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HOW TO BUILD A WORLD-CLASS COMPLIANCE FUNCTION



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Global compliance is an ever-changing beast, and specialists in multinationals must keep up-to-date with those changes in order to remain compliant and avoid the associated financial and reputational risks.



TOP 5 COMPLIANCE TRENDS

But what exactly does it take to build a global compliance function? TMF Group, a global compliance expert, used its experience with international clients to identify five compliance trends currently affecting companies worldwide, and found the following:

1

International companies with overseas subsidiaries are embracing global governance frameworks to ensure consistency and close cultural gaps within businesses.

4

Reputational and financial risks for non-compliance are increasing; multinational companies are investing in local governance and compliance, but are centralising data collection and processing.

2

Multinationals are affected by fast-paced changes in the global regulatory landscape; in response, companies are implementing technological solutions and outsourcing their governance processes.

5

Multinational companies are becoming less risk-driven, and are embedding governance and compliance into their strategy.

3

Highly-regulated jurisdictions are setting the bar for minimum standards being implemented across multinational companies.

PUTTING IT INTO PRACTICE

With this knowledge, TMF Group and Compliance Week brought together top compliance performers to discuss what world-class compliance looks like.

The debate, broadcast online by Compliance Week, featured **Chanel M Bradden**, Assistant Corporate Secretary of Lockheed Martin, one of the world's biggest defence contractors, and **Stephanie Colton**, Senior Legal Entities Manager of Thermo Fisher Scientific, a company with 1,100 legal entities worldwide. **Leila Szwarc**, Global Head of Compliance and Regulatory Strategy at global professional services partner TMF Group, chaired the discussion.

The debate began with a point of agreement. Before action can be taken to improve compliance, it is important to identify the current condition of your organisation.

Bradden says:

"A compliance strategy starts with taking inventory on what your company's current compliance obligations are, and what the risks associated with non-compliance are."

This ought to include a map of individual duties and company policies.

Then it's possible to implement improvements across the organisation.





Include all departments

Too often compliance is limited to a couple of departments.

Bradden states:



One licence renewal or entity formation can require input from various departments, such as tax, accounting, trade compliance and legal. All departments should be educated on what compliance means to their particular function and how it fits within the big picture.



Standardise where possible

A multinational dealing with umpteen jurisdictions, each with their own way of reporting, can wind up in chaos. The solution is to adopt a single uniform system, where possible.

Colton suggests:

“Standardise your formalities, so that in any given jurisdiction, boards have the same number of directors, annual meetings are held at the same time, and similar signing authority is applied to those directors and officers.”

Centralise paperwork where possible

A global organisation can lose sight of compliance levels when duties are handled locally. The solution?

“Having licences and permits to operate lawfully in foreign jurisdictions can be better suited as a centralised process,” suggests Colton.

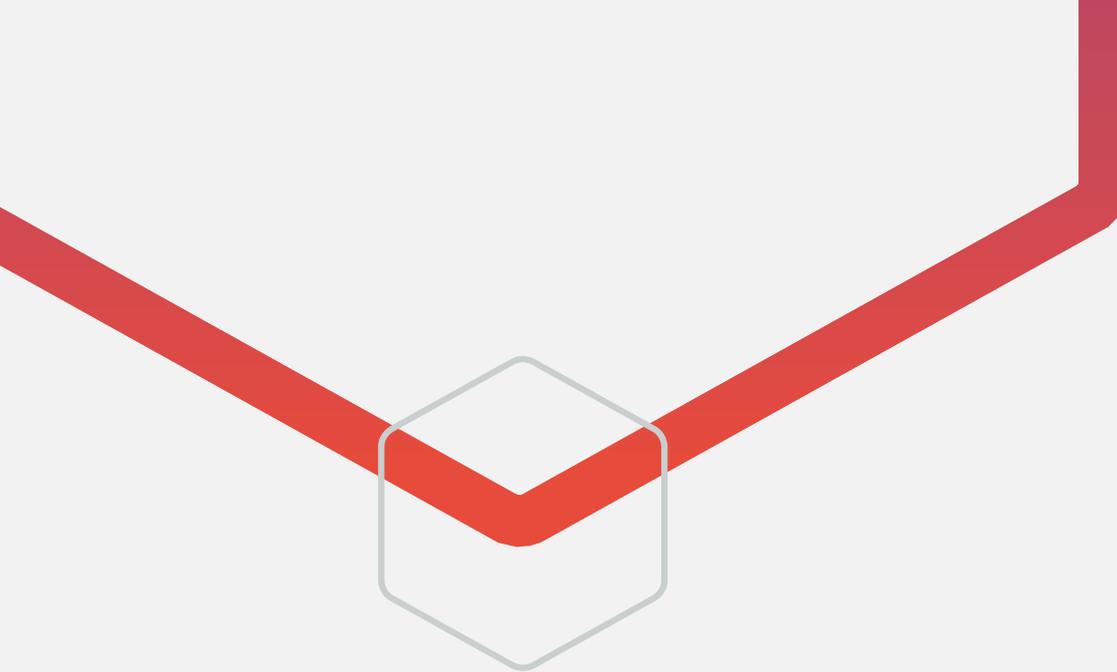
“I believe this model can provide a greater accountability, transparency and efficiency. This way, the headquarters can effectively track compliance and keep on top of regulations that would require alteration or adjustments to the actual entity documents.” She adds there is a bonus, in the form of lower costs through centralisation.

Translate documents

Like centralisation, translating helps keep the head office informed about local situations.

Colton says:

“It’s an area where we feel the fairly small cost is justified by improved governance, and it does help keep people on the same page.”



Create a distribution list

Keep everyone up to date with developments by communicating directly with all relevant parties. *"We've created a distribution group, and if there's a key change, we send an email out and everyone gets it, and then they send it to whoever else needs to get it,"* says Bradden. *"There are also SharePoint sites and different types of ways that companies communicate to their employees to get information out. Every company is different, so every company will have to find the best route to take when disseminating that information globally."*

Hold regular meetings

Compliance is moving faster and faster. At Thermo Fisher Scientific the speed of changes mean that every 14 days the team meets to figure out what needs to be done.

Colton says:

"Even if people don't necessarily work in that jurisdiction, they're generally aware of what's happening around the world. A recent example would be that in Europe, it's become more and more common to have a requirement for implementation of share registers that can be pulled at a moment's notice. And, that didn't used to be the case, so that's one of the types of things that we should share at these team meetings."

Work hard to educate staff

There's no silver bullet for promoting education; the only way to do it is to pursue multiple opportunities.

Szwarc says all avenues should be embraced:

"Webinars, seminars, having information through SharePoint, sharing information and training are all very important. From a TMF Group perspective, that means training our own staff worldwide, and also assisting and proactively informing and helping our clients."

Have people on the ground

Troubleshooting is a key part of compliance; officers must identify the causes of error and take action to remedy the situation. Colton says many errors can be attributed to a simple lack of headcount. *"I think there's a tendency to think that people can take on more and more work, but there really is an upper end limit to what people can handle because this is technical, detailed work. So, I would say to be successful, you have to staff adequately."* That can mean outsourcing to a trusted third party on the ground, in-country; a partner with intimate knowledge of local regulation.

Know the penalties

The cost of non-compliance is painful.

Bradden issues a brutal warning:

"In my 15 years of corporate governance and compliance experience, I've seen many things that affect companies that are not compliant. I've seen companies who are non-compliant get great fees in the millions, fees in penalties, revocation of licences and permits, other destruction of the company's reputation in that particular country. There's also things you have to consider - like if you have employees in a country and you're non-compliant, that can affect the employees' ability to work in that country. There's so many things that we have to consider, that is why compliance, I believe, right now, is front of mind for most companies."

Make it world-class

All panellists agreed that compliance is a rapidly growing sector, one which organisations need to prioritise in order to grow. As the landscape grows more complex, the benefits of outsourcing to a specialist become ever more apparent. There is also a need for standardisation: companies should adopt uniform policies worldwide. Ideally the most highly regulated jurisdictions should be taken as the template. The ultimate goal is to embed governance and compliance into strategy, so processes are adhered to by default, ensuring world-class compliance is delivered day after day.



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