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Compliance 360

INTRODUCTION

A pitch black environment with an Accenture logo shining in the darkness.

Voiceover: Compliance Risk can take on many dimensions. While it may be easy to understand the appropriate regulations and organizational standards, noticing them in increasingly complex situations is a different matter. You are about to be placed in three different scenarios where a compliance risk occurs. The question is ... can you pinpoint the risk and are you aware of how advances in Compliance management practices and technologies could help you and your organization recognize and resolve them faster?

Ready? Let's begin.

SCENARIO 1: SUITABILITY – MISSELLING MUTUAL FUNDS

Neil: Good to see you again, Mr. Grace.

Nickolas: Yes, here I am again. You must be doing something right.

Polite laughter from Neil and Anna.

Anna: How are you keeping? Are you sure you're only 60? You're looking very sprightly.

Nickolas: Haha, yes, very well thank you. It's these exercises they've got me on. They're an awful pain, but if they're doing the job, I guess I'll have to keep at them.

Anna: Oh, I'd say so!

More laughter.

Neil: Can we get you a drink at all?

Nickolas: No, no, I'm fine thanks.

Neil: Ok, brilliant. Well, let's get down to it. So... you're on the Silver retirement plan... and interested in a mutual fund?

Nickolas: Yes, I'm in need of something nice and affordable at the moment.

Anna: *(Scanning a list in front of her.)* Let's see... this low-yield fund would be a smart bet.

Neil: Mhm...If you're wanting to keep it low, the management fee is only set at 1% annually for this fund.

Nickolas: Oh, that doesn't sound too bad. May I see?

Anna passes a sheet over to Nickolas.

Anna: And may I ask, what is your planned retirement date?

Nickolas: *(Scanning documents)* 2020 at the moment, all being well.

Anna: OK well, in which case the risk on that fund will be low, given that you're planning that relatively soon.

Nickolas: Well, that's good to hear.

Anna's phone starts vibrating and she cancels it.

Anna: Ooh, sorry about that.

Neil shoots her a look of disapproval.

Neil: And as for the fee on that

Anna's phone starts vibrating again.

Anna: I'm really sorry, I think this might be urgent.

Neil: (begrudgingly) That's ok, you can take it.

Anna: Thanks, sorry.

She leaves hastily.

Nickolas: It's all go, isn't it?

Neil: Never a dull day. Now as I was saying, the initial sales fee on that is somewhat higher, at 5%. But once you're on, it should be quite a reliable performer.

During this explanation, Anna appears outside on the phone. She appears agitated and paces up and down outside the window.

Nickolas: Ok...

Neil: It is high, I understand. But the performance is stable enough there is a high likelihood you'll have covered that loss within the first year or two.

Nickolas: Well, my Edith does always say, I should have a bit more trust in these things.

Neil: (Laughs). It's all up to you Nickolas.

Nickolas: Yes, this is the one. I'm happy enough with it, low-risk after all.

Neil: Excellent, glad to hear. So, if I could just give you this to sign.

Nickolas: Alright.

Neil: And see Anna after this, she'll take down the extra details.

Nickolas: Thank you, ok, there you go.

Neil: Thank you very much, Mr. Grace. I'll just see you out to the front and Anna will catch up with you there.

Nickolas: (getting up) Alright then, thank you.

They shake hands over the table, and Neil sees Nickolas out.

Fade to black.

Voiceover: Anna may have seemed rather upset there, but that's for an unrelated reason. She's just received some bad news about the house she and her partner were looking to buy. No, the risk was elsewhere. It was in the numbers.

Nickolas is part of a retirement plan with the firm, and mutual funds come with waivers for sales fees or can be offered as advisor class shares (with no sales loads). Unknowingly, Neil has applied the normal conditions of the contract and not exempted Nickolas from the 5% sales fee that he is now about to pay.

New rules proposed by the Department of Labor for Retirement plans and accounts intend to limit conflict of interests and "double dipping" of compensation and fees.

Your compliance strategy should proactively check for appropriate waivers before the customer is in the room.

So, ready for round two?

SCENARIO 2: CONFLICT OF INTEREST – GIFTS AND ENTERTAINMENT

Amerjit: (to camera) ...I think it will make a difference. It's a simple gesture that doesn't cost that much. But it will help us regain client trust.

He is distracted by someone walking across the other side of the courtyard.

Simon!

Simon: (Joining your table) Hiya Amerjit. Thought I might see you here.

Amerjit: What brings you to the building?

Simon: Just been speaking to Fran, and well, you may be seeing more of me soon enough.

Amerjit: You're going to be working with us?

Simon: Fingers crossed. She said you folks could use a better source of pre-trade data.

Amerjit: She's not wrong. We could. We've had troubles with pricing.

Simon: Well, our new bid data tool is what we're really pushing at the moment.

Amerjit: It's a wonder I didn't think of you before.

Simon: Well, not to worry. Will be good to see more of you. In fact, quick drink later on?

Amerjit: I'm busy, I'm afraid. But, Tuesday?

Simon: Sounds possible. I'll check with Helen.

Amerjit's phone starts ringing.

Amerjit: Oh, excuse me a moment.

Simultaneously:

Simon: (turning to camera, jokingly) I see he hasn't changed.

Amerjit: Hello honey? ... Yes, very well, thanks. ...You can't? Oh... No, don't worry...are you sure? ...We shouldn't really waste them. Ok, I'll find someone. Hope your evening isn't too bad... See you later.

Simon: Reeya?

Amerjit: Who else? She's got to work late tonight. We had tickets to the theatre... It's closing night, so I'm definitely still going to go. There's a spare ticket if you're interested? Box seats...

Simon: Well, that'll be our catch-up sorted then. Thanks, I'd love to.

Amerjit: Ideal. It's at the Adelphi at 7.

Simon: Sounds good. I'll see you then.

Amerjit: See you later Simon. (turning to you) Sorry about that, I haven't seen him in a long while. What was I saying again?

Fade to black.

Voiceover: Amerjit's invitation to Simon creates a Conflict of Interest as Simon is now in the process of becoming a vendor to Amerjit's company. Amerjit's box seat tickets have a high face value, and would result in an infringement of his firm's Gifts and Entertainment policy.

If Amerjit had access to a Gift & Entertainment application through his smartphone, he would have an opportunity to request an approval on the spot, and enjoy the night out knowing he hasn't broken any internal policies and standards

Ready for round three?

SCENARIO 3: SURVEILLANCE – NON-RECORDED LINE & CHANGE OF VENUE

Emma: (on phone) How are you Derrick?

[...]

Yeah...yeah me too, me too. I know how that feels. Dragging them out the door in the morning is becoming more and more difficult.

Laughs.

We are certainly very busy here. And you're not!?

[...]

What can I do for you then?

[...]

Emma: DLT? Yeah, it's looking healthy at the moment.

Craig gets up with the mail and begins to deliver it round the office.

[...]

How much? Yes, yes can do. I think the margins look fine.

[...]

Craig gives mail to Extra 1.

Craig: Something for Ms. French...

Emma: I can tell you it hasn't fallen below the top 25% for total return performance in the last year.

Craig approaches you and gives you your mail.

Craig: Special delivery! Here you go.

Emma: Ok, in which case I'll just put that through for you.

Craig comes up to Emma and gives her some envelopes. Emma begins to open an envelope marked 'confidential'. Suddenly her attention is drawn by something on the screen that isn't quite right. She turns her attention back to the letter and opens it more urgently.

Bear with me a moment, Derrick.

Emma casts her eye over the document and catches a detail. As she reads she becomes increasingly wary and conflicted.

Yes, I am still here... (pretending) although I am having some trouble hearing you. The line's gone bad...Derrick?...Derrick?...I'll have to ring you back on my mobile.

She hangs up and hurriedly exits the room, dialling on her mobile.

Voiceover: Emma's conversation with Craig was innocent enough, until she received her mail. One of the confidential letters she received contained MNPI, or Material Non-Public Information that gave her insider knowledge of the stock value she was about to trade in for Derrick.

She shouldn't have let this influence her decision, but instead decided to take the conversation off of monitored channels, and onto her personal mobile phone. Business of this nature should always be transacted on a recorded channel.

Voiceover: So, how many of the compliance risks did you spot?

The Accenture Regulatory Compliance team helps deliver compliance and surveillance solutions so you don't overlook vital compliance processes in your organization. Accenture is helping clients reshape their organizations through enhancements to processes, technology and most importantly by strengthening the skills of the people who help protect your organization.

Giving you 360 degrees of compliance.