

# Compliance Survey 2014

## The changing role of compliance officers

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### About the survey

This is the second comprehensive survey of compliance in Financial Services in Ireland carried out by Deloitte in conjunction with the Association of Compliance Officers in Ireland.

The objective of this survey is to establish a benchmark for Financial Services compliance in Ireland. Through approximately 125 online surveys across all industry groups regulated by the Central Bank of Ireland (CBI), we have established trends in relation to the roles and responsibilities of the compliance function and compared those results to our previous survey in 2009.

We also compared our findings to results from similar surveys carried out by other international Deloitte firms.

# Foreword



Welcome to the second comprehensive survey of compliance in financial services in Ireland carried out by Deloitte in conjunction with the Association of Compliance Officers in Ireland. Our aim is to understand how the role of compliance officers has changed with a focus on the challenges and emerging trends that are facing them. Our results show many consistent responses with those highlighted from our 2009 survey but also highlight some unexpected and interesting deviations.

This report comes at a time when the demand on the compliance function has never been so high due to the plethora of new regulation, increased focus on compliance by board members, a regulator with considerably increased resources and the ongoing risk of enforcement action for procedural as well as compliance breaches. Despite the increase in demands it is surprising to note that the level of resources in compliance functions in Ireland has, at best, remained static, or maybe not, given the budgetary constraints most financial institutions are working under. There is a strange irony in the fact that, at a time of most need for investment in resources, many institutions can least afford to do so.

The survey demonstrates that while the world of regulation continues to change the modus operandi of compliance functions, in some cases, may not have changed sufficiently in response. This is not sustainable.

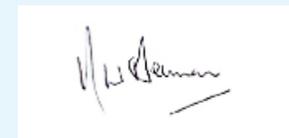
Responsibility for addressing many of the issues identified rests not just with compliance officers, but with senior management and ultimately the Board. Boards and senior management face significant challenges in meeting the business and regulatory challenges of the future. Compliance officers can play a key role in helping the board to do so but this requires investment in competent qualified resources and leading risk management techniques.

Boards, in particular, must ensure that the responsibility to act compliantly rests primarily with management in the first line of defence. They must then ensure that there is an adequate number of competent and qualified compliance staff to help management embed a compliance culture and to give them independent assurance that the firm is meeting its compliance responsibilities. They must ensure that sufficient investment is made in technology aids to measure compliance effectively and efficiently.

We hope you find our survey results thought provoking.



Colm McDonnell  
Partner  
Deloitte



Philip Brennan  
Chairman  
ACOI

# Financial services compliance in Ireland

Since our last survey published in 2009, the economic environment in Ireland and the financial services industry in particular have suffered from a significant downturn. Compliance, as a discipline has continued to evolve but the regulatory landscape has been significantly altered with considerable change driven by European regulation.

The CBI has doubled in size in recent years and since our last survey there have been a number of new appointments at senior level, including that of Mr Cyril Roux as Deputy Governor, Financial Regulation.

On 1 October 2010, the Central Bank Reform Act 2010 created a new single unitary body, namely the Central Bank of Ireland (CBI), who assumed the responsibility for both central banking and financial regulation. The new structure dissolved the previous Central Bank, the Financial Services Authority of Ireland and the Financial Regulator. The current strategic plan for the CBI embraces the desire to bring about sustained economic recovery and thus restore financial stability whilst maintaining a high level of consumer protection. This is to be achieved by means of assertive risk-based supervision of financial institutions, and in the instance where firms do not comply or deviate from set practices, enforcement will be utilised.

In respect of regulation, one of the most notable milestones in the development of compliance in Ireland is the introduction of the Fitness and Probity regime pursuant to section three of the Central Bank Reform Act 2010. This regime requires those individuals who hold the roles of Head of Compliance and Head of Compliance with responsibility for Anti-Money Laundering and Counter Terrorist Financing Legislation, and many other significant control functions, to be pre-approved by the CBI. In order to obtain approval a person is required to be financially sound, competent and capable, to be honest, ethical and to act with integrity. Each regulated entity must now confirm to the CBI on an annual basis that the pre-approved control functions remain compliant with the requirements.

2010 also saw the introduction of the Corporate Governance Code for Credit Institutions and Insurance firms ("the code"), followed by the voluntary code for the funds industry. This Code was revised and updated in December 2013. The transposition of the The Central Bank (Supervision

and Enforcement) Act 2013 into law on 11 July 2013 served to further empower the CBI enforcement and sanction powers, including an increase of 100% of thresholds for monetary fines. As stated recently by the Director of Enforcement, Ms Derville Rowland:



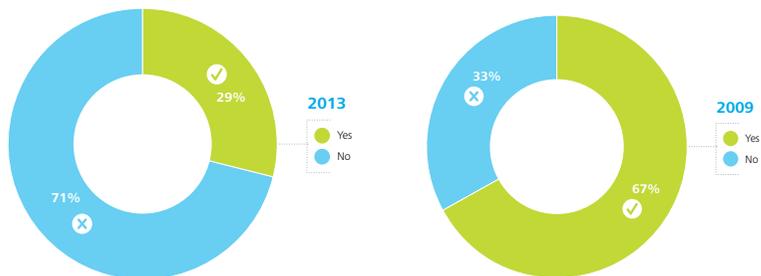
**Enforcement is a key component of the regulatory framework and we will continue to work with our supervisory colleagues to implement a system of assertive risk-based supervision backed up by the credible threat of enforcement.**

This strategy is evident through the significant increase in the size of fines issued. For example, at the time of publishing our previous survey in 2009, the largest fine imposed was €6 million. In 2013 alone, 16 fines were imposed on financial institutions the greatest of which totalled €5 million. It also brings the total level of fines imposed by the Central Bank in 2013 to €6.35 million and since 2010 to €22.14 million. In summary, it is apparent that there has been considerable movement in the realm of regulation since our last survey in 2009 and there is certainly significant change yet to come. Solvency 2, CRD IV and MIFID II are just a few of the imminent changes to be complied with in the very near future.

## 1. The future of compliance and regulation in Ireland

When surveyed on CBI activity, there was a general consensus that the CBI has now brought its supervision, enforcement and regulation of firms to a level where further increase would be seen as counter-productive. This contrasts with our survey in 2009 when respondents then felt that more enforcement was necessary - which the CBI duly introduced. However, this survey suggests that sufficient change has now occurred and saturation point has been reached. This is further analysed below.

### Is there a need for increased enforcement by the CBI?



In 2009, 67% of those surveyed held the opinion that the regulator should increase their use of administrative powers. However, when this question was posed in 2013 a majority of 71% felt that further increase in the use of such powers was not warranted. This change reflects the upsurge of enforcement activity in recent years. Initially, settlements were few in number and small in monetary value. However, the CBI's promise of "a credible threat of enforcement" for those firms who do not comply is now evident. This is evidenced by the significant increase in the size and volume of settlements. Settlement agreements to date stem from an array of contraventions, including consumer protection, AML, liquidity and other prudential and reporting matters. Indeed the impact of enforcement remains high for the future as, in addition to the reputational damage of publication, the Central Bank (Supervision and Enforcement) Act 2013 has doubled monetary fines and has also empowered the CBI to suspend authorisation for a period of 12 months or revoke it entirely.

### The below table illustrates the number and monetary value of settlements made by the CBI

Year	No. of settlements	Maximum settlement	Total
2007	1	€5,000	€5,000
2008	10	€3,450,000	€3,630,000
2009	10	€2,750,000	€3,672,500
2010	8	€2,000,000	€2,248,700
2011	10	€3,335,000	€5,050,000
2012	16	€3,200,000	€8,492,900
2013	16	€5,000,000	€6,350,000

When asked if the CBI should increase activity with regards to their supervisory role a majority of the overall population believed that this was not necessary. This response was consistent across all industry group surveyed.

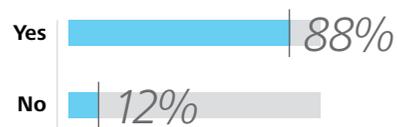
This response is understandable against the background of the introduction of the new risk based approach to supervision by the CBI, namely Probability, Risk and Impact System (PRISM). Although only 52% of respondents received PRISM visits, the intensity of review and supervision in the new risk based approach is higher for high risk firms. So while the survey finding suggest that the overall level of onsite inspections experienced by respondents may be lower than in our 2009 survey, the PRISM approach will certainly have felt more invasive for high risk firms.

Following the crisis in 2008, significant blame was attributed by many commentators to the then Irish Financial Services Regulatory Authority. Some were of the view that there was a need for an increase in regulation.

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#### Is there a need for increased guidance and clarity in relation to CBI regulation?

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Ireland has since imposed a significant volume of additional regulation in an attempt to strengthen the control and oversight of the financial services industry. These regulations included updates to the Consumer Protection Code (CPC), the Minimum Competency Code (MCC), the Fitness and Probity Regime and the Corporate Governance Code, to name but a few. In addition, the EU continues to overlay significant volumes of further law and regulation. In this survey 91% of respondents said that there was no need for additional regulation.

Financial services firms and compliance officers are clearly struggling to deal with the volume of change in such a short timeframe. There is an opportunity for the CBI to provide guidance on the interpretation and implementation of all new regulation. This will ultimately lead to better levels of compliance. Consistent with the message given in 2009, respondents have confirmed, by a significant majority, that they require such guidance and clarity.

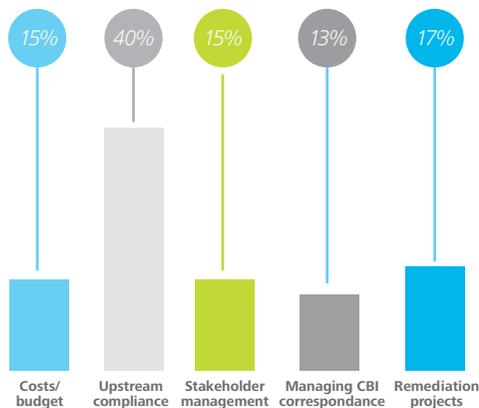


The role of the compliance officer should be to advise management on regulatory matters, to monitor compliance and to give independent assurance to the Board that management are acting compliantly.

## 2. Challenges facing compliance functions in Ireland today

It is true to say that the compliance function faces an array of challenges on a daily basis from both a business operational and regulatory level. The majority of these challenges have remained consistent with those faced by compliance departments in 2009, with the key issue continuing to be the implementation of upstream regulation. Other persisting issues which run in tandem with those experienced in 2009 include stakeholder management, cost/budgetary issues and the desire to maintain a sound working relationship with the CBI. The key issues faced in 2013 and applicable rationalisations are commented on below.

### Breakdown of the number one challenge



### Upstream compliance

By far the biggest challenge is the management of upstream compliance. This is consistent throughout the various industry groups in financial services. This is not surprising given the volume of new regulation and, in many cases, the short time frames given for implementation. The 2013 revision of the Code of Conduct on Mortgage Arrears is one case in point where the code was published just five weeks in advance of the effective implementation date albeit with a maximum period of six months to implement changes to systems, procedures and documents and/or provide relevant staff training.

In the period spanning 2009 to 2013, financial institutions have had to adapt their businesses to facilitate the implementation of an array of regulatory requirements. It is unlikely that the wave of regulatory encumbrance will cease as significant draft regulation will be imposed imminently across the industry including Solvency II, CRD IV and MIFID II. Ultimately, the challenge of implementing large volumes of new regulation in condensed timeframes is one of resourcing. Compliance officers need to approach the Boards to request adequate resources to support the increasing burden of regulation.

### Remediation projects

A brand new challenge for compliance officers in this survey is that of remediation projects. 17% of survey participants considered the oversight of remediation projects to be the second biggest issue of concern. It is inevitable that this will continue to be a high priority for firms in view of the financial and reputational impact. The CBI Head of Consumer Protection is likely to continue to focus on this area as is evidenced by the direction imposed on firms to conduct retrospective reviews of the mis-selling of Payment Protection Insurance (PPI). As at October 2013, the CBI confirmed that 11 firms were offering refunds to a portfolio of 350,000 policies, amounting to €25 million. Oversight of remediation projects is likely to remain on the agenda of compliance officers until all problems caused by inadequate technology support for products and inappropriate sales practices have need addressed.

### Costs/Budgets

Whilst 15% of participants overall expressed concerns surrounding expenditure versus allocated budget, it is appropriate to note that for both the banking and investment industry this was categorised as their least concern relatively. This does not, in our view, confirm that adequate resources are in place in those sectors. This would suggest, an acceptance that, despite the marked increase in the regulatory burden, securing further resources in compliance when they are being reduced in many front line businesses, is just not realistic. The Deloitte UK survey revealed that 60% of respondents felt that there was a significant level of underinvestment in compliance activities. Resourcing levels in Ireland have, at best, remained static for the last five years for the majority of financial institutions. Static resourcing levels are not sustainable with the ongoing increase in the regulatory burden imposed by new regulation and increased supervision. This is a key issue for boards of financial services institutions and a significant challenge in times of reduced profitability.

### Stakeholder management

15% of participants believe stakeholder management to be a key challenge and this is consistent with our 2009 survey. While it is obvious that regulation is a priority item, both for management and in the board room, these survey results confirm to us that Compliance Officers still struggle with achieving that delicate balance between the requirements of regulation, the demands of management and the need to give independent assurance to boards. Perhaps the culture of compliance has improved at board level but, in some instances, this has not yet fed down into the business lines. This result is surprising post implementation of the new Fitness and Probity standards which require individual acknowledgment from all control functions confirming compliance. The guidance notes provide that competency includes an “understanding of the regulatory environment within which they work”. While setting the tone from the top is apparent, perhaps firms have further to go with visibly endorsing and implementing a compliance culture throughout the business.

### Managing CBI correspondence

While not prominent in the 2009 survey, another key challenge identified by respondents in this survey is that of CBI correspondence. Managing correspondence and the relationship with the regulator is fast becoming part of a firm’s daily activity due to the significant rise in the nature and

volume of supervision. This has been partly escalated by the CBI new online reporting tool which allows the CBI to monitor institutions by exception. The vast array of data requirements is an efficient way for the CBI to spot anomalies and supervise from a distance but is a time consuming and a resource intensive demand for regulated institutions. While every effort is being made by the CBI to continuously improve the efficiency of the reporting requirements for users, the statistical and management information requirements are here to stay. It is imperative that institutions resource this area appropriately and oversee the information provided to the CBI so as to adequately understand any anomalies or exceptions. This is a key supervisory tool under the new PRISM approach.

### Other

When asked to identify any other challenges, respondents referred back to culture and stakeholder management. It appears that compliance functions continue to struggle with embedding a compliance culture within the first line and hence, the compliance function remains an enforcement unit and not a business partner or advisor. The concept of the three lines of defence, which would embed compliance responsibility throughout the business, does not appear to have gained traction in all institutions. Feedback suggests that ownership of compliance in many institutions remains heavily focused in the second line i.e. the compliance function. This is consistent with the results of our survey completed in the UK where the internal profile is regarded as “policing” rather than a business “adviser”.

The CBI approach to supervision under PRISM does not reflect this perception of compliance. PRISM visits include meetings with all significant senior managers within the first line of defence. Responsibility for compliance with regulation should be owned by front line management and operated by all staff.

The role of the compliance officer should be to advise management on regulatory matters, to monitor compliance and to give independent assurance to the Board that management are acting compliantly.

Boards of regulated firms, particularly medium and large/high impact firms, need to ensure that the three lines of defence are in place and operating effectively in order to meet their governance responsibilities. Accountability for integrating compliance into everyday business operations will aid a more efficient and effective business operation for all.

### 3. Compliance function roles and responsibilities

The activities performed by a compliance function have remained consistent with those identified in the last survey conducted in 2009, with compliance monitoring continuing to be top of the agenda across all industry groups. There was an increase in focus in the following areas:

- Develop policies
- Implementation of new regulations
- Remediation
- Managing CBI
- Manage Pension Ombudsman
- Monitoring
- Board reporting

The most significant increase in activities was the remediation of past business failures. This is reflective of the increase in enforcement actions which require remediation and consequences of thematic inspections e.g. the PPI review resulted in many financial institutions reviewing the sales process of PPI as far back as 2007.

It is our view that the role of the compliance officer should be to oversee and assure such remediation exercises rather than to undertake them.

Board reporting saw a significant increase from 85% of those surveyed in 2009 to 98% in 2013. This could be a direct result of the introduction of the Corporate Governance Code in 2010 which saw the implementation of more robust governance requirements, bringing with it a need for an increase in board briefing, given the unambiguous clarity that ultimate responsibility for compliance oversight rests with the Board.

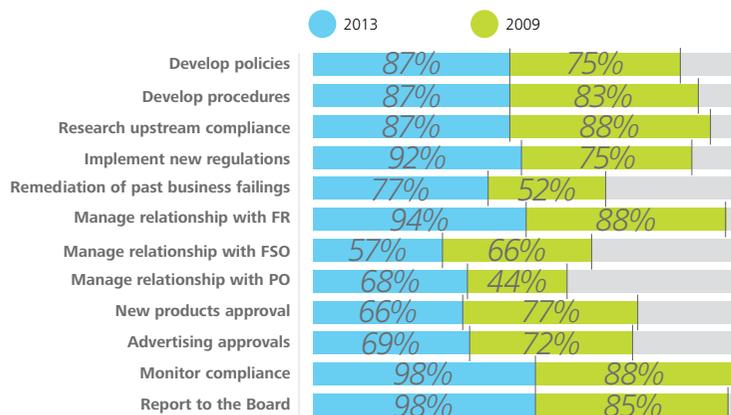
The areas where the focus of compliance officers has decreased are marginal (less than 10% in all cases) and include the following:

- Research upstream regulation (very marginal and still standing at 87%)
- Manage Financial Services Ombudsman relationship
- New product approval
- Advertising approval

Since 2009 financial institutions based in Ireland have seen a decrease in responsibility in respect of overseas regulation from 60% of those surveyed in 2009 to 43% in 2013.

The majority of compliance functions which have responsibility for overseas regulation derive from the banking sector. The decrease noted is likely to result from the divestment of foreign branches and subsidiaries.

#### Activities of compliance function



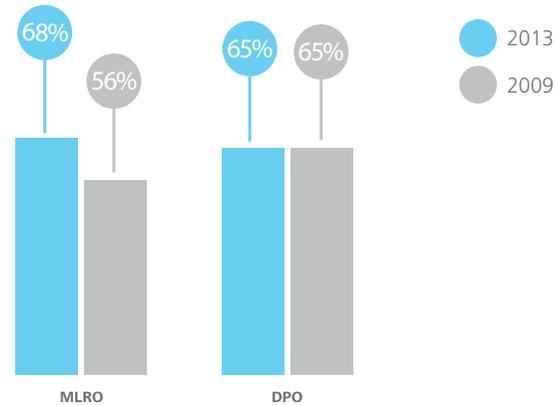
It is our view that the role of the compliance officer should be to oversee and assure such remediation exercises rather than to undertake them.

Similar to the increase on the activities of a compliance function, the scope of responsibility of compliance functions has also increased since our last survey, particularly in the areas of AML and health and safety. This suggests that many firms are consolidating the specialist oversight of all regulation, not just financial regulation, within their compliance functions. This may, however, be influenced by the size of the firms that respondents work in.

In 2009 the position of Money Laundering Reporting Officer (MLRO) was not a legal requirement in Ireland, but the CBI required the appointment of a reporting officer. Since the implementation of Fitness and Probity, the Head of Compliance with responsibility for Anti-Money Laundering and Counter Terrorist Financing Legislation is now a pre-approval controlled function. The increased responsibilities, coupled with the realisation that AML, Countering Terrorist Financing and Sanctions represent a very significant compliance risk (as a number of multi-national institutions have found to their cost) may account for the significant increase (12%) in MLRO positions now coming within the responsibility of Head of Compliance. Data protection remains a key accountability of compliance officers with 65% of respondents continuing to state that it is included within their remit.

### Scope of compliance function

### Key areas of focus in the next 12 months

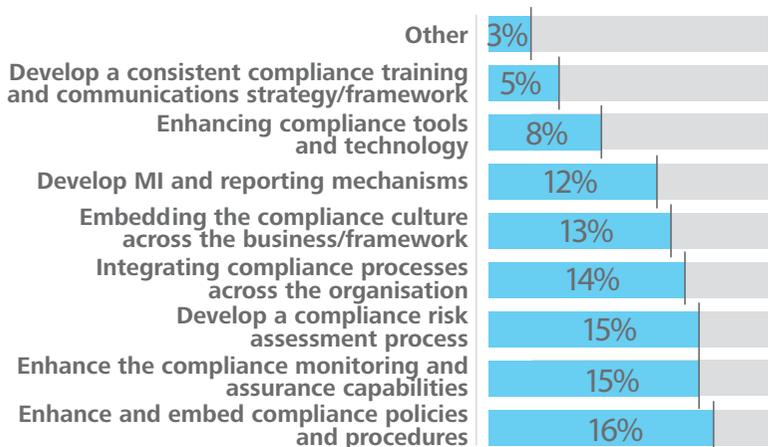


The overall top priority for compliance functions over the next 12 months is to enhance and embed compliance policies and procedures. This is reflective of the plethora of recent legislation requiring detailed compliance policies and procedures.

The number one priority for those compliance functions which sit within the banking sector is the development of risk assessment processes. This is reflective of CBI feedback regarding the Risk Appetite Statement.

For the insurance sector it is the enhancement of compliance monitoring and for the investment funds sector it is both the enhancement of compliance monitoring and embedding policies and procedures.

#### Key areas of focus in the next 12 months



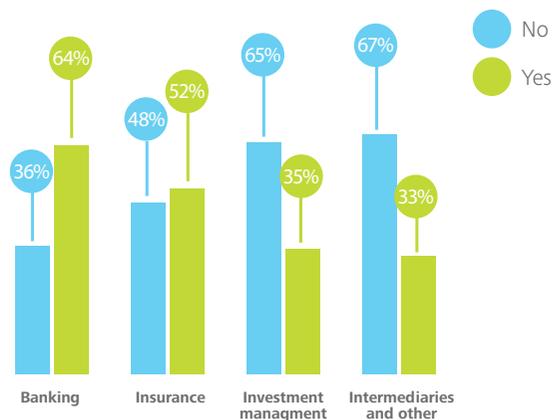
#### 4. The effects of PRISM

PRISM is the CBI's risk based framework for the supervision of regulated firms. Under the PRISM structure, firms are assigned an impact category ranging from high, medium high, medium low and low. This assigned impact categorisation then serves to determine the level of supervision which is bestowed on a firm. Firms which have the greatest impact on financial stability receive the highest level of supervision.

The results of the survey illustrate that since the introduction of PRISM 52% of firms have received a visit from the CBI in the period spanning 2012-2013, with the highest proportion applying across the banking sector, followed by the insurance sector. This is indicative of the higher risk posed by these industries in relation to financial stability.

The survey suggests that PRISM is indeed being operated to focus resources on high impact firms as the percentage of firms receiving onsite visits in 2009 was 78%, compared to 52% of firms receiving a PRISM visit in 2013. One assumes that the intensity of supervision of this reduced percentage is significantly greater.

#### PRISM visit



## 5. Resourcing

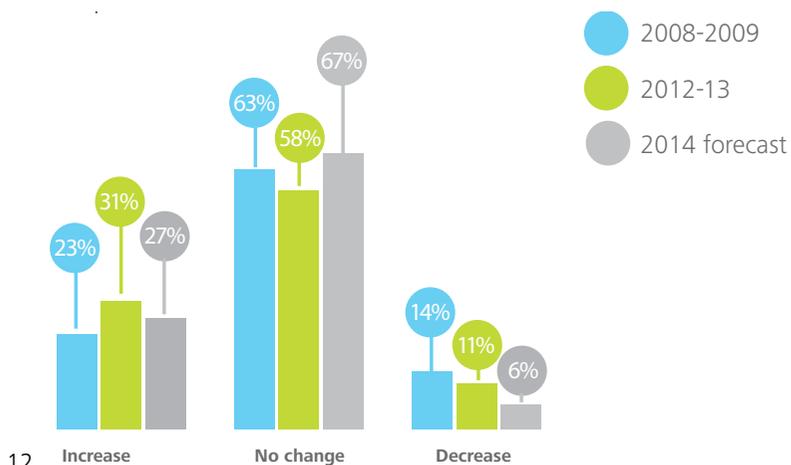
In the period since 2009 there has been an average increase in compliance resources in nearly a third of respondents' firms. This would seem to be in line with the increased regulatory burden on regulated institutions. Surprisingly, however, an average of 10% of respondents' firms suffered a reduction in resources over the last number of years, with a peak of 14% of respondents' firms reducing compliance headcount in 2009. It can be assumed that this was caused by cost pressures on firms during the height of the crisis. Overall, the majority of firm's compliance function resources remained static over the last five years.

Such static resources over recent years puts extra pressure on the already increasing work load of compliance functions. Embedding the responsibility for compliance within the first line of defence is one way to manage compliance in a more effective manner. Increased investment in automated solutions can also help focus effort into higher risk areas.

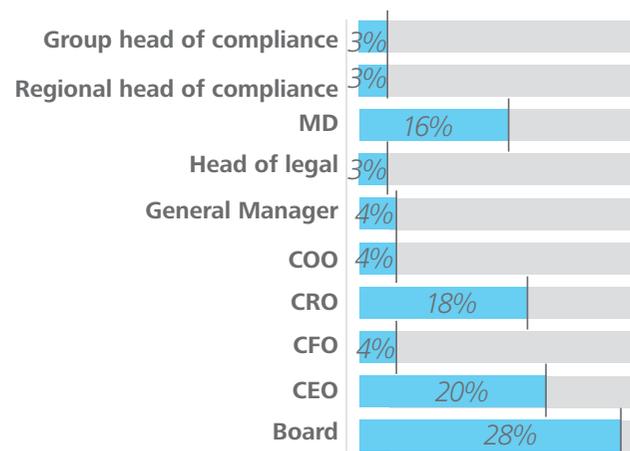
But ultimately compliance oversight is something that must be undertaken by qualified experts and there is no substitute for human resources. Despite their recognition of cost constraints, Compliance Officers must make the case to management and the Board for the resources they need to do the job. It is the responsibility of the Boards to ensure that compliance functions are resourced adequately by management. Regulators, shareholders and the public at large are likely to be quite unforgiving if compliance standards suffer in firms as a result of cost containment or aggressive business growth.

68% of firms have a full time Head of Compliance, with varying reporting lines. 28% of respondents report to the Board but these compliance officers may also have a reporting line to management. While it is not a requirement of regulation, our strong view is that compliance officers should have a direct and independent reporting line to a member of the board, preferably the chairman of the Risk Committee.

### Head count of full time employees within compliance function



### Who does the head of compliance report to?

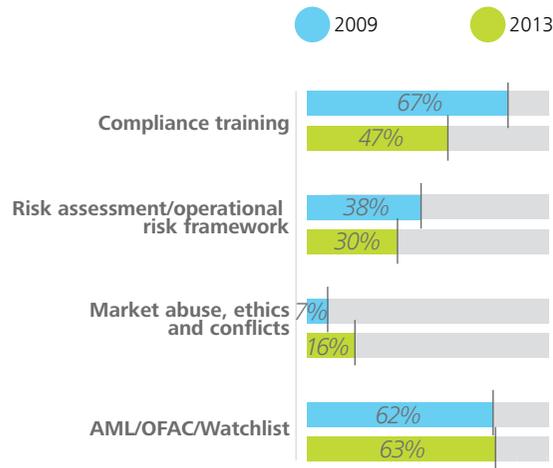


The survey suggests that respondent's utilisation of software solutions in compliance training, risk assessment and oversight of operational risk frameworks has decreased since 2009. There has been a small percentage increase in the use of technology for market abuse, ethics, conflicts and AML monitoring. Despite the significant development of technology in this area it is clear that, as in the case of resourcing, budgetary constraints are impeding investment by firms in technology solutions to better manage compliance.

It would seem that Ireland is lagging behind in this key area. From surveys carried out by Deloitte in the USA, it has been observed that data analytics is now a tool that is widely used by compliance functions. Regulators, including the CBI, are also increasingly utilising data analytics to guide their risk based oversight of institutions.

Our considered view is that increased investment in technology capable of meaningful analysis of data can provide compliance officers with valuable assistance in undertaking their role.

**Companies that use software solutions for...**



**6. Reporting**

Reporting to the Board of Directors and its delegated sub committees has become more onerous for some institutions since the introduction of the various corporate governance codes.

The Board of each institution has ultimate responsibility for ensuring the effective management of risk and compliance by the firm. The revised Corporate Governance Code for Credit Institutions and Insurance undertakings published in December 2013, maintained the requirement for board meetings to be held four times a year (reducing the requirement for high impact institutions from eleven to six per annum). The results of our survey confirmed that the majority of compliance officers are reporting to the board on a quarterly basis. The survey also suggests that this reporting takes place through the risk committee.

64% of respondents reported through their risk committee on a quarterly basis. This is sufficient if the risk committee is only held on a quarterly basis. However, if the risk committee is held on a monthly basis (more usual for larger, particularly high impact firms), the compliance function should provide a report for each meeting. Currently 30% of compliance functions are doing this which may be representative of how many firms are holding monthly risk committees.

For the 6% of firms providing a compliance report to the risk committee on an annual basis it could be said that they are not providing adequate or timely information. These firms should consider increasing their reporting to the risk committee.

70% of respondents also report on an annual basis to the audit committee, with the remainder reporting more frequently. It is likely that this correlates with the provision of year-end assurance for the purpose of signing the financial statements.

### How often does the compliance function report to the board, audit and risk committees

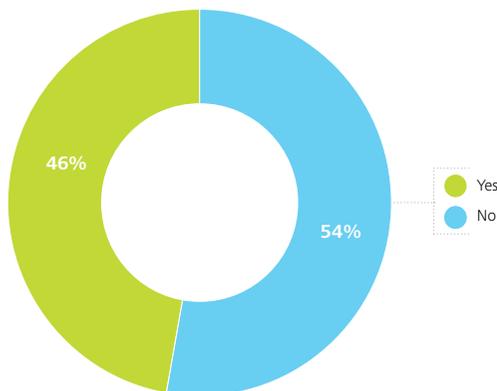


Only 46% of compliance functions report key risk indicators on a monthly basis. Key risk indicators are a very powerful tool to monitor and track compliance risks. The CBI will be using online reporting to carry out supervision by exception. It is important that firms are aware of those exceptions and complete similar trend analysis on a regular basis so that they are aware of issues and can manage risk appropriately. It is difficult for firms to demonstrate compliance with their own risk appetite statement without such measures.



Key risk indicators are a very powerful tool to monitor and track compliance risks.

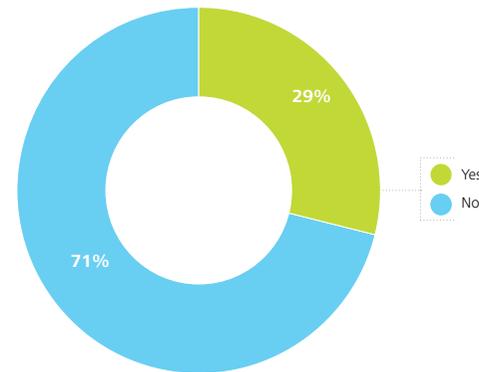
### Do you report key risk indicators to a relevant risk committee on a monthly basis?



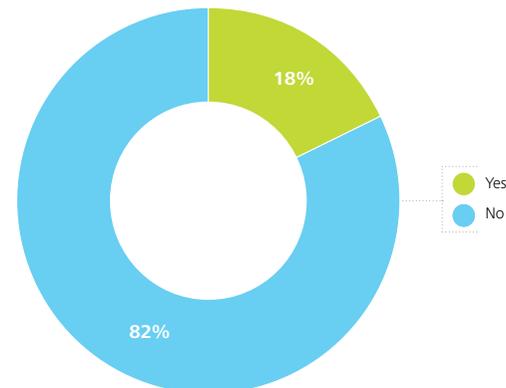
## 7. Regulatory impact

The survey suggests that Fitness and Probity and the corporate governance code have resulted in the movement of personnel within roles in 12% of cases and a change in board membership in 29% of cases in regulated firms. These are powerful tools implemented by the CBI in recent years with the aim of improving competency and capability of staff and board members. The objective of both pieces of regulation is to prevent entry of unsuitable candidates. The 12% movement due to fitness and probity requirements may have failed a competency, capability, proper or financial soundness test – the most likely reason, in our view, being failure to attain the academic qualifications necessary to be held as competent to undertake the role. The change at board level of 29% may have been caused by a range of issues including the restrictions on the numbers of non-executive positions held by board members.

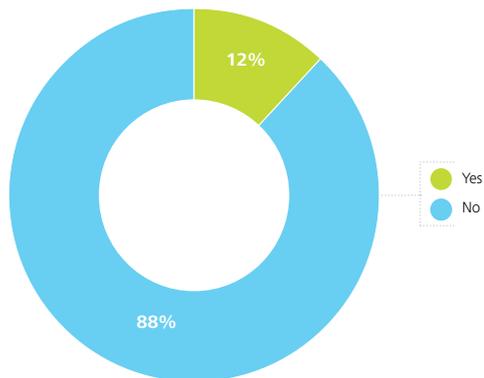
### Have the recent corporate governance requirements resulted in a change in board membership for your organisation?



### Has the Criminal Justice Act 2010 resulted in an increase in you reporting of suspicious transactions?



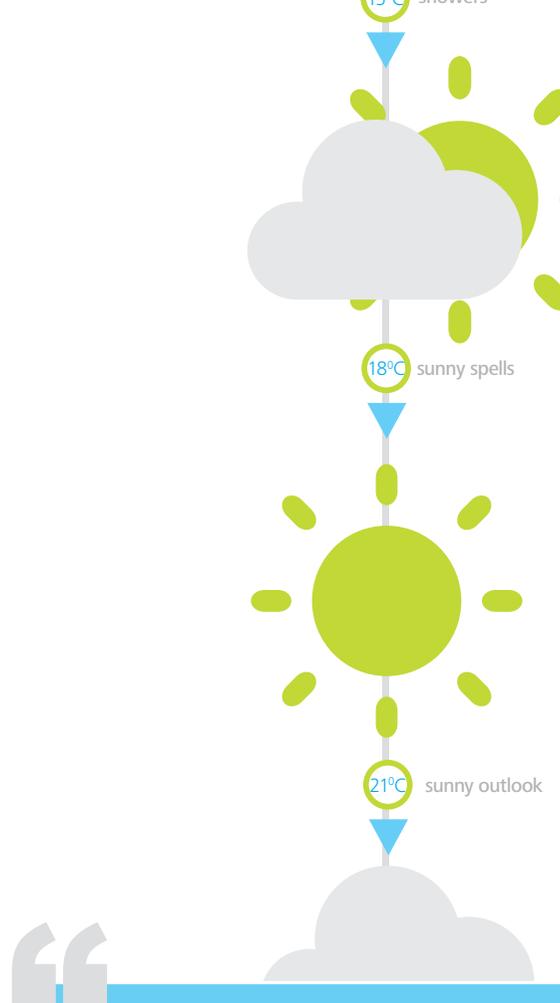
### Have the fitness and probity requirements caused your organisation to move anyone to another role?



The Criminal Justice Act 2010 imposed additional requirements for the monitoring of suspicious transactions, so the reporting of suspicious transactions was expected to increase. This was only the case for 18% of firms. Some of this may be explained by the early implementation of transaction monitoring by institutions in Ireland during the delayed transposition of the third AML directive.

The recent 2013 AML legislation has increased the onus on firms in relation to aspects of customer due diligence. The new legislation clarifies the need to maintain “up to date” records. This highlights the need to review existing customers. This was an area which created much debate in the industry in 2010. Completion of a back book review is a very significant requirement for institutions with a large portfolio of existing customers.

The CBI issued a number of fines recently in relation to non compliance in the area of AML. A breach of AML, CTF or sanctions legislation is a key compliance risk in most regulated firms and requires adequate staffing by competent professionals coupled with up to date monitoring technology. Unless firms can demonstrate high levels of compliance it may leave them vulnerable to enforcement action.



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## Conclusion



**The financial services industry is evolving from a very difficult period. Problems of the past cannot be repeated in the future - whether it is the adequacy of prudential control, mis-selling products or allowing the financial systems to be abused by data hackers or money launderers and the low tolerance for breaches. Customers and the public will be unforgiving, so reputations will suffer. Regulators will impose sanctions and insist on customer restitution. The Boards and management will be held personally accountable.**

The EU, Government, financial regulators and other regulators are united in their quest to prevent a recurrence of past problems. So the onslaught of new regulation and invasive supervision will continue. Financial institutions must rebuild reputations and restore sustainable profits.

This survey demonstrates that, while the world of regulation continues to change, the modus operandi of Compliance functions has not, in some cases, changed sufficiently in response. This is not sustainable.

Compliance officers have the potential to contribute substantially to financial and reputational recovery. In many cases they are pulling out all the stops to do so – but they are under pressure. While they have immersed themselves in meeting the ever increasing demands of their roles, the survey findings suggest that they are not adequately resourced to do so. Compliance officers have a responsibility not just to call our regulatory problems but also structural ones. This survey helps. Lack of investment in competent compliance resources to meet ever increasing regulatory demands is a key issue, alongside the failure to embrace technology to help identify and measure compliant behaviour.

Responsibility for addressing the issues identified rests with senior management and ultimately the Boards. Regulators will have a particular interest. Boards must ensure that the responsibility for acting compliantly rests primarily in the first line of defence. They must satisfy themselves that there is an adequate number of competent and qualified compliance staff in the second line to help management embed a compliance culture and to oversee compliance. They must press for investment in technology aids to monitor and measure compliance effectively and efficiently. In return they should expect to receive independent assurance from their Head of Compliance as to the standards of compliance with regulation and ethical values by the firm.

**The evolution of building strong compliance cultures continues, but the pace must increase.**



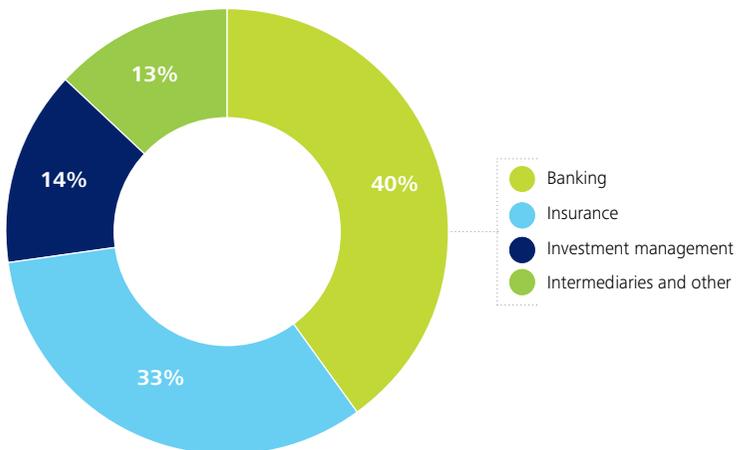
# Participants' profile

Deloitte obtained complete responses from 125 compliance officers who serve all the main industries which encompass the financial sector, namely banking, insurance and investments. Whilst most responses to the survey were consistent across industry type, any divergences observed have been referred to in this report.

The banking industry group included domestic retail, credit unions, payment services, private, wholesale, offshore, onshore and IFSC banks. The insurance industry group included general, life, health, reinsurance, brokers, product providers and outsourcing providers. The investment industry group included investment managers, administrators, and product producers

The final category, "other", includes intermediaries and mortgage brokers.

## Do you report key risk indicators to a relevant risk committee on a monthly basis?



Most participants in the online interviews were at compliance management level with representatives from group compliance and divisional teams. It was noted that;

- 61% of participants hold a degree
- 38% of participants qualified as accountants
- 35% are LCOIs (Licentiate of the ACOI) holding the Professional Diploma in Compliance
- 5% hold a legal qualification

The level of professional/academic qualification of respondents remains high, which is consistent with 2009. While only 35% of respondents have completed the Professional Diploma and taken up the LCOI designation, there are currently almost 300 students at various stages of study in the programme. Specialisation in particular areas of compliance is also becoming popular and ACOI has responded to this by recently launching two new qualifications, namely, the Certified Data Protection Officer and the Certified Financial Crime Prevention Practitioner.

In addition, for experienced compliance officers holding or aspiring to hold the role of Head of Compliance, the Graduate Diploma/MSc in Compliance, launched in 2013 and leading to Fellowship of ACOI, is designed to equip holders for the wider challenges of this role.

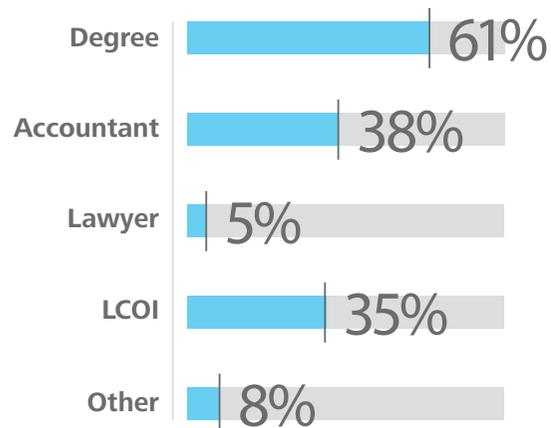
Of the other two most popular qualifications, it is notable that accountants continue to dominate the population relative to lawyers. It would seem that the proportion of compliance officers solely with legal qualifications has reduced somewhat when compared to our last survey. This may be accounted for by the ongoing shift in emphasis from legal to risk management when overseeing compliance management.

The CBI Fitness and Probity Code requires firms to demonstrate that compliance staff at all levels are fit or competent to do their job which is now a controlled function. Indeed Heads of Compliance, as controlled functions requiring pre-approval, are often subject to prior interview by the CBI. ACOI will continue to ensure that its education and professional services development programme equip compliance officers to meet the standards required by employers in this regard.

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#### Qualifications of interviewees

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The CBI Fitness and Probity Code requires firms to demonstrate that compliance staff at all levels are fit or competent to do their job which is now a controlled function.

## How we can help

### How can Deloitte help?

Deloitte can provide an independent review of all aspects of compliance within your organisation. We carry out health checks for clients when required or more specifically to fulfill regulatory requirements such as the annual reviews required to both MiFID and the third AML Directive. We also provide outsourcing services where technical expertise is not available in-house or consultancy services in relation to design, development and implementation of new requirements.

With additional powers to impose sanctions on financial institutions by the Central Bank Enforcement and Supervision Act, there was never a greater time to manage compliance in an effective manner. Deloitte has vast experience of implementation of compliance frameworks on a local and international basis. Our team can assist you with implementation or review of compliance with any of your obligations.

### How can the ACOI help?

ACOI can educate compliance professionals at all levels and provide them with an accredited qualification and a recognised designation recognising the level of competence they have achieved. Members benefit from being part of the professional body for compliance officers in Ireland. Our relevant and informative CPD seminars and our specialist working groups are specifically designed to help you keep up with the ever increasing pace of regulatory change and provide the opportunity to network with fellow compliance professionals. We are a not for profit organisation so we keep costs to a minimum and invest in enhancing our service to membership.

### Disclaimer

The information contained in the findings of the Compliance Survey is for general information purposes only and cannot be relied upon for any other purpose. While every care was taken by the ACOI in assisting Deloitte with access to members for the conduct of this Compliance Survey, ACOI is not responsible for the publication of the findings. Equally, no responsibility whatsoever can be accepted by Deloitte or the ACOI for any interpretations, errors or omissions howsoever caused arising out of the Compliance Survey and/or the findings of the survey.

# About us

## Deloitte

The Deloitte Ireland Enterprise Risk Services team is made up of over 100 staff risk specialists offering advisory services to clients. The regulatory consulting service offerings include the design and development of compliance frameworks, policies, procedures, monitoring, reporting and regulatory updates. We also offer one off advisory specific to clients' needs such as license applications, independent health checks, secondments etc.

Deloitte Ireland is a world-class firm of expert business advisers, serving senior business leaders who are seeking to protect and create value in a complex, dynamic environment. Our objective is to help our clients succeed by anticipating tomorrow's agenda with focused, insightful and fresh thinking borne out of our multidisciplinary strengths. We draw upon our specialist skills in audit, tax, consulting and corporate finance both within Ireland and across the Deloitte worldwide network.

What's different about Deloitte is our people, who focus on building long-term relationships and are determined to deliver measurable value for our clients' business. Deloitte's 1,300 people in Dublin, Cork and Limerick provide audit, tax, consulting, and corporate finance services to public and private clients spanning multiple industries. With a globally connected network of member firms in more than 150 countries, Deloitte brings world class capabilities and deep local expertise to help clients succeed wherever they operate.

Our multidisciplinary capability ensures that we have access to professionals with the right expertise and experience to provide a range of integrated audit, tax, consulting, and corporate finance services across all industry sectors. We have implemented a focused strategy to grow our market presence and this in turn has yielded considerable success, both in terms of marketplace recognition and client wins. Deloitte is one of the largest professional services firm in the world, with an unrivaled depth and breadth of services and capabilities across every industry sector and international market.

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# About us

## The Association of Compliance Officers in Ireland (ACOI)

ACOI is the professional membership body for compliance officers working in financial services. ACOI is a 'not for profit' company limited by guarantee and has charitable status.

Established in 2002, the ACOI has grown to c. 2,000 members and has established itself as the leading education and professional development body on regulatory compliance and business ethics in financial services in Ireland. Now, more than ever, the role of the compliance professional is centre stage in the Irish financial services industry. Indeed the spotlight on compliance should continue into the foreseeable future as financial services firms deal with increasing domestic and EU regulation and with the need to be open, transparent.

Central to the ACOI's mission is the provision of education, training, examinations, and qualifications in the fields of regulatory compliance and business ethics and the promotion of high ethical standards among all persons engaged in regulatory compliance.

The ACOI currently has over 650 compliance professionals who are now Licentiate members (LCOI), holding the professional Diploma in Compliance. Two new specialist qualifications, namely the Certified Data Protection Officer and the Certified Financial Crime Prevention Practitioner, were launched in January 2014. Both are Level 9 (Masters Degree level) and accredited by UCD.

The Graduate Diploma/MSc in Compliance, launched in 2013 and also accredited by UCD, has attracted significant interest with the first programme fully subscribed. This programme is aimed at current and future leaders in Compliance. Likewise, the MA in Ethics (Corporate Responsibility), also launched in 2013 and in this case accredited by DCU, is focused on those wishing to specialise in the complementary area of Business Ethics. Those successfully completing either Masters Programme and undertaking the requisite CPD qualify to become Fellows of ACOI (FCOI). Ireland is one of the few European Member States to have a range of national university accredited qualifications in compliance and ethics for Compliance Officers in financial services.

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