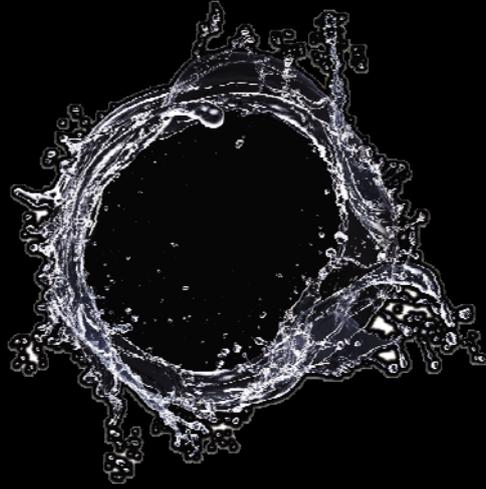


Deloitte.



Focus Session: Putting it into Practice – managing a compliance programme

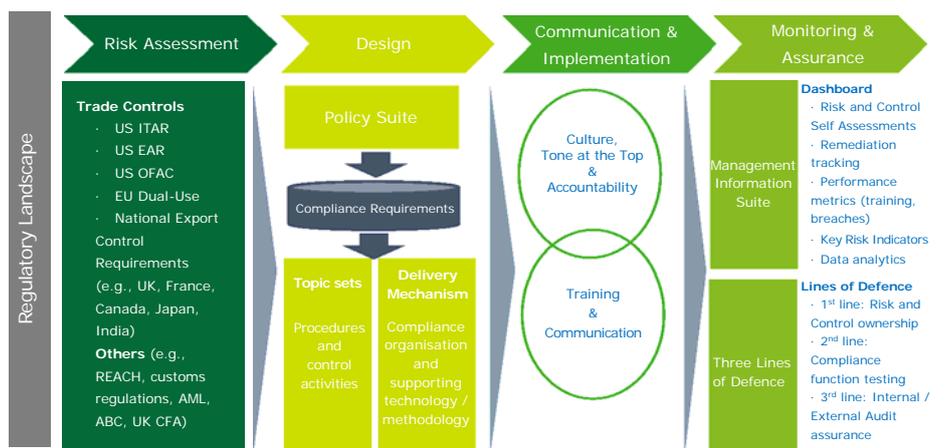
Stacey Toder Feldman – Deloitte LLP | November 2017

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1. Key areas of a compliance programme
2. Keeping your compliance programme up to date
3. Compliance monitoring trends
4. Questions

Key Areas of a Compliance Programme

Building a Compliance Programme The compliance roadmap



Trade Compliance

Assessments should consider the impact across all functions



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What are the Key Elements of a Compliance Programme?

Leading practice compliance framework

People:

The organisational structure includes the allocation of knowledgeable resources which support the necessary compliance processes and policies.

Processes:

Tasks which drive trade compliance are within the right departments and are conducted at the right time. Processes are robust, documented and embedded throughout the business.

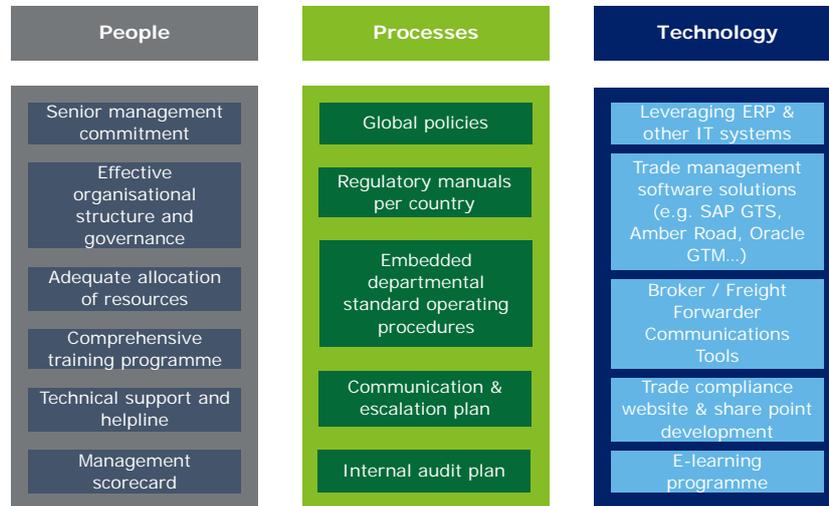
Technology:

Technology enables internal controls to manage export compliance requirements while supporting business operations.



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What are the Key Elements of a Compliance Programme? Leading practice compliance framework



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High-level Compliance Programme Maturity Model

	Lagging	Developing	Performing	Leading
People	<ul style="list-style-type: none"> No senior management commitment No clear organisational structure for compliance Siloed departments No compliance-related training, support or performance objectives No communication & escalation policy 	<ul style="list-style-type: none"> Statement of senior management commitment Designing an organisational structure Assessment of existing systems and processes to identify risks and connect functions Some resources available to address immediate issues Designing a training program 	<ul style="list-style-type: none"> Clear "tone from the top" to unite cross-functional processes Personnel receive training on their compliance-related roles and responsibilities Communication and escalation policy in place A Helpline is in place for personnel to raise questions and concerns 	<ul style="list-style-type: none"> Compliance-related responsibilities are embedded into performance objectives (i.e. management scorecard) Strong compliance culture Personnel receive regular training on their compliance-related roles and responsibilities Dedicated export compliance personnel working across functions
Processes	<ul style="list-style-type: none"> No documented policies, processes or procedures addressing export compliance Minimal auditing/oversight of export compliance processes 	<ul style="list-style-type: none"> Global policies have been set to establish a compliance framework Compliance procedures are in place at key points in operational processes, but are not standardised or integrated throughout the organisation 	<ul style="list-style-type: none"> Standard operating procedures for classifying and managing controlled items Screening of all customers and business partners Export authorisations obtained and managed 	<ul style="list-style-type: none"> Documented step-by-step procedures for functions across the organisation Country-specific technical guides are utilized and regularly updated Regular auditing of processes and transactions
Technology	<ul style="list-style-type: none"> Lack of awareness of IT landscape Lack of awareness of regulatory requirements impacting IT landscape Manual processes Incompatible/legacy systems Full outsourcing of import and export management activity without oversight Master data inaccuracies Lack of access controls 	<ul style="list-style-type: none"> Blueprinting of IT systems to identify structural risks and opportunities Development of a Technology Control Plan Development of compliance requirements for IT service providers 	<ul style="list-style-type: none"> Processes such as screening, classification management and export holds are automated Data access is controlled through detailed procedures and IT rules Intangible transfers are controlled through detailed procedures and IT rules Selection of automated tools for export compliance processes and data management 	<ul style="list-style-type: none"> Real-time collaborative platform for functions across organization Automation of compliance processes such as screening, classification management and export holds Automated and centralized enforcement of data management rules and processes Policies and procedures, compliance training and compliance tools (e.g., Classification Tools) available online

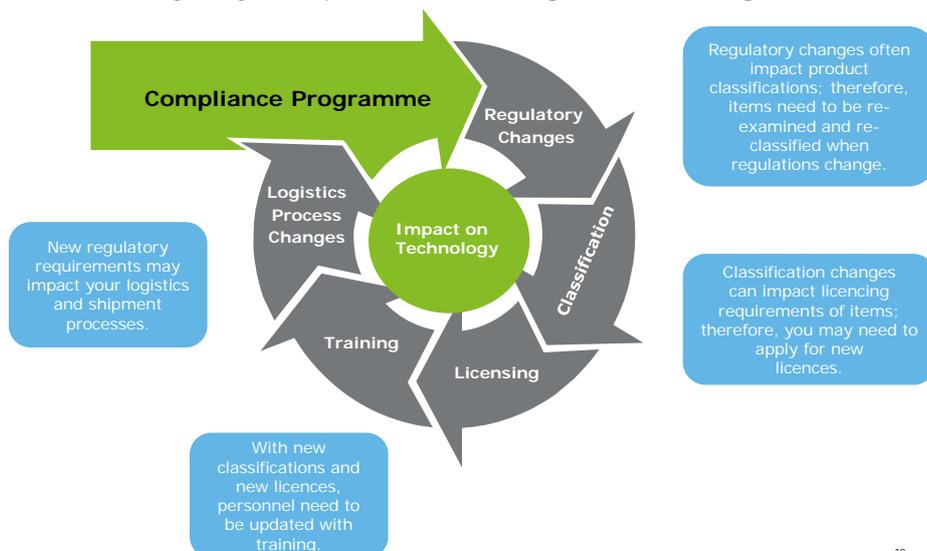
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Keep your Compliance Programme up-to-date

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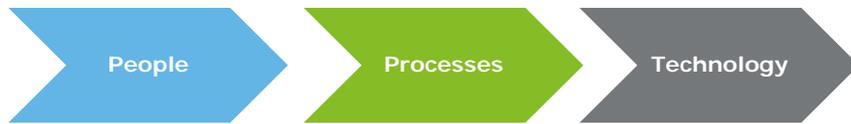
Keeping your Compliance Programme up-to-date

A compliance programme needs to be updated and amended continuously as your operations and regulations change



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Keeping your Compliance Programme up-to-date Considerations



- Have resources dedicated to stay informed of regulatory changes.
 - Train relevant personnel on the regulatory changes and the impact to the business.
 - Communicate to your business partners the impact that regulatory changes may have to your products classifications.
- Establish a compliance procedural structure that can be easily adapted when needed.
 - Establish mechanisms to issue immediate formal guidance and instruction.
 - Establish adequate monitoring mechanisms to assess compliance with regulatory changes.
- Design and implement a trade automation solution in a manner that can be reconfigured as regulations change.
 - Define approach to manage changes of trade content provided by service providers (i.e. classification numbering schemes, sanctioned lists, etc.) and ensure this is built into pricing structure.
 - Identify and reclassify technical data as required and adapt your controls over technical data in your IT systems as applicable.

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Compliance Monitoring Trends

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Compliance Monitoring Why is it important?

"The best way for a company to assess the effectiveness of its compliance efforts is to formally audit/assess all elements of its compliance program, including the audit process itself."

US Dept. of Commerce "Compliance Guidelines: How to Develop an Effective Export Management and Compliance Program and Manual"

"An organization should take the time to review and test its controls, and it should think critically about its potential weaknesses and risk areas. [...] DOJ and SEC will give meaningful credit to thoughtful efforts to create a sustainable compliance program if a problem is later discovered."

US Department of Justice and Securities and Exchange Commission

"A comprehensive audit system is a necessary component of any 'best practices' export compliance program."

Nunn-Wolfowitz Task Force Report Industry 'Best Practices' Regarding Export Compliance Programs

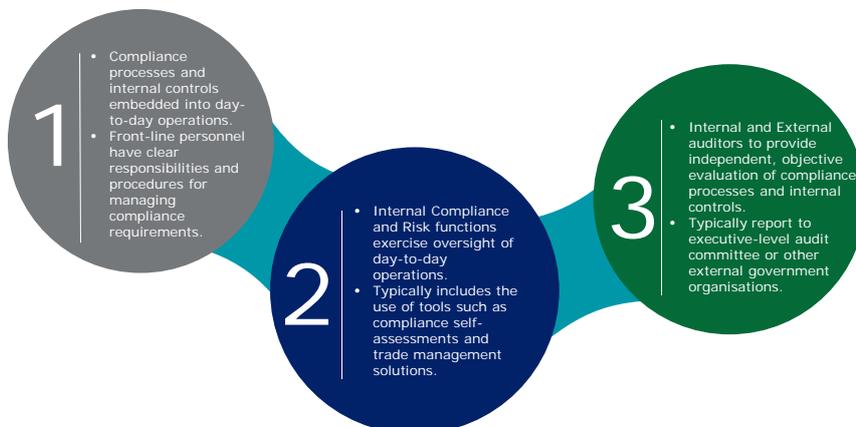
"Establish a regular performance review system to confirm that the export control operation is implemented appropriately according to the ICP and the operational procedures and is compliant with all relevant domestic laws and regulations."

Wassenaar Arrangement "Best Practice Guidelines on Internal Compliance Programmes for Dual-Use Goods and Technologies"

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Compliance Monitoring

The three lines of defence – Compliance Monitoring Framework



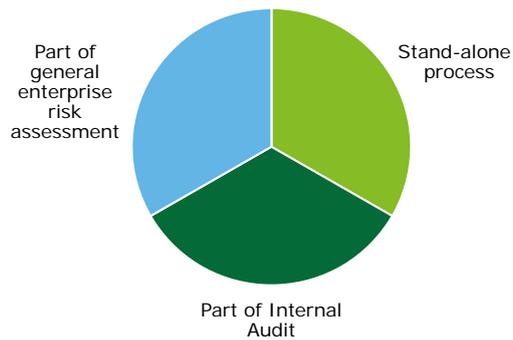
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Compliance Monitoring Current trends – assessing risk

>80% of respondents perform enterprise-wide risk assessments

- 64% perform assessments at least annually

How are these assessments performed?



75% of large companies and 53% of smaller companies make efforts to measure effectiveness of their compliance programmes

9% of respondents never perform a compliance risk assessments

58% of respondents say they are "confident" or "very confident" they are looking at the right metrics to gauge effectiveness

Source: 2015 Compliance Trends Survey (Deloitte and Compliance Week)

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Compliance Monitoring Current trends – use of automated tools



> **60%** of organisations are using controls analytics, although at varied level of maturity, to monitor and report on controls



14% annual growth in eGRC market, with companies integrating ERP and GRC tools



Very few companies have implemented continuous controls monitoring, though there is a significant aspiration to introduce Continuous Controls Monitoring (CCM)



3 in 5 organisations fail to embed controls in day to day business



> **70%** of employees see controls as a burden, without any impact on business performance



There is a lack of clarity around risks and controls ownership amongst employees of **1 in every 3** organisations

Source: 2015 Deloitte benchmarking survey of 331 UK-based companies.

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Remember...

- Let the risk assessment drive the framework.
- Determine readiness to deal with trade compliance requirements.
- No "one size fits all" approach.
- Focus on continuous monitoring of trade compliance and continuous improvement.
- Perfect levels of compliance are impossible.



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Q&A

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