

# Key Features of an Effective Compliance Program

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**Kim Brown**

*Nationwide Insurance*

Vice President, Corporate Compliance

**Caroline Roten**

*Alliance Data*

Senior Manager, Bank Affiliate Management

**Brandy Sullivan**

*Alliance Data*

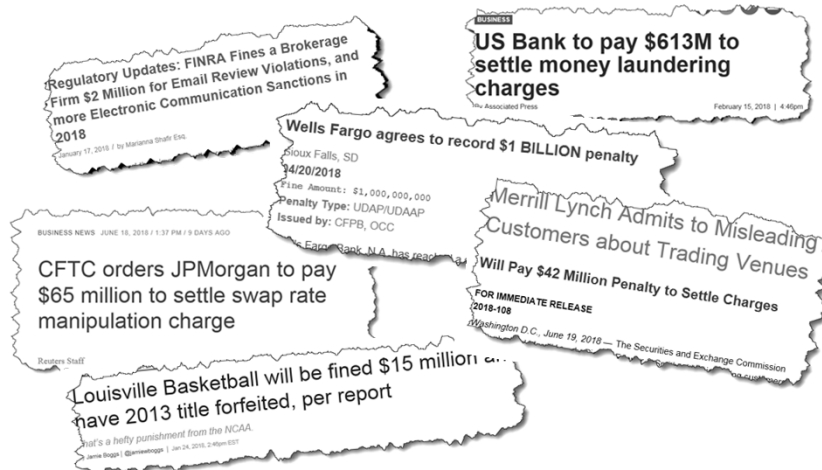
Senior Director, Compliance

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## Agenda

- What role does Compliance play
- Three lines of defense
- Components of an effective compliance program
- Advantages of an effective compliance program
- Best practices

If you think compliance is expensive,  
try noncompliance...



Sampling of regulatory fines/penalties assessed in 2018

## What role does Compliance play?

### Painting the Lines:

COMPLIANCE helps the business understand requirements, options, and associated risks

### Setting the Boundaries:

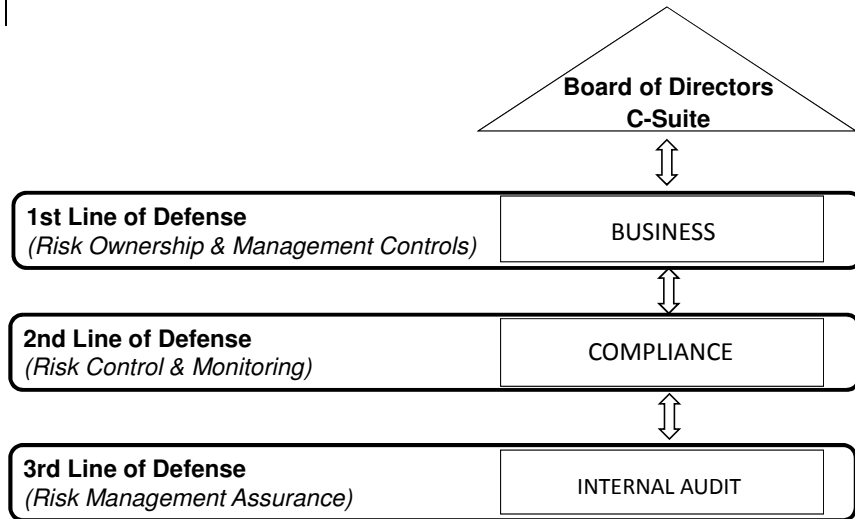
LEGAL defines which regulatory requirements are applicable to the activities and interprets those requirements for compliance and the business

### Choosing a Lane:

Based on their risk appetite, the BUSINESS uses information provided by Compliance and Legal to make informed business decisions about their compliance activities

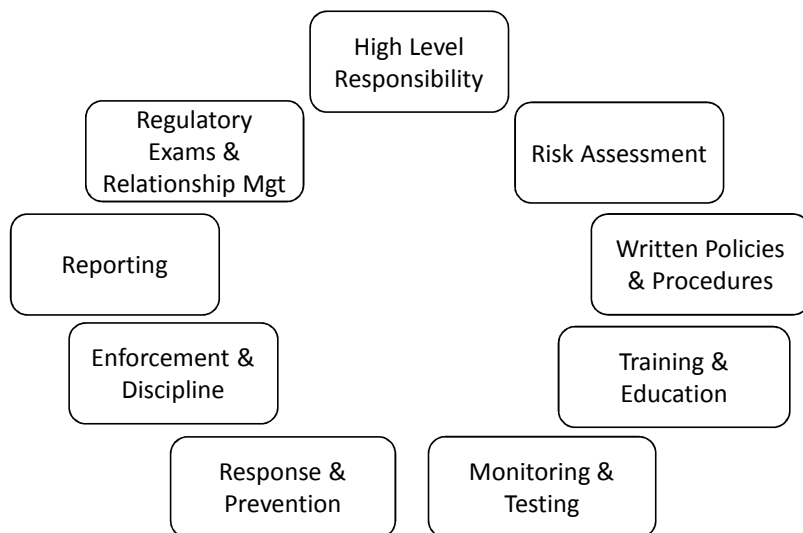


## Three lines of defense



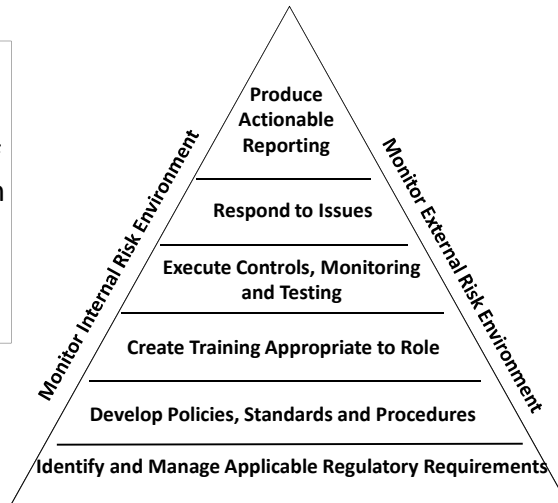
Additional example provided in the Appendix

## Compliance program elements *Example*

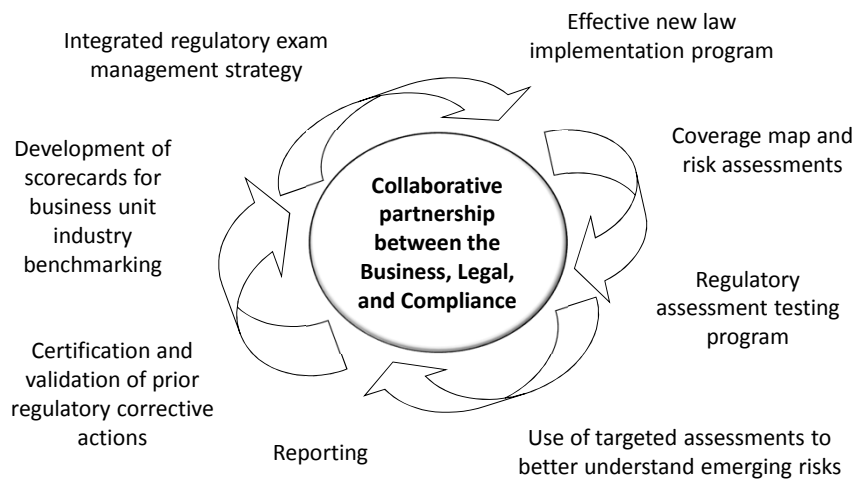


## Compliance program components *Example*

Components of a Compliance program tend to build on top of each other, creating an integrated feedback loop up and down the pyramid



## Collaborative partnership *Nationwide example*



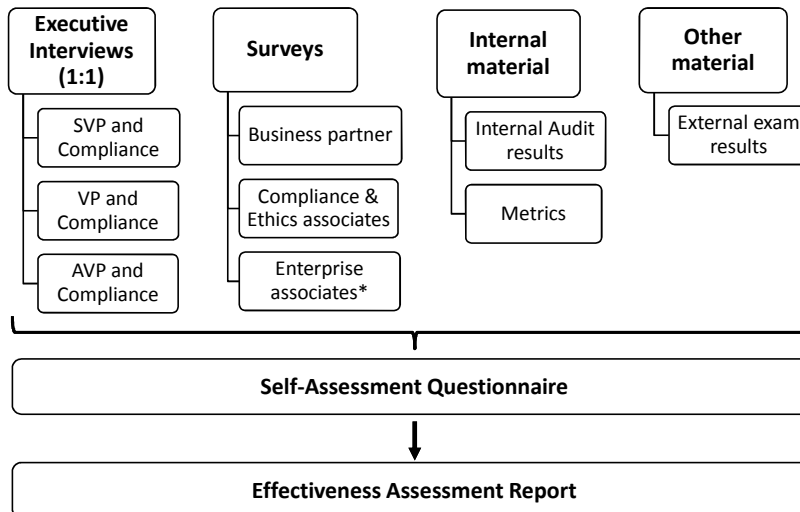
## Advantages of an effective compliance program

- Employees who are more engaged and committed
- Lower turnover
- Higher productivity
- Employees are more likely to feel comfortable reporting misconduct
- Reduced fines/penalties
- Increases trust with employees, customers, and third party partners
- Builds positive brand awareness
- Contributes to an overall strong culture

## Best practices

- Compliance independence
- Strong tone from the top down
- Employee accountability (compliance objective)
- Training appropriate to the role
- Compliance professional development (annual training requirement, attending peer round table discussion, etc.)
- Measuring effectiveness (sharing results with senior leadership and Audit Committee)

## Annual effectiveness assessment *Nationwide example*



\* 2,000 randomly selected associates

## Self-assessment questionnaire *Nationwide example*

- Annually, Compliance leadership completes a 44 question self-assessment
- Questions are oriented around the elements of an effective compliance program

### Survey format

#### **COMPLIANCE ELEMENT**

Question	Rating <sup>1</sup>	Comment section
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#### **HIGH LEVEL RESPONSIBILITY**

Compliance staff have a prominent status in the organization and are appropriately independent of the business they support	Pick from list	•
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#### **RISK ASSESSMENT**

Risk assessments are completed in a collaborative manner (compliance & business) and per prescribed schedule	Pick from list	•
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#### **TRAINING & EDUCATION**

Compliance associates maintain appropriate levels of continued education to enable adequate levels of compliance expertise	Pick from list	•
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#### **MONITORING & TESTING**

Due diligence/background checks are performed for registered, licensed, and appointed personnel candidates and management is alerted to any red flags for consideration prior to hiring	Pick from list	•
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#### **RESPONSE & PREVENTION**

Formal mechanisms exist to support associates with anonymously reporting compliance issues and other suspected wrong doing	Pick from list	•
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<sup>1</sup> Rating options: 1- Strongly Agree, 2 - Agree, 3 - Disagree, 4 - Strongly Disagree, 5 - N/A

## 1:1 Executive interviews

### *Nationwide example*

Compliance leaders conduct in person executive interviews. All programs use a standard seven question template with an overall rating scale.

- Does someone ask for your input when making significant changes to the compliance program supporting your line of business?
- Does Compliance keep you informed about regulatory changes and participate in relevant business discussions and decision-making?
- Do current reporting methods keep you informed about compliance risks and issues, and other important compliance matters (e.g. regulatory exams, trends, etc)?
- Business Partner Overall Effectiveness Rating: I am satisfied with the effectiveness of the overall compliance program for my line of business and with the related support provided by this Compliance team.  

\_\_\_ Strongly Agree

\_\_\_ Disagree

\_\_\_ Agree

\_\_\_ Strongly Disagree

Questions?

# APPENDIX

## Three lines of defense

### Nationwide example

