

Compliance Trends: What's next?

Transnational Taxation Network Conference

São Paulo , November 2017

The Elements

- REGULATORY
- HR & PERSONNEL
- IT & ANALYTICAL TOOLS
- MARKET SURVEY STATS
- FORWARD PREDICTIONS

• Regulatory:

- Growing regulatory intervention post 9/11 terrorist attack.
- Increasing drive of the global tax authorities in collecting more on a wider base of taxable events, in order to compensate historically high budget deficits.
- Compulsory identification and registry of UBOs of corporate entities, and those bearing a fiduciary role in connection with foundations and/or trusts.
- FBAR, FACTA, CRS, BEPS, POCA, FCA, etc.
- Extraterritorial reach of regulatory impact and growing relevance of situs asset nexus: Permanent Establishment (PE).
- Automatic exchange of information (AEOI)

- Automatic exchange of information (AEOI)⁽¹⁾
 - Key milestone: 49 jurisdictions early adopters started their first automatic exchanges on September 30, 2017;
 - Jurisdictions have activated their exchange relationships under the CRS Multilateral Competent Authority Agreement;
 - 53 further jurisdictions are committed to start in September 2018;
 - The Common Transmission System offers a secure exchange platform
 - Preparation of the AEOI peer review process to start in 2020.

(1) Source: Global Forum on Transparency and Exchange of Information for Tax Purposes.

HR & Personnel:

- Intensification of training programs: development of compliance risk awareness top down & bottom up.
- Whistleblowers Hotline, Internal Reporting Channels, Exit Interviews to assess the culture.
- Monitoring for compliance with policies and procedures
- Company Buy-in: CCO top level visibility and perception that purpose of Risk Management is to allow risk to be taken safely.

IT & Analytical Tools

- Cloud-based compliance solutions are becoming mainstream with a mix of multi-tenant, dedicated and private cloud models to address varied data privacy and residency needs
- Forrester reports that 61% of decision makers reported that their firms had imported or were expanding their use of SaaS for archiving;
- Shift of concern from e-mail exchanges to social platforms and communication channels (Skype for Business, LinkedIn, etc.)
- January 2017 FINRA letter on regulatory and examination priorities reminded that “firms must ensure the capture of business –related communications, regardless of the devices or networks used.”
- Intersection of compliance and security is essential – and will become more important.
- Analytics are becoming vital for compliance and risk mitigation and will drive business value.

Market Survey Stats ⁽²⁾

Within the universe of companies surveyed:

- 33% the designated CCO is a standalone position;
- 21% of companies do not have a designated CCO;
- 73% have fewer than 20 full-time resources;
- 59% reported having a total annual budget for enterprisewide compliance functions — including people, processes, and technology — of less than \$5 million; and
- 43% reported that the CCO held a seat on the CEO's executive management committee.

(2)Source Compliance Week] In Focus:2016 Compliance Trends Survey

What is your organization doing to assess the culture of ethics and compliance?

57%

Utilizing information reported through whistleblower hotlines, internal reporting channels, and/or exit interviews to assess the culture

37%

Including ethics and compliance as part of a broader annual survey administered by HR or another dept

34%

Conducting a stand-alone culture or "ethical climate" assessment or survey

18%

Not currently assessing ethics and compliance culture

14%

Conducting employee focus groups

5%

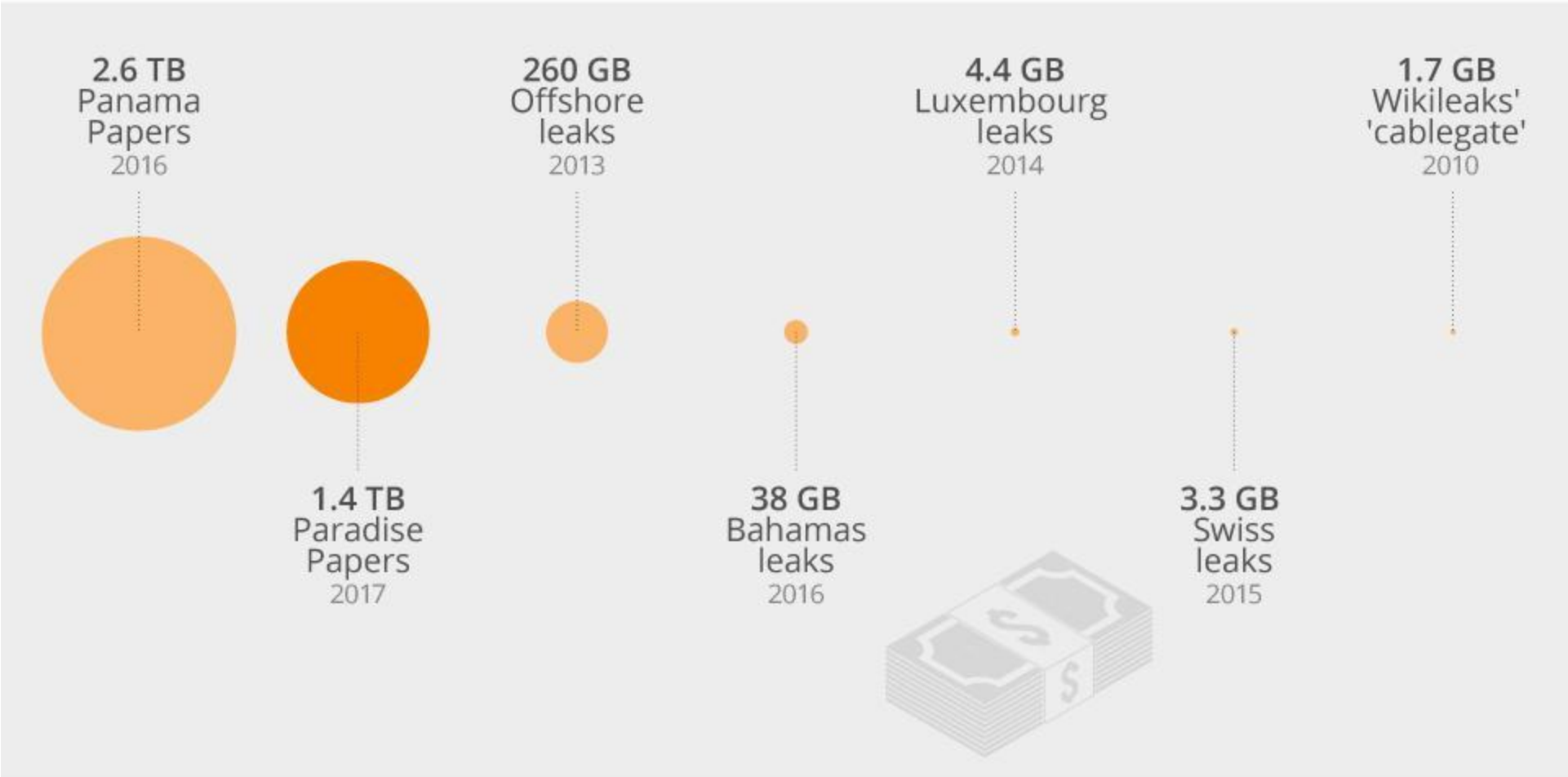
Do not know/not applicable

Panama Papers X Paradise Papers: Focus shifts from confidentiality to privacy and ethos.



The Scale Of The Paradise Papers Leak

The world's largest data leaks (in terabytes & gigabytes)

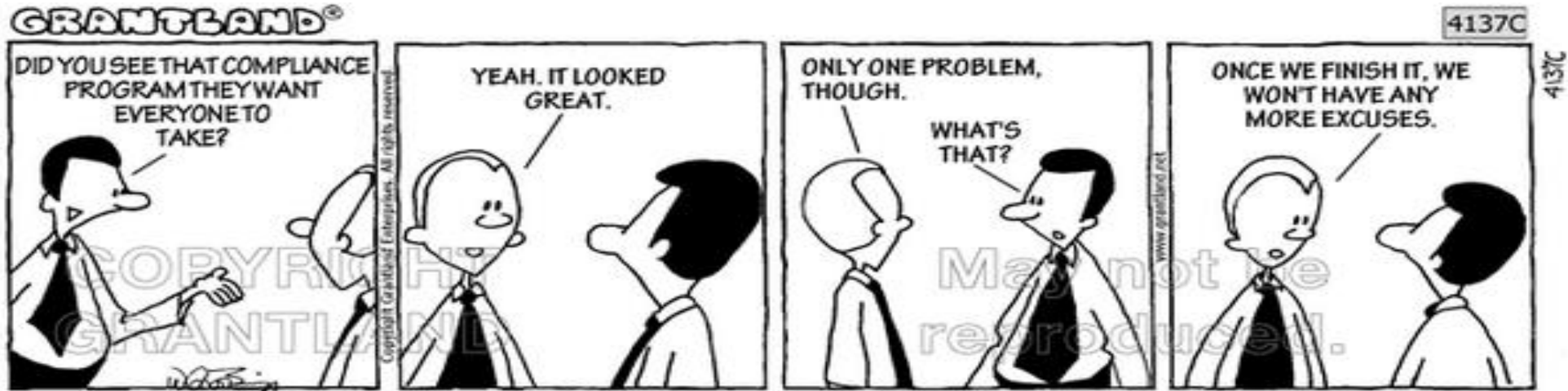


@StatistaCharts

Source: International Consortium of Investigative Journalists

Forward Predictions

- Use of Analytical Tools Will Increase
- Security, Ethics and Compliance Rules Will Be Tightened
- Enterprises Will More Rigorously Monitor Their Third & Fourth Parties



Thank You

Craig Barley

cbarley@latourcapital.com