

ARMA METRO NYC ANNUAL SPRING CONFERENCE

RIM & IG for Today & Tomorrow



TUESDAY, MARCH 7, 2017

**8:00 am - 5:00 pm with
Reception immediately following**

New York Executive Conference Center
1601 Broadway, New York, NY 10019

http://armanyc.org/2017_Spring_Conference

Building a culture of ethics, trust, integrity, and compliance

Presented by: Richard R. Gomes

Since trade began the role of culture in regulating commerce has been an important question

Contemporary thinking about the interdependence of culture, ethics, trust, integrity, and compliance dates back to about the mid-1980's:

- 1985: COSO - Committee of Sponsoring Organizations of the Treadway Commission - established*
- 1987: Regulatory Culture A Theoretical Outline, published in **Law & Policy**, defines culture as a:
*"set of shared understandings which makes it possible for a group of people to act in concert with each other"***
- 2002: Sarbanes-Oxley, (*especially section 404*)
"CEOs, CFOs and Audit Committees are required to implement and sustain an **Enterprise Risk Management (ERM) Ethics and Compliance Culture** that demonstrates their commitment to **Sarbanes-Oxley 404 compliance**.", Quantisoft LLC, 2016***
- 2010: Dodd-Frank Wall Street Reform and Consumer Protection Act (Pub.L. 111-203, H.R. 4173)****
- 2016: Evolving Banking Regulation- Part 5, Culture and Conduct, published by KPMG International*****
- 2017: Gartner Magic Quadrant for Data Science Report*****
Citi® Tech for Integrity Challenge; "An open innovation initiative seeking to source tech solutions that promote integrity around the world"*****

Recent calls for oversight in matters of ethics and integrity have driven corporate investments in culture and engagement

News Release

For Release: Tuesday, January 5, 2016
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FINRA's 2016 Focus: Supervision, Liquidity and Securities Firms' Culture

Led by the Financial Services sector, the bar for the production of evidence of a compliance compatible culture has risen well above the level of attestation and training controls and grown more dependent on 'Big Data' behavioral analytic control methods

Using Big Data/Data Science analytics tools sourced from various vendors, many firms are now investing in technologies to improve the culture oversight capabilities of their GRC functions



Some typical culture controls a contemporary GRC function may be expected to report on to internal audit or regulators:

Control Objective:

Outcomes, Culture, and Engagement

A GRC function should in coordination with Internal Communications, Employee Brand, Learning and Development, Recruiting, and Human Resources Administration to programmatically:

- 1. Manage the organization's culture*
- 2. Actively engage employees and partners*
- 3. Systematically direct engagement to shape behavioral outcomes*

Controls:

- Engage and promote behaviors and activities needed for effective governance
- Align compensation policies (*particularly regarding incentives*) with good governance outcomes
- Include governance ratings in promotion policies and review procedures.
- Communicate the organization's commitment to GRC operating principles in the Mission, Vision, and Values statements of the organization
- Implement and embed qualitative and quantitative performance measurements into the regular communications channels of the organization
- Integrate a GRC learning and development syllabus into required management, leadership, and talent development programs

Example, For Discussion Only

Q&A - Implications for Record Keeping -



Potential topics & questions for consideration

1. Privacy concerns -
Is behavior tracking counter-productive
In addition to encryption, should data sets be anonymized in storage? In transmission?
Third-party custody restrictions in the Cloud?
2. Legal- litigation concerns -
Are current collection/preservation/discover/production processes effective in big data analytics matters?
What are the Internal and external disclosure requirements for meta-data collection?
3. Records Management concerns -
Do Cultural/Behavioral records constitute an new record class?
Does scope of a Records Manager's responsibility change? How?

Source Links

Slide 2:

* COSO - Committee of Sponsoring Organizations of the Treadway Commission <https://www.coso.org/Pages/aboutus.aspx>

** [Regulatory Culture: A Theoretical Outline](#) - MEIDINGER .. onlinelibrary.wiley.com  II  Law & Policy  Vol 9 Issue 4 MEIDINGER, E. (1987), **Regulatory Culture: A Theoretical Outline. Law & Policy, 9: 355-386.** doi: 10.1111/j.1467-9930.1987.tb00416.x *This is a revision of the first ...Published in: Law & Policy † 1987 Authors: Errol Meidinger About: Culture ‡ Interdependence

Article URL: <http://onlinelibrary.wiley.com/store/10.1111/j.1467-9930.1987.tb00416.x/asset/j.1467-9930.1987.tb00416.x.pdf?v=1&t=izjxmvoe&s=8a1d79b16dd08668f66ccf2172e15da323337089>

Law & Policy, Vol 9 Issue 4. URL: <http://onlinelibrary.wiley.com/doi/10.1111/lapo.1987.9.issue-4/issuetoc>

*** Sarbox 404 <http://www.quantisoft.com/Industries/Ethics.htm>

**** Dodd-Frank http://www.aba.com/Issues/RegReform/Pages/RR_ExecSummary.aspx

***** [Evolving Banking Regulation - Part 5, Culture and Conduct](#), KPMG International Corporation, February 1016

White Paper URL: <https://home.kpmg.com/content/dam/kpmg/pdf/2016/02/evolving-banking-regulation-Xpart-5.pdf>

***** Gartner Magic Quadrant for Data Science 2017 Report <http://www.kdnuggets.com/2017/02/gartner-2017-mq-data-science-platforms-gainers-losers.html>

KPMG Host Site: <https://home.kpmg.com/xx/en/home/insights/2016/02/abr-five-conduct-and-culture.html>

***** Citi® Tech for Integrity Challenge: <http://www.techforintegritychallenge.com/challenges/citi-tech-for-integrity-challenge/>

Additional References:

ACCA - Association of Chartered Certified Accountants: <http://www.accaglobal.com/content/dam/acca/global/PDF-technical/corporate-governance/pol-tp-cvr.pdf>

FINRA Guidance for 2016 <https://www.finra.org/newsroom/2016/finras-2016-focus-supervision-liquidity-and-securities-firms-culture>

GDPR- General Data Protection Regulation <https://gdpr-info.eu/art-5-gdpr/>