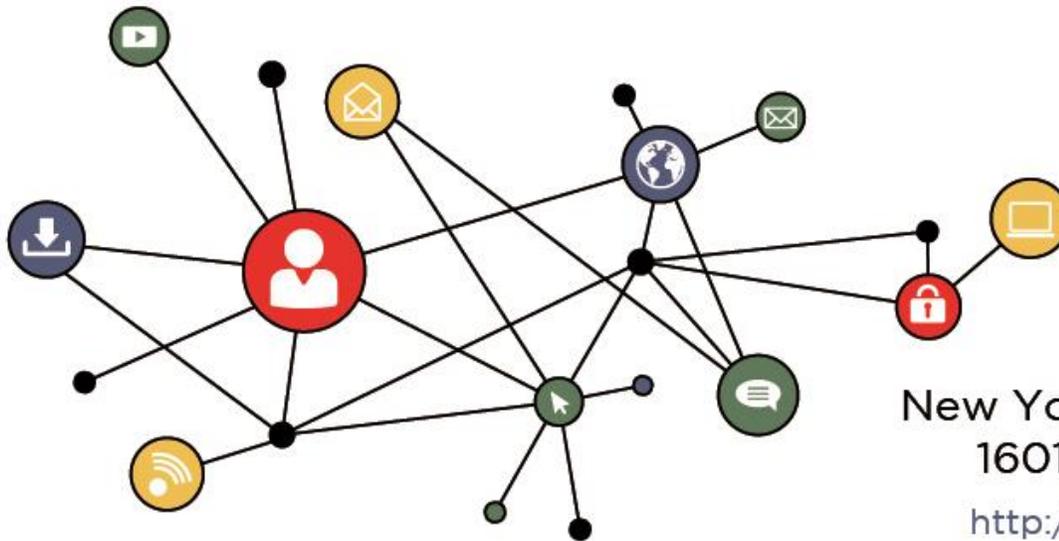


# ARMA METRO NYC ANNUAL SPRING CONFERENCE

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](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  
**Contact(s):** Nancy Condon (202) 728-8379  
 Michelle Ong (202) 728-8464  
 Ray Pellecchia (212) 858-4387

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](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/ebf-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/>