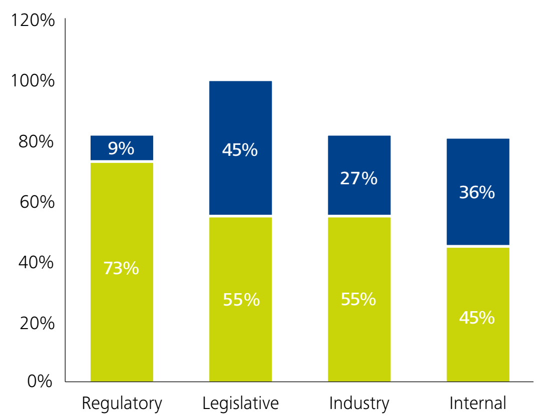


Exhibit 2 - "Compliance with following requirements will become more complex in the next 3-5 years"



3 With the exception of Solvency II for insurance companies and IFRS 4 Phase 2

Financial institutions were also asked about the impact of compliance on their business environment. Again, there was a broad consensus that the compliance-related abilities of their financial institutions had been playing a greater role, and were expected to continue to play a greater role in the future, in particular with regard to corporate reputation (See Exhibits 3-8).

- An overwhelming majority of respondents (90%) agreed that their reputation with regulators had become more sensitive to their compliance-related abilities since 2002, and a similar percentage expected this trend to continue over the next 3 to 5 years.
- 81% of respondents felt that their reputation with business counterparties had become more dependent on their compliance-related abilities. A similar percentage expected this trend to continue in the future.
- 73% agreed that their institution's reputation among their employees had become more closely related to their compliance-related abilities in the past, and would continue to do so in the future.
- A substantial majority of 82% of respondents agreed that there had been a greater demand for public transparency around compliance activities over the last 5 years. 72 % expected this trend to continue over the next 3 to 5 years.
- Most respondents (55%) felt that their institution's reputation with customers had not become more closely related to their compliance abilities over the past 5 years. However, a large majority expected this to change in the future: no less than 72% of respondents expected that their reputation with customers would become more dependent on their compliance-related abilities in the near future. Again, the credit crisis was often cited by respondents as a causal factor.
- Respondents also agreed that penalties for non-compliance had or would increase. 60% of respondents agreed that penalties for non-compliance had increased since 2002, and even more respondents (70%) believed that they would continue to increase.

Exhibit 3 - "Legal and regulatory penalities for non-compliance have/will increase"

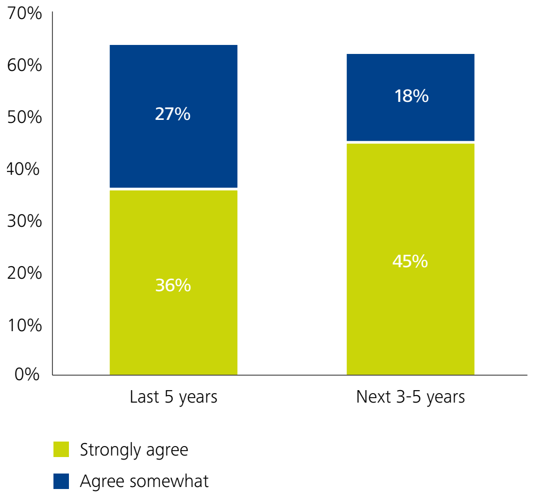


Exhibit 4 - "Public scrutiny of our compliance activities has/will increase"

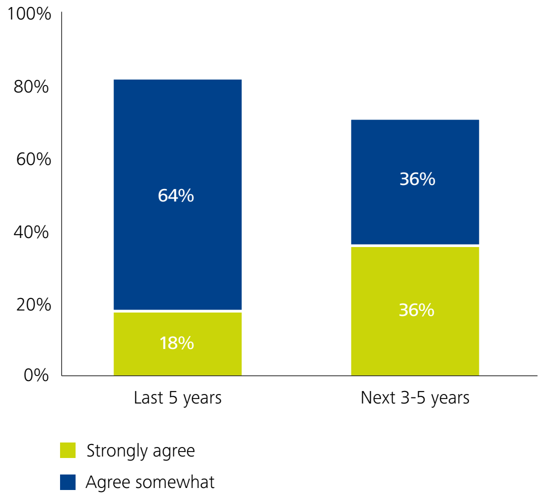


Exhibit 5 - "Our reputation with regulators has/will become more sensitive to our compliance-related abilities"

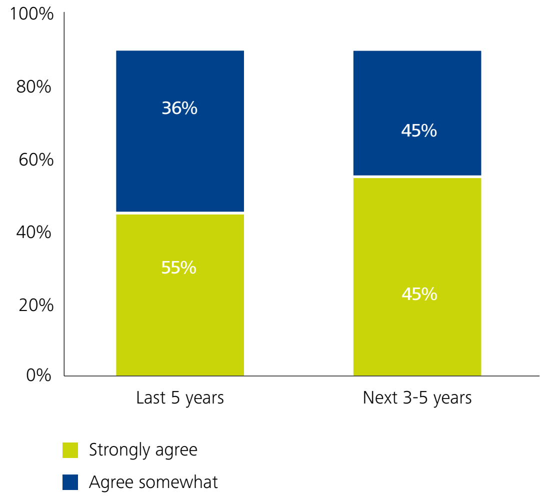


Exhibit 6 - "Our reputation with customers has/will become more sensitive to our compliance-related abilities"

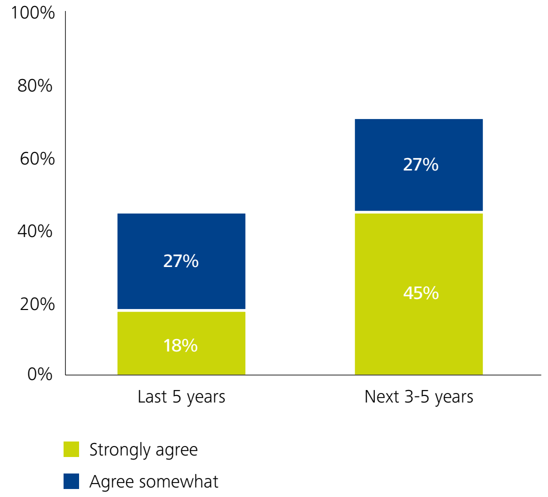


Exhibit 7 - "Our reputation with employees has/will become more sensitive to our compliance-related abilities"

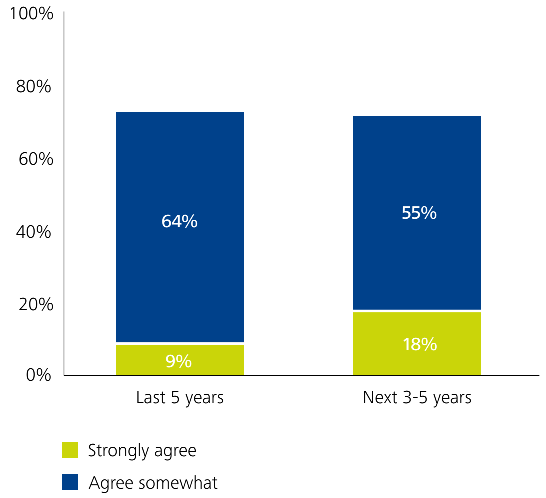
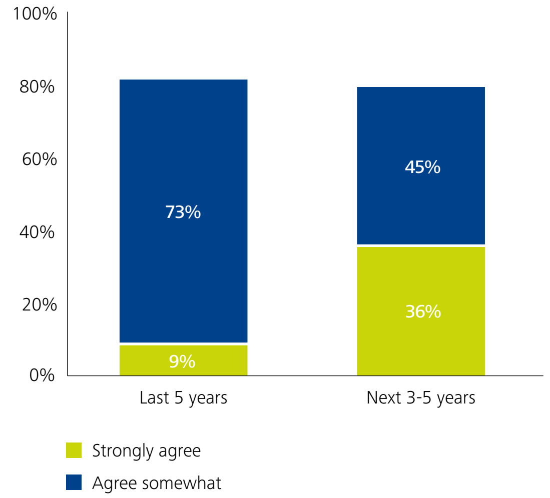


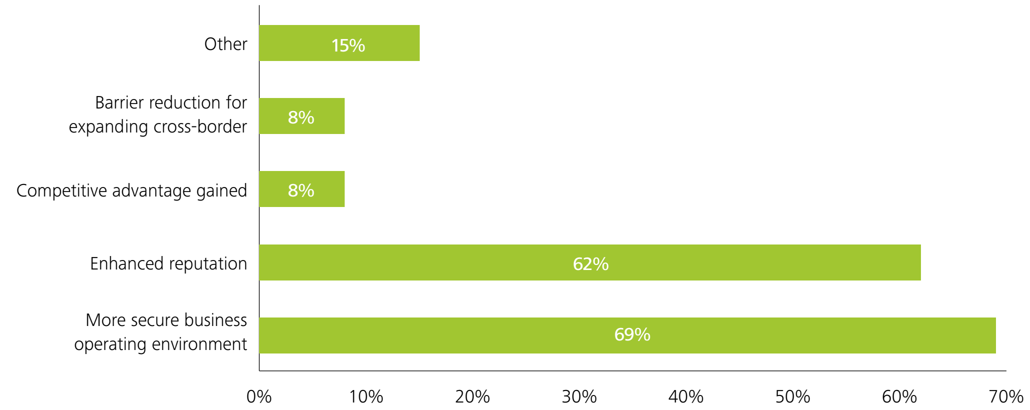
Exhibit 8 - "Our reputation with business counterparties has/will become more sensitive to our compliance-related abilities"



As these figures show, compliance is a reputation issue, and if not managed well, can have an important impact on revenue and profits – although the impact is not perceived to be the same on all stakeholders. Respondents representing publicly quoted institutions moreover agreed that their stock price would become more dependent on their compliance performance. In other words, compliance is a core business competency essential to the performance of financial institutions over the long term with significant downside risk if not managed effectively.

Despite the increasing complexity of compliance, most respondents believed the additional spending on compliance requirements since 2002 had yielded benefits (See Exhibit 9). Over two-thirds of respondents believed that enhanced requirements had created a more secure operating environment for financial institutions (an opinion which was not impacted by the financial crisis). Similarly, 62% of respondents said that increased spending on compliance had benefited their reputation.

Exhibit 9 - "What do you perceive to be the main benefits to your firm of compliance-related spending since 2002?"



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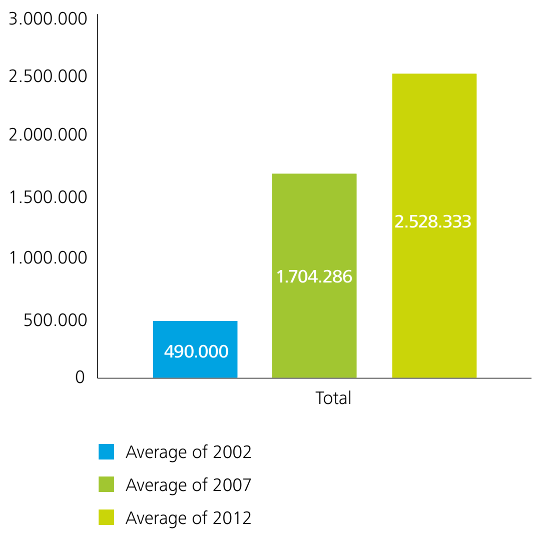
Compliance Spending

The proliferating number of requirements has driven significant increases in compliance spending including compensation, out-of-pocket spending on vendors and consultants, and capital investment on IT. Among the institutions surveyed, overall compliance-related spending quadrupled on average between 2002 and 2007 (See Exhibit 1). Expectations were at the time of the survey that compliance spending would still increase between 2007 and 2012 but in a less pronounced way with 50% .

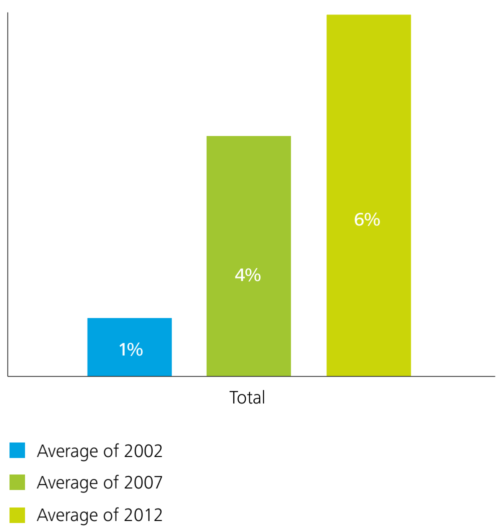
Financial institutions that can discharge their compliance responsibilities more efficiently could gain a significant competitive advantage

Even more importantly, the growth of compliance spending outpaced the growth of operating costs. In 2002, 1% of overall operating costs went to compliance. In 2007, no less than 4% of operating costs was needed to meet compliance requirements, and respondents expect these costs to further increase to 6% by 2012. (See Exhibit 2). Clearly, the rise in compliance-related spending is undermining the efforts of Belgian financial institutions to streamline operating costs. Financial institutions that can discharge their compliance responsibilities more efficiently could gain a significant competitive advantage.

Exhibit 1 - Compliance-Related Spending (in EUR)



ibit 2 - Compliance-Related Spending (as a percentage of operating costs)

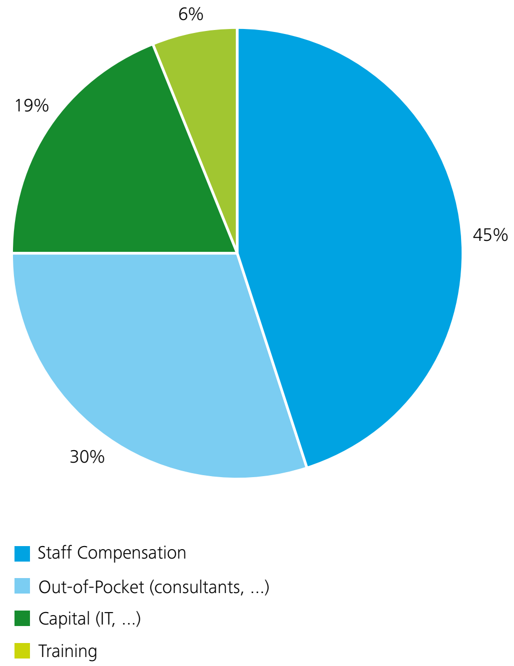


When spending on individual requirements is taken into account, it is clear that Basel II is the most expensive new requirement for banks, with expenditure ranging from EUR 110,000 to EUR 9.6 million. Likewise, the implementation of IFRS, MiFID and SEPA has proven very costly for Belgian banks, with expenditure running up to a few million euro for the bigger banks. The insurance companies surveyed reported less steep implementation costs for individual measures, although expected expenditure for the implementation of Solvency II ranges between EUR 1 million to EUR 10 million.[4]

On average, institutions reported that almost half of compliance-related spending went to compensation of staff (see Exhibit 3). An additional 30% was allocated to out-of-pocket expenses for outside vendors and consultants providing accounting, auditing, legal and technology services, while another 19% went to capital expenses, principally the adaptation and implementation of IT systems. The implication of these findings is that while technology has undoubtedly played a large part in managing the compliance burden, by far the greatest impact has been in increased staff costs throughout the organization. For instance, one institution reported an increase of its staff in oversight functions from 0.5 FTE in 2002 to 18 FTE in 2007.

This suggests that technology combined with well adapted processes could be used more effectively to reduce the costs of compliance management. One indication that there may be more potential to leverage technology to improve compliance processes is the high degree of compliance duplication that continues to exist. To be successful, technology implementation needs to work in tandem with business process improvement.

Exhibit 3 - Compliance-Related Spending 2007



To be successful, technology implementation needs to work in tandem with business process improvement

4 Insurance companies reported less compliance costs than other financial institutions, because at the time survey, less requirements had been implemented for the insurance sector than for the banking sector.

A classical example in this context is the fact that many regulations require some sort of reporting or analysis of data that may already be available in the organization. Upon an initial implementation of a new regulatory requirement, one often resorts to ad hoc, labor intensive fixes to achieve compliance. In a second phase, a redesign of the data structure itself, even at the moment of capturing of the data, can lead to making the initial quick fix redundant.

It must be kept in mind that the overall 80-20 rule also applies to regulatory compliance efforts. Rationally directing compliance efforts based on a prior thorough risk analysis can clearly help in reaching sufficient assurance (at a reasonable price) that the organization can claim compliance.

Belgian financial institutions are not just confronted with rising costs due to the increasing complexity of the compliance environment. Compliance-related activities are also consuming more and more time of their management and staff. Employees across the institution must address new requirements stemming from more formal regulatory guidelines, stricter regulatory supervision, and more robust industry standards. Functions and lines of business have had to respond to additional regulatory examinations, implement new policies and procedures, and provide staff training.

Not surprisingly, the amount of time spent meeting compliance requirements is highest among oversight functions such as Compliance, Risk Management, and Internal Audit. However, our respondents indicated that other functions likewise spend a substantial amount of time on compliance-related matters. On average, employees in legal functions spend 47% of their time on compliance, while it was estimated that branch and commercial employees need no less than 10% of their time to fulfill compliance-related requirements. Even more significantly, the management of the surveyed institutions spent on average 16% of their time on compliance-related issues.

The significant amount of management time and attention taken up by compliance suggests that financial institutions are instilling a strong compliance culture and awareness throughout their organizations. Business managers, and not just compliance managers, are deeply involved in addressing compliance issues. But this raises a couple of questions:

- What tools (e.g. timely, accurate reports) and techniques do managers have at their disposal to execute their responsibilities effectively? There are indications that information systems at many institutions need significant improvement.
- Does the increase in management time spent on compliance in part result from compliance systems and organization that are less integrated and effective than they could be? While the active involvement of managers throughout the organization on compliance is appropriate, it is equally important to ensure that inefficient compliance processes do not divert scarce management time that should be committed to achieving the organization's strategic objectives.

Governance

Institutions have adopted a variety of approaches to the governance of compliance. The executive most often cited as having the primary responsibility for compliance was the Chief Compliance Officer, as reported by 63% of respondents (see Exhibit 1). Other executives reported as having primary responsibility were the Chief Financial Officer or another member of the Executive Committee. However, there is reason to think that not all institutions surveyed have a clear chain of command when it comes to compliance in the broad sense of the word, as defined for the purposes of this survey. Indeed, some institutions reported that no one was in charge of overall compliance.

There was less agreement to whom those with primary responsibility for compliance report. 64% of respondents indicated that those responsible for compliance reported to the Board. 55% said that the compliance responsible reported to the CEO, underlining the high-level attention that compliance receives at most financial institutions (see Exhibit 2) (responses totaled more than 100% as respondents were offered the opportunity to indicate different reporting lines). Another 36% said that the compliance responsible reported to one or more Executive Directors, and equally many said that other executives or committees were at the receiving end of the reporting line, including the Audit Committee. The diversity of approaches suggests that common governance standards have not yet emerged across the industry

Exhibit 1 - "Who has the primary responsibility for managing overall compliance activities within your firm?"

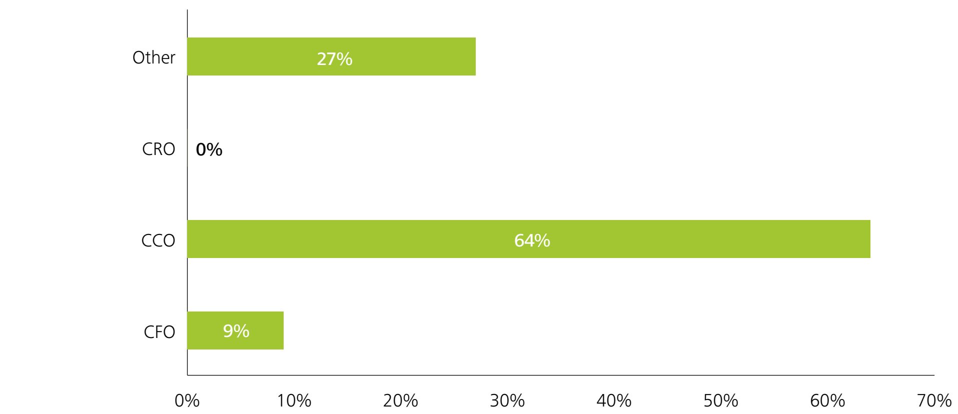
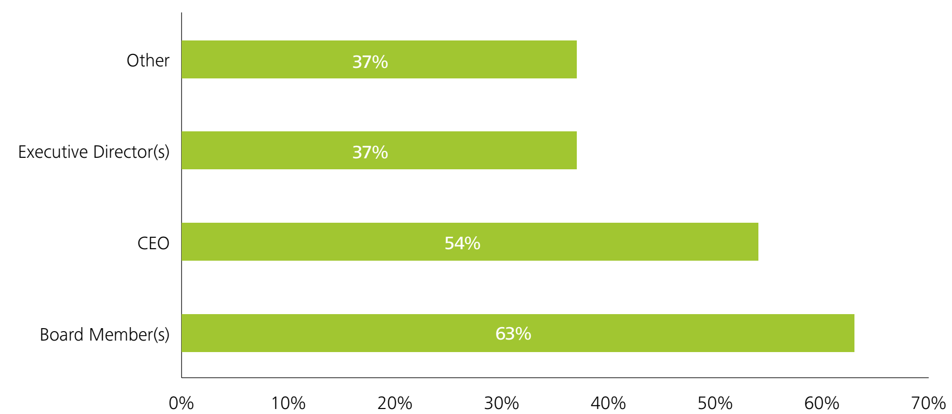


Exhibit 2 - "To whom does this person report?"



Compliance Processes

Compliance reporting remains a work in progress

When executives were asked to characterize how the adequacy of their compliance processes had changed since 2002, most felt their financial institutions had made strides on many fronts. However, progress was much less common in 2 key areas: justifying compliance costs using evidence of their benefits or effectiveness and reducing duplication (see Exhibit 1).

Only half of the respondents reported that their financial institutions had made progress since 2002 in justifying compliance expenditures with evidence of their effectiveness, while 40% indicated that their firms had not been able to improve this capacity, and 10% even said that they were now doing a worse job than in 2002. Similarly, only half of respondents said that their institutions now did a better job reducing duplication of compliance activities across functions and lines of business.

Executives reported more progress in other areas. All respondents said that their oversight functions had made progress since 2002 in their ability to demonstrate that compliance risks are under control. A large majority – 90% of respondents – claimed that their institutions were now better at integrating oversight and controls across business lines than in 2002. This is particularly important since taking a holistic view and integrating compliance across functions and lines of businesses provides opportunities to substantially boost efficiency, while at the same time increasing effectiveness.

While it is a positive sign that most financial institutions reported making progress in these areas, our experience is that there remains substantial fragmentation and duplication in most institutions that need to be addressed. In fact, it was significant that many of the financial institutions participating in this survey did not have enterprise-wide information on their compliance activities readily available. Simply to answer the survey questions, they had to collect and analyze information on their compliance activities from functions and lines of business across their organizations.

This fragmentation is reflected in executive responses with respect to their ability to deliver comprehensive compliance information in a timely manner. Despite the additional spending and management time devoted to compliance over the last several years, many financial institutions still find this difficult to achieve consistently. Almost half of respondents (45%) said that compliance reporting was often, but not always timely (see Exhibit 2). Another 27% reported that the information was often, but not always, comprehensive. Compliance reporting remains a work in progress.

Exhibit 1 - "Please indicate how the working of your oversight functions has changed since 2002?"

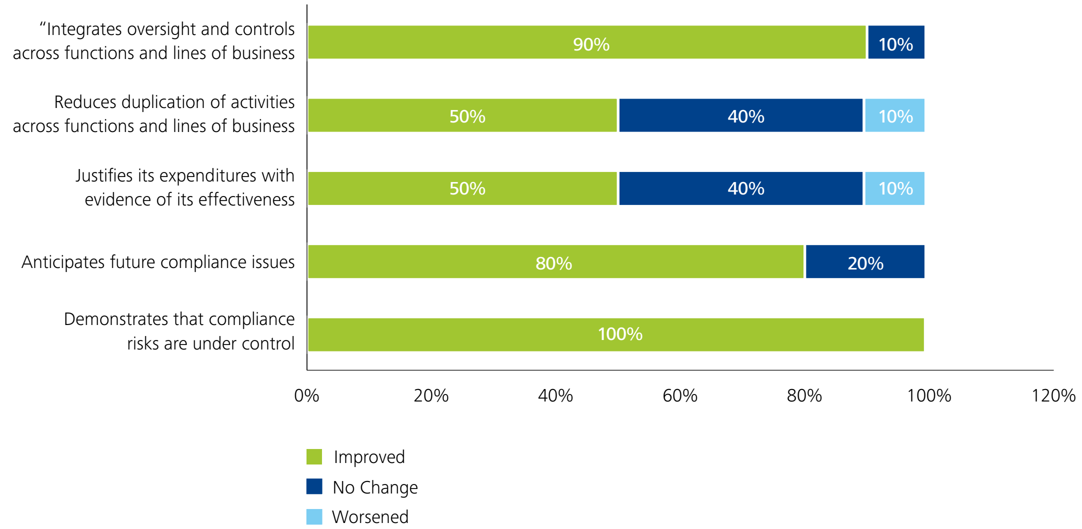
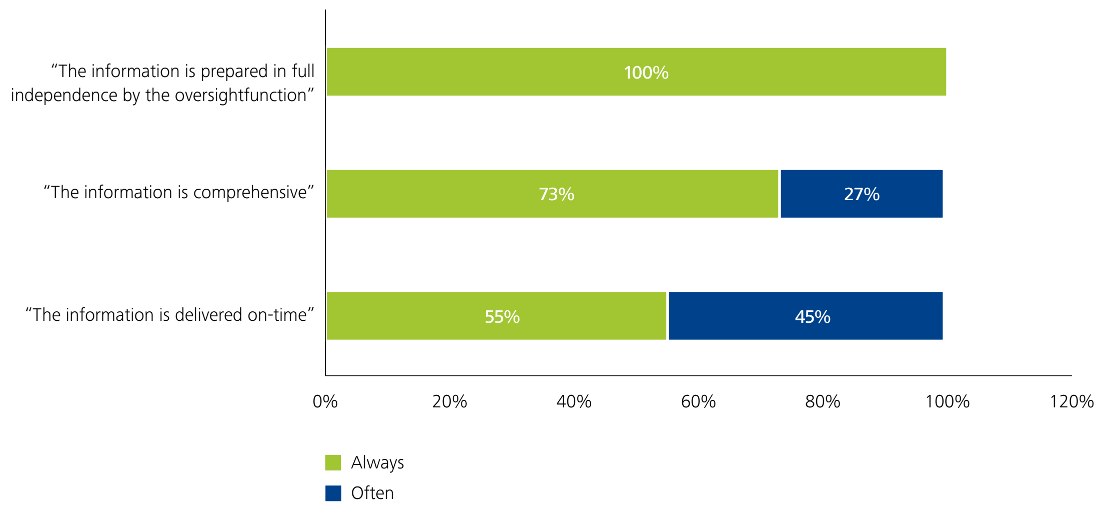


Exhibit 2 - "How would you characterize the information currently provided by your oversight's functions?"



Measuring the Performance of Compliance Management

More than 50% of institutions reported that they measure compliance performance on a regular basis, with 36% measuring performance quarterly or more often, and an equal number measuring it semi-annually (see Exhibit 1). However, there were still quite a number of institutions where measurement of the performance of their compliance-related activities remained below par, with 18% of institutions measuring it annually, and another 9% not measuring it at all.

It is also clear from the results of our survey that measurement of compliance-related activities remains qualitative for most firms. Only 9% of financial institutions reported using quantitative metrics (see Exhibit 2). The most common approach to measuring performance of compliance programs, cited by 91% of respondents, was holding meetings with regulators. Firms also said to rely on internal feedback from testing activities and internal audit, cited by 45% of respondents or on industry surveys, cited by 36%.

Exhibit 1 - "How often does your firm measure the performance of its compliance-related activities?"

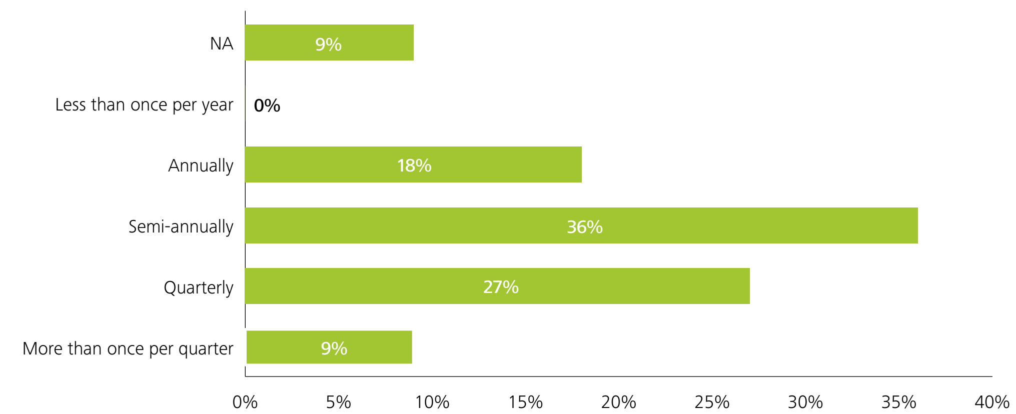
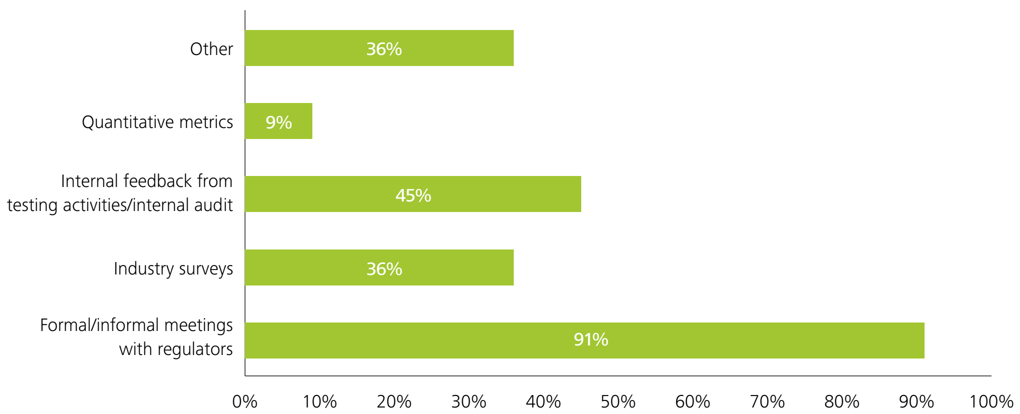


Exhibit 2 - "How does your firm establish benchmarks to measure the performance of its compliance-related activities?"



Recommendations to Improve Compliance Environment

Financial institutions were asked to suggest any regulatory, legal, industry, or internal change that they believed would be most important to allow their institutions to improve the efficiency of compliance while maintaining their level of oversight. 58% of the executives suggested steps to improve regulatory oversight or structure.

A large majority of those respondents indicated that the need for better cross-border cooperation and coordination between different national regulators in Europe is an absolute priority for improving the regulatory environment

A large majority of those respondents indicated that the need for better cross-border cooperation and coordination between different national regulators in Europe is an absolute priority for improving the regulatory environment. They also pleaded for greater regulatory harmonization on the European level.

Among the other suggestions offered were the following:

- Some institutions indicate that they would welcome more guidance by the regulator on implementation of new requirements, on best practices. Others, on the contrary, are of the opinion that current regulation/legislation result in a 'ticking off the box' mentality and suggest less bureaucratic rules,
- The industry should be given more time for the implementation of new requirements, current implementation timelines make it hard to plan ahead.
- The compliance officer could benefit from a status, which would be more protected than currently is the case and which would increase its independence vis-à-vis the financial institution. Reference is made to the framework for whistle-blowers.

Conclusion

Compliance costs for financial institutions have increased substantially in recent years and were expected to continue to rise, even before the worst wave of the crisis in the fourth quarter of 2008

While the recent turmoil in financial markets is making it extremely difficult to predict the extent of that increase with any accuracy, it is certain that financial institutions might expect a substantial rise in their compliance burden in the near future. More than ever before, the skill in managing that compliance burden while preserving high standards will remain critical to the success of the business. A top priority for financial institutions across the industry is to find ways to increase the efficiency of compliance process management, while becoming more effective at complying with increasingly complex regulatory requirements.

Why have compliance costs risen so sharply? Is it simply a question of more regulation?
The survey results suggest that this is not the entire story. Financial institutions have tended to respond to increased regulations by adding people, rather than by improving processes and leveraging technology. In our opinion, technology spending may go more often to monitoring compliance, rather than improving the performance of compliance management. Additionally, in our experience, financial institutions have not always leveraged the common elements in many regulations and the wider opportunities of managing compliance at an enterprise-wide level.

The challenge for many financial institutions is to devise the best approach to operationalize the compliance management process holistically within and across their businesses, given the divisions and sub-divisions that exist within different parts of the enterprise.
Although the financial costs of compliance have been significant, there may be important opportunities for financial institutions to reduce those costs by focusing more on improving governance and compliance processes.

Besides the additional direct costs associated with increased compliance, there are undoubtedly opportunity costs stemming from less investment in other parts of the business. But again these types of trade-offs could probably have been made far less acute for financial institutions by more focus on process improvement and technology investment in compliance management.

The less duplicative regulations are, the more easily implemented they will be and the more effective a contribution they will make to banking efficiency and consumer protection. We also believe that the impact of compliance may not be equal across different sizes of financial institutions and believe that additional thought should be given to whether or not larger financial institutions gain an advantage over smaller financial institutions by being able to leverage their scale to better absorb the compliance burden.

Compliance approaches vary significantly across individual financial institutions, and some companies have been far more effective than others in efficiently managing the compliance burden. The challenge for many financial institutions is to fundamentally rethink their business processes and information systems to boost efficiency, while at the same time improving their visibility into the multiple compliance activities across their organizations.

Levers for success in that process could be:

- An up to date compliance strategy that is aligned with group/business objectives and risk appetite and supported by a cost effective and efficient operating mode;
- Clearly defined key operational processes supported by relevant, well managed compliance policies and procedures, driven by an effective compliance organization;
- Updated roles, responsibilities and skill sets of all stakeholders to reflect the more principles based regulation approach to regulation that focuses on outcomes and embeds compliance into an organization;
- Effective and efficient management information, intelligence and controls relevant to each stakeholder;
- Flexible and adaptive compliance technology that is fully understood by those with compliance responsibilities and that enables the firm to meet its current and future compliance reporting priorities;
- Continuous employee education to turn compliance into a shared responsibility rather than the narrow remit of a small, often centralized group of technical experts;
- Quantitative and qualitative metrics to demonstrate value of changing the way compliance is done.

If anything, this proves that to optimally address compliance challenges, a multidisciplinary approach is the key to success.

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