

Legal and Regulatory Compliance



It is complex, wide ranging, expensive and constantly changing. Welcome to the legal and regulatory compliance environment we now inhabit. Welcome to the perfect storm, and the four weather fronts that are driving it on:

Protecting the public

Financial system stability, treating customers fairly, data privacy and a host of other rules aim to protect the public from harm at the hands of business.

Defeating criminals

From drug dealers to terrorists, to those involved in bribery and corruption, regulation is on the books to slow them down.

Achieving public policy goals

Or, put another way, political goals. Sarbanes-Oxley, bank lending guidelines, executive pay rules and others are heavily driven by the political agenda.

Protecting lifestyle choices

'Shadow' self-regulatory regimes govern businesses who wish to operate under Islamic principles or achieve environmental sustainability. The consequences of non-compliance become greater as companies make these choices a central element of their customer appeal.

It is inevitable, in whatever



industry you operate, that at least one of these regulatory fronts will impact your organisation. In many industries all four do, with varying international flavours to contend with. Whilst the cost of compliance can be significant the consequences of non-compliance can be greater still. Dealing with a regulatory investigation, even if it proves innocence, has an immense impact on time and resource. If guilt is proven, then expensive sanctions are common and reputational damage inevitable.

Every organisation, large or small, needs to know the answer to four questions:

1. What regulatory rules are we specifically subject to?
2. What gaps exist in how we comply with those rules?
3. What is my action plan for fixing those gaps?
4. How do I stay on top of changing regulation to prevent new gaps emerging?

To remain competitive they should also be asking an additional question:

5. How much more efficient could we be in achieving compliance?

Kingston Smith Consulting can help you navigate compliance risk, from advice on specific rules to broad support in operating efficient compliance regimes. We have the expertise to help you avoid mistakes.

Achieving initial compliance

With expertise in a wide range of different regulatory regimes we can assist an organisation in achieving basic compliance. Many regimes require authorisation, or at least registration, before certain types of activity can be undertaken. We work with clients to catalogue clearly

which regulations apply and what steps need to be taken to achieve compliance. Where approvals or authorisation are needed we can assist with applications and developing the policies and procedures that are needed to support these applications.

Sometimes getting compliant can require a major programme, examples of recent years including Sarbanes-Oxley and the Capital Requirements Directive for financial institutions. On this level of scale technical skills have to be supplemented by business change expertise and the Kingston Smith Consulting team includes individuals who have steered businesses through major change to the end point of achieving compliance.

Staying compliant

Most organisations that eventually fall foul of regulation will have made significant investments to avoid exactly that scenario. Failure usually comes about because of one of:

- Rule changes happened and the business wasn't aware or flexible enough to properly adapt.
- The business changed and the old compliance procedure failed to keep up. Common scenarios include the opening of a new location, launch of a new product line, or new people joining the organisation.
- Business processes were just not strong enough to ensure compliance all of the time and breaches occurred.

Kingston Smith Consulting helps to address all of these risks. This can take the form of a 'fully inclusive' outsourced compliance service in which we take on the challenge of ensuring your business stays compliant.

Alternatively we can support you with targeted services to achieve an immediate objective. We can health check your regulatory compliance regime and identify the gaps and vulnerable processes. We can provide advice and support to correct these where necessary. Recognising that training and awareness now play a pivotal role in most regulatory regimes, we offer a wide range of first class training solutions to embed knowledge and rule friendly behaviours in your business. Where new systems or procedures need to be developed we can work with you to prepare and implement these.

Where regulatory regimes require ongoing monitoring by management we can build and operate these

mechanisms. These can take the form of management information metrics that need to be monitored, for instance under "treating customers fairly" rules, or transaction testing to ensure compliance, for instance under FSA rules on financial product sales, Sarbanes-Oxley key control testing or Sharia Board oversight for Islamic financial products. Today, recognised good practice is for this testing to be executed by specialists operating independently of the business team. Kingston Smith Consulting can provide monitoring which meets the highest standards.

Where the regulator mandates regular reporting of information, we can help ensure this information is accurate. This includes tax reporting, and a large number of data requirements from the Financial Services Authority. Errors in reporting are likely to be unintentional, caused by poor data quality or an error prone process for consolidating and manipulating that data. We can identify weaknesses in the data process and quality issues in the underlying data, allowing your organisation to understand the scale of the problem and take steps to fix it.



Troubleshooting

Suspected or known regulatory breaches need to be investigated. Often a regulator will require an independent specialist be appointed to conduct this investigation. In practice management usually decides to take the initiative of engaging a firm to do this work before the regulator mandates it and potentially takes the choice of firm and scope of work out of management's control.

Kingston Smith Consulting offers forensic investigation services delivered by experienced professionals with a track record of this type of work. Strong investigative skills, together with technical knowledge of the rules and business processes, are married in our team with sophisticated communication and relationship management skills to carry this work out sensitively and effectively. Our experience ranges from investigation of suspected criminal activity - including money laundering and bribery and corruption cases - through to investigation

of innocent mistakes such as product pricing errors or data privacy breaches.

Optimisation

Often compliance activities represent a major overhead, and it is quite common for compliance to be seen as an obstacle in the way of getting business done and efficient processing. The costs of compliance are a significant factor in most industries, and a major factor in several. In a time when profitability is under heavy pressure anything that can reduce the cost burden of compliance without compromising standards is highly desirable.



Kingston Smith Consulting offers a sophisticated toolkit of support to reduce your costs of compliance:

- Process review and re-design - the greatest efficiency gains are achieved from compliance procedures which are built into processes and systems so they occur with as much automation as possible and in a way that achieves other commercial goals of the organisation, not just its regulatory goals. Kingston Smith Consulting has process analysis tools which are designed to drive out compliance savings for our clients.
- Systems generated compliance information and analysis tools - one of the most cost effective

approaches to remaining compliant is to build a strong detection regime that gives a high likelihood of problems being identified before they can become severe. We specialise in the system interrogation tools that are used to analyse your transaction data and flag concerns over compliance. Where these are strong enough, under most regulatory regimes, the costs of other monitoring activity can be cut and more intensive forms of monitoring scaled back.

- Harmonised compliance testing - detailed testing regimes designed in response to different rules and at different times, often by regulatory specialists without input from business testing specialists, create inefficiency. We can review existing testing regimes and identify how they can be harmonised. We can also re-design testing to deliver the best level of assurance in the most efficient manner.

The international dimension

Through our international association of member firms in over 50 countries we can procure detailed support to help you meet the compliance demands of other countries. Our UK firm has in-house expertise in a large number of international regulatory regimes including all UK regulation, US Foreign Corrupt Practices Act, SEC rules, Hong Kong Monetary Authority, Monetary Authority of Singapore, data privacy and money laundering rules, and many others. Where additional local expertise is needed our international network will be able to field specialists with the knowledge and local relationships you need to keep your international operations compliant

About Kingston Smith Consulting LLP

Kingston Smith Consulting is the specialist consulting practice of the top 20 accountancy firm Kingston Smith LLP.

Kingston Smith was originally formed in 1923 and the firm has grown to its current position through organic growth and mergers. Kingston Smith is a member of KS International which is an association of independent accounting firms in over 50 countries around the world.

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