

BEHAVIOR FOCUSED REPORTING

*THE BRIDGE TO THE FUTURE
OF COMPLIANCE*

Paul H. Zietsman
January, 17, 2019
Dubai
UAE



THE FOUNDATION

Behavioral Focused Reporting is based on 2 basic concepts:

- What is Compliance?
- What is the future?



WHAT IS COMPLIANCE?



3

THE FUTURE OF COMPLIANCE

Regtech:

- Mere digital recording of existing process and procedures
- Does very little in managing behavior

4

THE FUTURE OF COMPLIANCE continue...

The future of Compliance is in AI that can:

- Simulate the decisions that we make today
- Manage behavior better than we are currently doing it

5

CHALLENGES FOR MACHINE LEARNING

Machine learning: is basically a fancy term for an algorithm that identifies trends in data and then uses those trends in order to simulate decisions

The biggest challenge for Machine Learning in Compliance is the lack of large data sets, meaning that the algorithm does not have any space where it can “learn” from

6

DATA AS THE BRIDGE TO THE FUTURE

How to we gather the data required by the Machine Learning that will take us to the future?

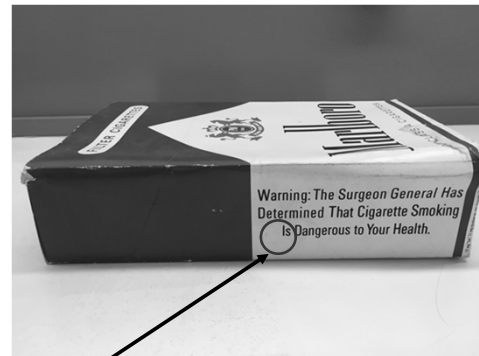
What data to we gather? It has to:

- Enable Machine Learning
- Manage behaviors

7

WHAT'S THE THING WITH BEHAVIOR MANAGEMENT?

How effective are our controls?



8

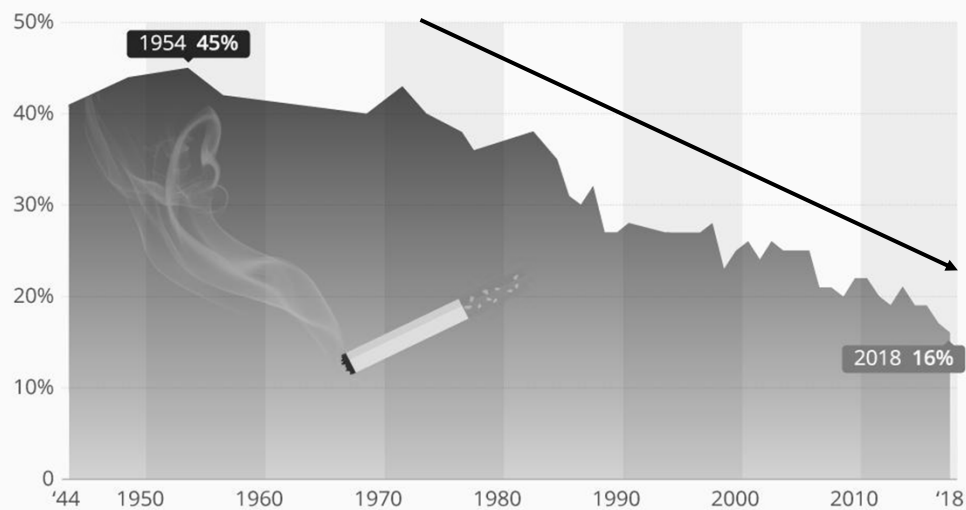


Maybe I can bend the rules if I make them longer.

9

U.S. Smoking Rate Falls To Record Low

Share of Americans who have smoked a cigarette in the last week



@StatistaCharts

Source: Gallup

Forbes statista

10

THE ABC BEHAVIOR ANALYSIS APPROACH

Antecedent



Picture by 12RF. Copyright - YULIYA LAPKOVKAYA 2

Behavior



Picture by 12RF. Copyright - YULIYA LAPKOVKAYA 2

Consequence

No
more
Itching

11

DIFFERENT KINDS OF CONSEQUENCES

- **Important** Consequences are more powerful — USD 500 bonus is more important than praise from supervisor
- **Positive** reinforcement is more powerful — Praise versus criticism
- **Immediate** consequences are more powerful than future ones — Daily feedback versus monthly feedback
- **Certain** consequences are more powerful than uncertain ones — An automatic buzzer sounding for errors versus reprimand which is uncertain

The perfect driver for changes will be a consequences that impacts something important, which has a positive outcome, which can be obtained immediately and which is certain

12

WHAT BEHAVIORS DO WE WANT TO CHANGE?

Two approaches:

COMPREHENSIVE APPROACH: Risk Assessment

SHORT METHOD: Identify existing controls

13

KPI EXAMPLES

	PRINCIPLES	KPI
FCPA Guide's Hallmarks of Effective Compliance Programs United States Sentencing Guidelines DOJ's February 2017 "Evaluation of Corporate Compliance Programs" 13 Good Practices by the OECD on Internal Controls, Ethics, and Compliance The Pillars of the Integrity Program by the Office of the Comptroller General of Brazil (CGU) UK's 6 Principles for Adequate Procedures France's Sapin II Law	Leadership	Senior Management Compliance Awareness as a percentage
	Risk Assessment	Number of Partner with PEPS
	Standards and Controls	Number of transactions with discount above average, as a percentage of all transactions
	Training and Communication	Number of times that Compliance Policies were accessed on Jam Page and Intranet
	Oversight	Number of whistleblower calls with substance as a percentage of all whistleblower calls received

14

KPIs

Measure the occurrence of the behaviors to be influenced by tracking KPIs:

- Set a **baseline** against which we can measure the change in behavior
- Provide updates on real **Compliance Risk Indicators**
- Provide **early indicators** on potential **Compliance impacts** on the sales pipeline

15

CONSEQUENCES

Item 6 of the **U.S. Sentencing Guidelines**:

DISCIPLINARY ACTION

INCENTIVES

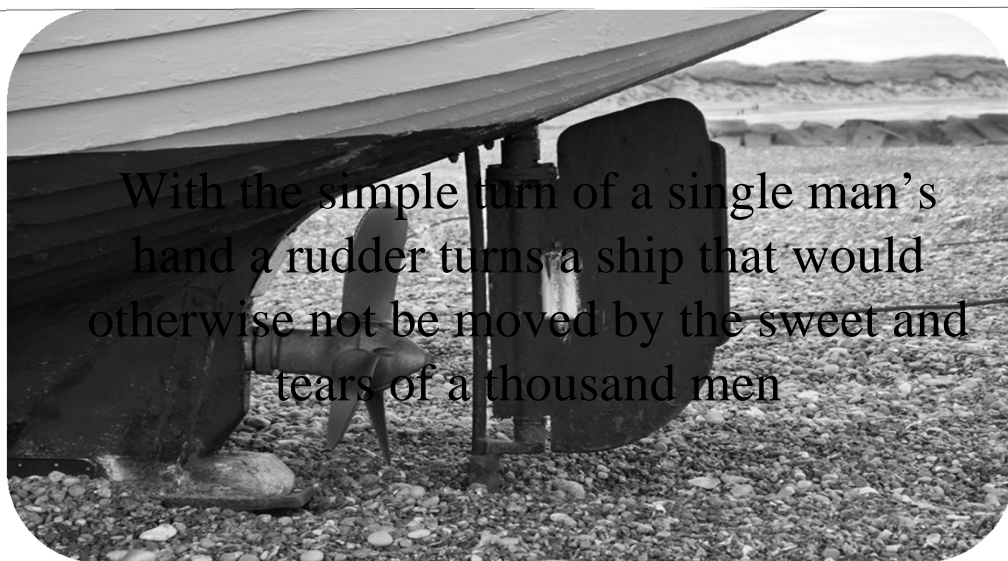
16

Breakout Session (5 min)

- Break up in Groups
- Select 1 KPI from the board
- Identify ways to measure it
- Identify ways to use positive reinforcement
- Prepare to defend your position in a 5 min group discussion

17

Final Thought



18

QUESTIONS?



Paul H Zietsman
Mobile: +971 588 205 214
Email: paul.zietsman.za@gmail.com