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.

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.

News Release

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FINRA’s 2016 Focus: Supervision, Liquidity and Securities Firms’ Culture

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
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?
**Regulatory Culture: A Theoretical Outline** - MEIDINGER


**Interdependence**


**Evolving Banking Regulation - Part 5, Culture and Conduct**, KPMG International Corporation, February 2016

White Paper URL: [https://home.kpmg.com/content/dam/kpmg/pdf/2016/02/evolving-banking-regulation-Xpart-5.pdf](https://home.kpmg.com/content/dam/kpmg/pdf/2016/02/evolving-banking-regulation-Xpart-5.pdf)

**Gartner Magic Quadrant for Data Science 2017 Report**


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**GDPR** - General Data Protection Regulation [https://gdpr-info.eu/art-5-gdpr/](https://gdpr-info.eu/art-5-gdpr/)