



# Managing the Cost of your Compliance Program

July 17, 2024

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# Agenda

Introduction

Understanding the Cost of Compliance

Strategies for Managing Compliance Cost

Ongoing Monitoring

Conclusion

Questions



# Understanding the Cost of Compliance

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## Cost of Compliance – Recent Penalties

- **May 17, 2024** – Lawsuit for Deceiving Borrowers and Illegally Extracting Fees
- **May 7, 2024** – Ordered to pay \$1.3 million in redress and \$3.25 million in penalties for failing to provide refunds timely when accounts were closed.
- **November 15, 2023** – Ordered to pay a \$15 million penalty for Violating Order, Deceiving Customers, and Withdrawing Funds Without Consent
- **YTD 2024** - Numerous instances of Consent Orders on third-party risk management and consumer and financial crime compliance violations resulting in costly remediation, restitution and/or civil money penalties

## Cost of Compliance – Compliance Areas

- **Legal/Regulatory** – Licensing, AML & CFT, Consumer Protection, Data Privacy and Security
- **Operational** – Governance and Risk Management, Training, Monitoring/Audit, Vendor Management
- **Technology** – Information Systems
- **Reporting and Documentation** – Regulatory Reports, Recordkeeping, Document Management



## Cost of Compliance - Importance

- **Compliance Culture and the “tone-from-the-top”**
- **Getting a Seat at the Table**
- **Avoiding Scrutiny**
- **Establishing and Maintaining Trust**
- **Being proactive instead of reactive by anticipating resource needs (“Pay Now or Pay Later”)**



# Strategies for Managing Compliance Cost

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## Strategies for Managing Compliance Cost

- **Education**
  - Establishing a legal/regulatory inventory
  - Laws vs expectations/guidance
  - Organizational awareness
- **Technology and Automation**
  - Implementing the right technology for your organization (customizable tools)
  - Change management (inventory mapping and gap analysis)
  - Leveraging data analytics
  - Examples – Customer Identification, Transaction Monitoring, Legal Inventory, etc.



## Strategies for Managing Compliance Cost

- **Resource Allocation**
  - The importance of risk assessment process.
    - Establishing a risk appetite
    - Monitoring residual risk and allocating resources
    - Accepting and transferring risk
  - Making the most out of a limited headcount
    - Leveraging your compliance staff across multiple products/services and delivery channels
  - Outsourcing and partnerships.
    - The pros and cons and when to consider



# Ongoing Monitoring

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## Ongoing Monitoring

- **Establishing Key Performance Indicators**
  - Holistic view of critical areas
  - Identifying inefficiencies
  - Effective use of the first line in managing compliance risk
- **Third-Party Monitoring and Oversight**
  - Risk based approach to initial and ongoing due diligence
- **Periodic Auditing/Testing**
  - Identifying process improvements



# Conclusion

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## Key Takeaways

- **Start with a clear understanding of where your compliance risks are.**
- **Establish a risk appetite and perform risk assessments.**
- **Develop a roadmap that will help drive efficiencies through resource allocation and technology implementation.**
- **Continuous monitoring and enhancements**
- **Be proactive instead of reactive by anticipating resource needs**



## Questions?

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