

Key Features of an Effective Compliance Program

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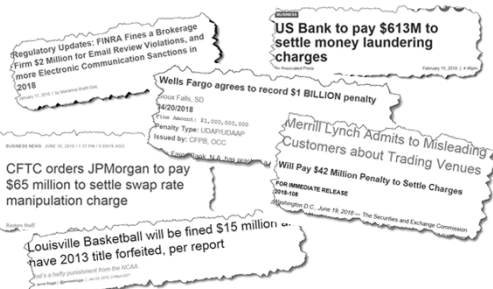
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Agenda

- 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:

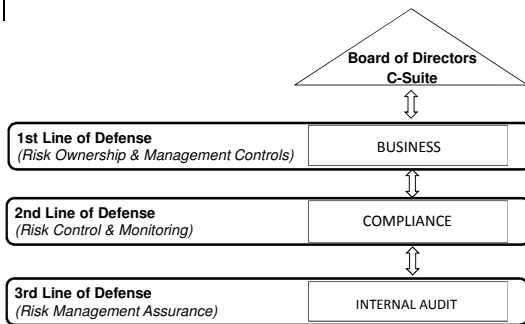
LEGAL defines which regulatory requirements are applicable to the activities and interprets those requirements for compliance and the business

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

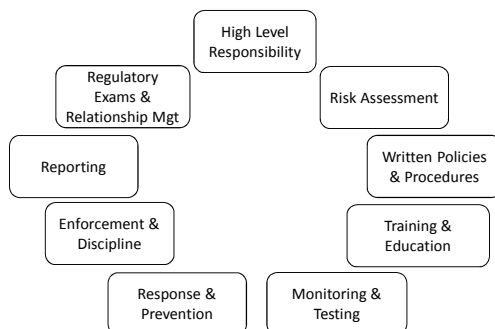


Three lines of defense



Additional example provided in the Appendix

Compliance program elements *Example*



Compliance program components

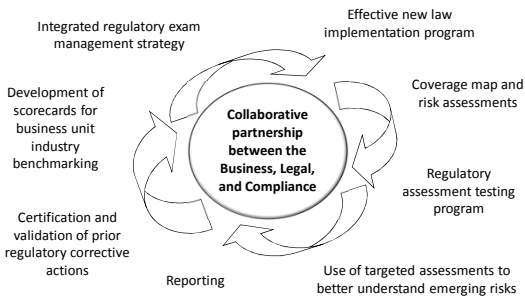
Example

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



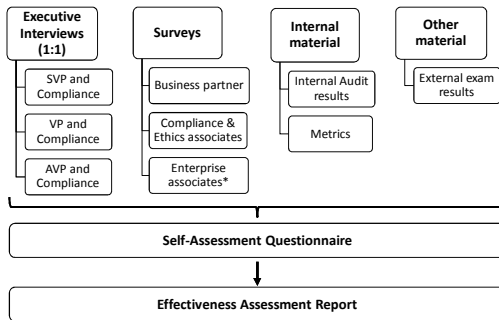
Advantages of an effective compliance program

- 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*



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 ¹	Comment section
HIGH LEVEL RESPONSIBILITY	Compliance staff have a prominent status in the organization and are appropriately independent of the business they support.	Pick from list	•
RISK ASSESSMENT	Risk assessments are completed in a collaborative manner (compliance & business) and per prescribed schedule.	Pick from list	•
TRAINING & EDUCATION	Compliance associates maintain appropriate levels of continued education to enable adequate levels of compliance expertise.	Pick from list	•
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	•
RESPONSE & PREVENTION	Formal mechanisms exist to support associates with anonymously reporting compliance issues and other suspected wrong doing.	Pick from list	•

¹ 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

