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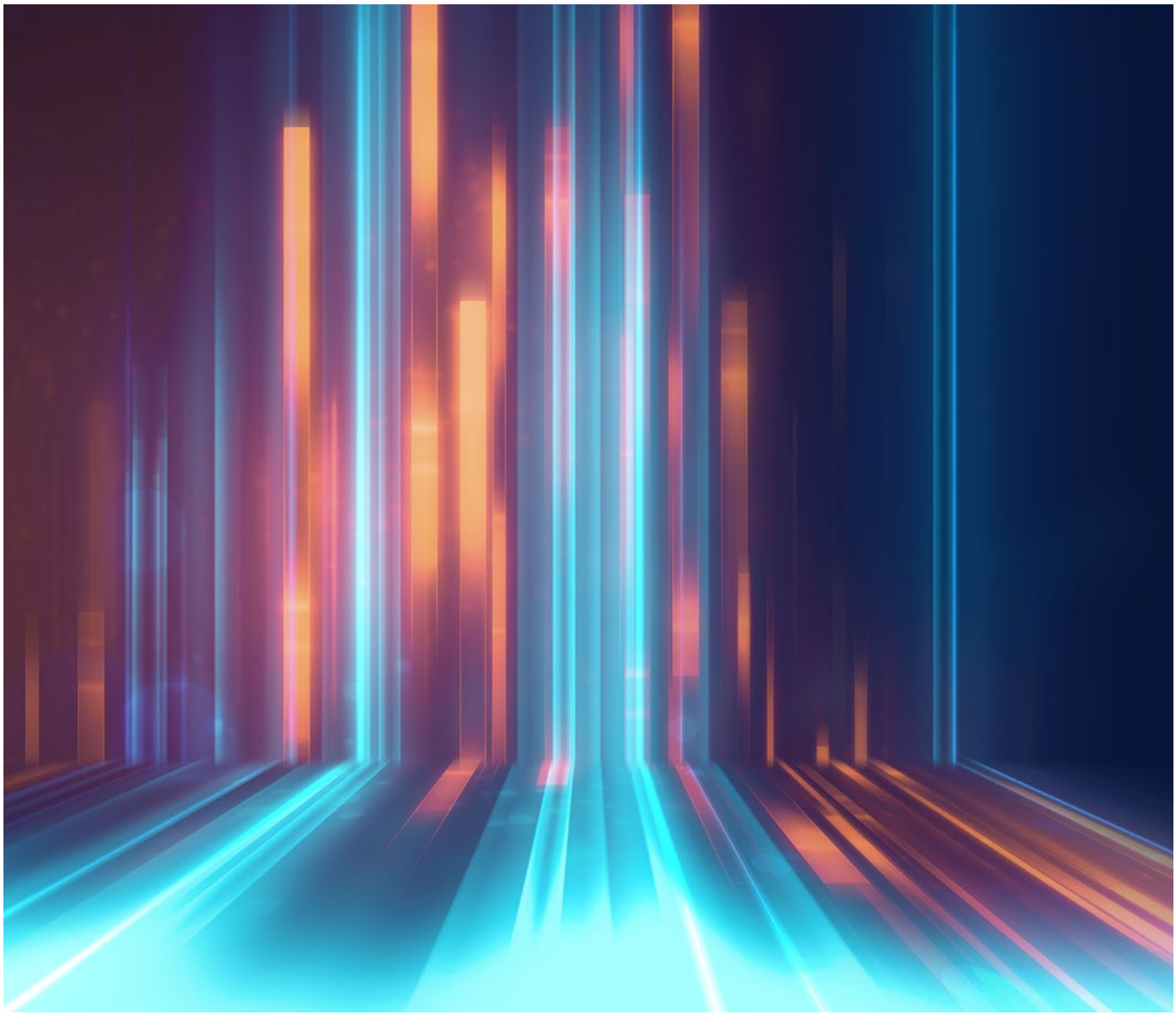
The Scope and Evolution of Compliance

October 2018



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Foreword

AFME is pleased to publish 'The Scope and Evolution of Compliance' in collaboration with EY. This report comes at an important juncture for compliance functions in wholesale banks.

Against a backdrop of significant conduct issues and major regulatory change, such as MiFID II, Market Abuse Regulation and the fourth and fifth Anti-Money Laundering Directives, as well as a growing number of codes of conduct, expectations for compliance functions have never been higher.

Where previously advising on regulatory requirements and monitoring adherence to company policies formed the core of a Compliance Officer's role, teams are increasingly expected to take a more strategic and proactive role in anticipating and managing risk.

New technologies, such as artificial intelligence and process automation, present considerable opportunities in assisting compliance staff to fulfil a broader role; from the relatively obvious goal of reducing time spent on manual processes through to the more far-reaching possibilities of being able to efficiently analyse vast quantities of data.

But technological shifts will not be straight forward. Investment will be required to upgrade business infrastructure to be able to support such changes and to keep up with initiatives such as electronic and algorithmic trading. Staff skills will also need to adapt to ensure they can meet these new demands.

This paper aims to outline some of the key considerations for firms and their compliance functions as they seek to adjust and enhance their roles in this demanding environment.

There will continue to be significant debate about what the optimum resource model for compliance functions should be, given the challenges as well as the opportunities they face. We hope this report can make a useful contribution to those ongoing discussions.

We would like to thank EY for their efforts in compiling this report, as well as AFME members from our Compliance Committee and Compliance Issues Working Group who have generously contributed their time and ideas to this publication.

James Kemp
Managing Director
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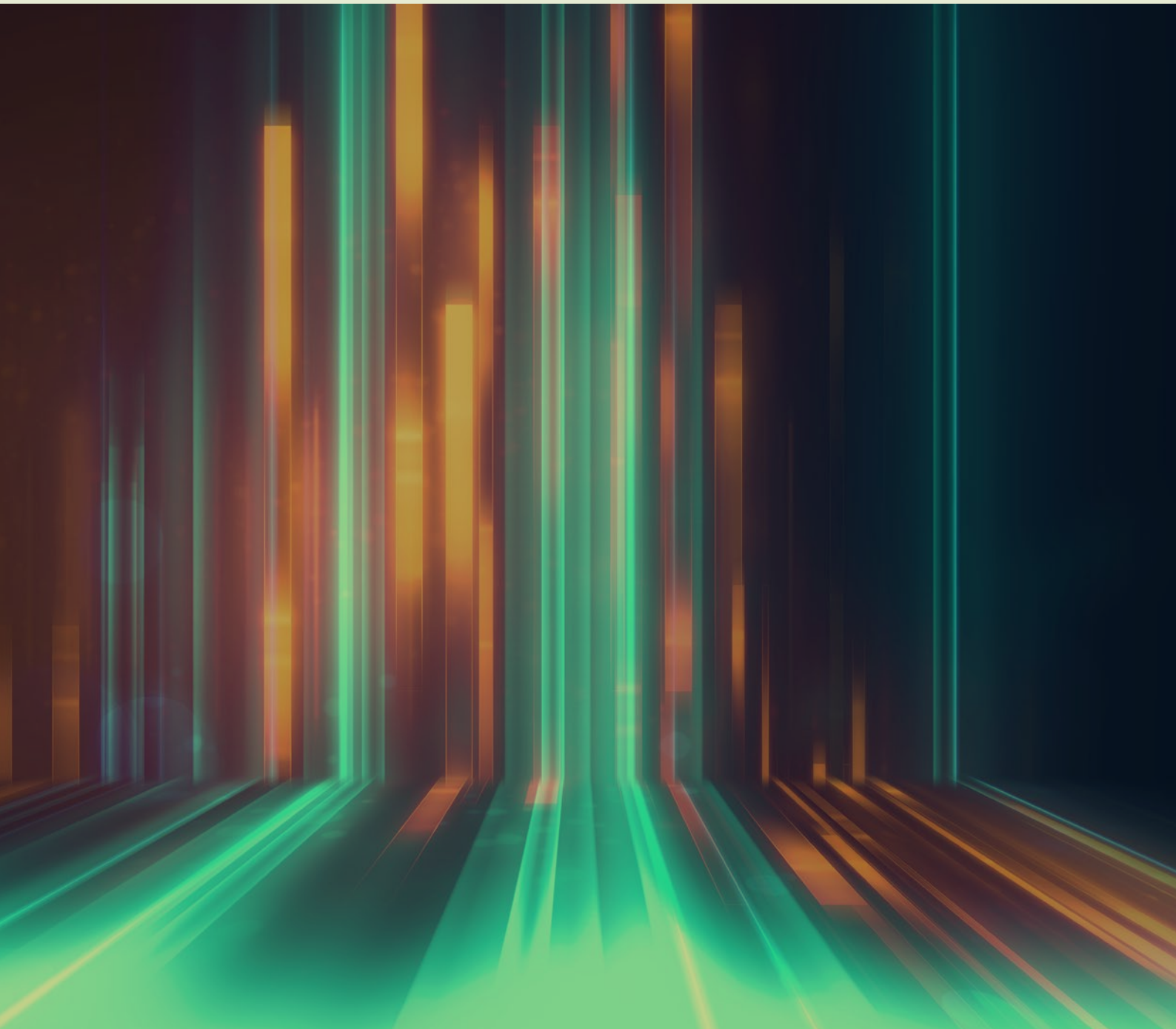
The Scope and Evolution of Compliance



Introduction

Compliance functions in wholesale banks and brokers will potentially face significant changes in the next few years. The availability of more complex data may allow compliance to adopt different ways of managing risks, for example, anticipating or predicting risk events more proactively. However, this is likely to result in broader demands and higher expectations from compliance's stakeholders, with new skill sets required to maximise the resultant data and technology advances that ensue. This, coupled with an evolution in the traditional three lines of defence model[1], presents compliance with both challenges and opportunities.

Following the implementation of changes resulting from Market Abuse Regulation (MAR), MiFID II and the 4th and 5th Anti-Money Laundering Directives, and with an impending Brexit, now is the right time to consider the role of compliance, and the potential challenges and changes it faces in its structure and approach. In partnership with EY, AFME has undertaken a detailed assessment of how its members organise and manage their compliance affairs and presents options as to how compliance frameworks could evolve in the future.

This report highlights:

- How compliance responsibilities are currently apportioned and how challenges are generally currently addressed. It considers how compliance identifies and assesses risks, provides advisory oversight and challenge to the business, and manages the relationships with conduct regulators.

- Future opportunities and challenges for compliance and how it may seek to adapt and enhance its role in supporting senior management to address new and changing regulatory risks. We consider how compliance's effectiveness can be further enhanced by changes to approach, use of technology and changing skill sets.

The way in which the three lines of defence interact with each other will differ by firm depending on size, complexity, business model and geographical location. However, the third line of control is not expressly dealt with in this report.

AFME represents European wholesale firms and this paper is designed for these. Although much of what follows is relevant across the industry, global firms will have to take account of differences of local law and regulation in planning their strategy.

There may be other ways of achieving the compliance function's purpose of planning for the future. This report provides some ideas but nothing in it purports to be prescriptive.

1 The three lines of defence model is a non-prescriptive control framework. 1st Line of Defence (1LOD) is within the business units where controls are in place to manage business risks, 2nd Line of Defence (2LOD) is within the risk management and Compliance functions and conducts advisory and monitoring activities to oversee the control framework and the activities of the 1st Line of Defence, and 3rd Line of Defence (3LOD) provides independent assurance and challenge through the Internal Audit function.

Executive Summary

The compliance function is a key component of any firm's risk framework. It provides a vital advisory role to senior management for the regulatory risks faced by the business, it helps to identify appropriate controls, and provides oversight and support to the business in the management of those controls. It also manages the relationship with regulators, coordinates and leads responses to regulatory enquiries and handles regulatory events and possible breaches.

Compliance operates in a constantly changing environment and has to adapt to meet new and evolving challenges. Resources will continue to be finite and it needs to find increased operational effectiveness as well as cost efficiencies to continue to provide a value-added service to the business. There is an opportunity for compliance functions to evolve and adapt in response to the changing nature of business and regulatory expectations. This document sets out the possible active steps that compliance could take to evolve in response to these changes.

There is an opportunity for compliance to transition from its traditional role into one that provides enhanced strategic advice to senior management, increased oversight of 1st Line Control Function surveillance and testing as a 2nd Line Control Function, greater use of business data to analyse and provide insights to senior management on changing risks and controls, and a greater influence on the management of the regulatory risk framework as a whole.

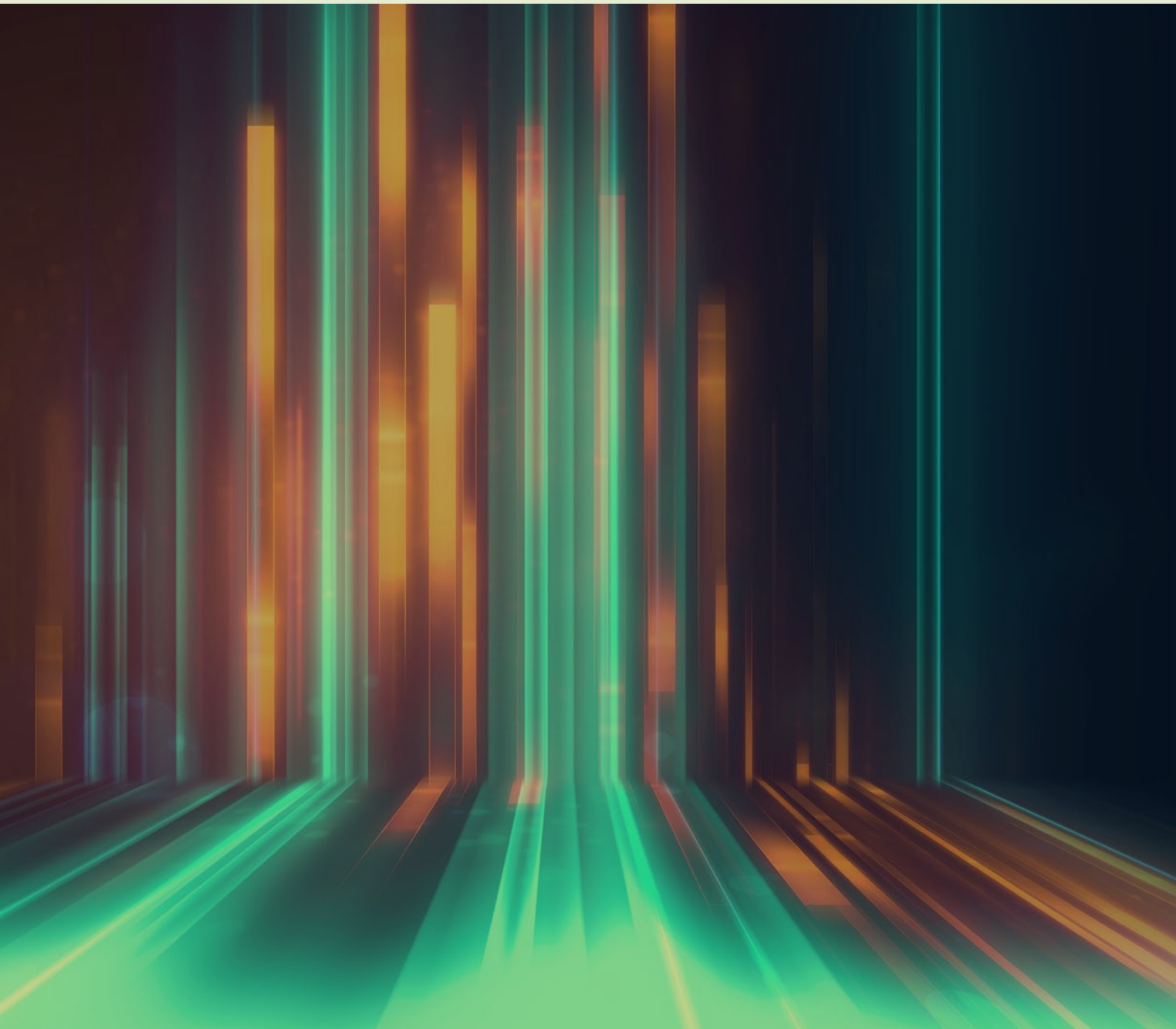
Current roles for compliance functions [2]	Key drivers for change	Possible future roles for compliance functions [3]
• **Regulatory Developments** - Horizon scanning, interpreting changes and advising business. • **Risk Assessments** - Assessment of conduct and regulatory risks and design of control framework. • **Compliance Policies and Standards** - Design and communication of standards and provision of training. • **Advisory Oversight** - Oversight, support and challenge to the business on transactions, business changes and initiatives. • **Monitoring and Testing** - Periodic risk-based monitoring of compliance with policies and procedures. • **Investigation and Issues Management** - Conduct investigations and ensure that escalation is made to senior management where appropriate. • **Operational Compliance** - Processes and procedures e.g. managing PA Dealing approval process, gifts and entertainment process. • **Regulatory Relations** - Managing the relationship with conduct regulators and co-ordinating the submission of regulatory reports.	• **Maintaining independent oversight role while remaining engaged in business advisory relationship** - Rebalancing of the conflict between independent oversight and day-to-day advice, including some automation of advisory support. • **Changing nature of business models and activities** - Ever-increasing use of automated trading platforms, algorithmic trading, a variety of different communications media, and increasingly complex transactions and structures being developed by the business. • **Testing and Monitoring** - Developing greater coordination between 1LOD and 2LOD on the responsibility for testing and monitoring could impact on the level of risk scrutiny applied to the business. • **Speed and automation of processes** – The ability to review and analyse business specific issues quickly and effectively will be impacted by the speed and automation of business processes. • Senior Management personal responsibilities.	• A strategic independent advisor with a broad outlook of risk when considering business changes and initiatives. • Increased and proactive challenge to business. • Advice and review of how the business meets its conduct and culture responsibilities (including, in UK, SMCR). • Provide Senior Management and the Board with clear and concise Management Information (MI) and regulatory risk assurance and support them in interaction with regulators. • Oversee business response to breaches and issues of misconduct and investigate where appropriate. • Proactive engagement with regulators, including feedback, and managing and developing the regulatory relationships. • Identify regulatory changes requiring a business response and act as a trusted advisor during the implementation of that response and provide relevant training.

2 These are generalisations - some firms will already be implementing what we have listed in the third column as Possible Future Roles.

3 As with current roles, some firms will be further down this road of change than others.

Section 1

Current State of Compliance



Where we are today

Evolution

Compliance has evolved from a quasi legal function to one that is more focused on the identification and measurement of risks, as common risk disciplines have been adopted.

Nonetheless, compliance has continued to fulfil many of its traditional roles such as setting standards through policies, advising the business on regulatory requirements and monitoring for compliance with policies and standards.

A transition of some responsibilities to 1LOD has led to some blurring of the lines in respect of compliance's core role, with senior stakeholders sometimes unclear on compliance's core purpose when compared with other support functions.

Compliance role within the Risk Framework

Compliance structures and areas of responsibility will vary depending on the size and complexity of firms.

Whilst understanding the role that compliance performs in managing regulatory risk (which is examined in detail in this paper), it is important to recognise the need for all stakeholders to have an active role in developing effective controls and receiving relevant MI to identify actual and potential issues.

In the UK, the SMCR has heightened the need for insightful and relevant MI to demonstrate management responsibility.

Compliance has an important role to play in co-ordinating responses to regulatory change and initiatives, as well as ensuring that the appropriate functions and individuals are brought together to resolve issues, including training and liaison with regulators.

Regulatory Requirements

Regulators have specified their requirements for compliance as an independent function providing oversight of business activity.

In all cases these focus primarily on policies, procedures, monitoring, providing advice and challenge, training, as well as some references to conflicts of interest, complaints and remuneration.

Additionally, compliance is required to monitor against the ever-increasing number of industry codes of conduct, many of which are voluntary only in name.

See annex for overview of Regulators' main requirements of compliance.

Challenges for compliance

Compliance reporting is largely manual and as a result, resource-heavy and time-consuming.

The challenge for compliance is to be able to respond to changes in technology and regulatory requirements and become more flexible and automated, developing 'in step' with the business.

There is a clear expectation that firms have mapped all relevant regulations to each business and can demonstrate that risks arising from either regulations or business activities, are adequately mitigated.

To date, compliance has not always had the analytical tools to be effective in forming a broader and more strategic view of the compliance profile in their organisations.

Compliance's main stakeholders

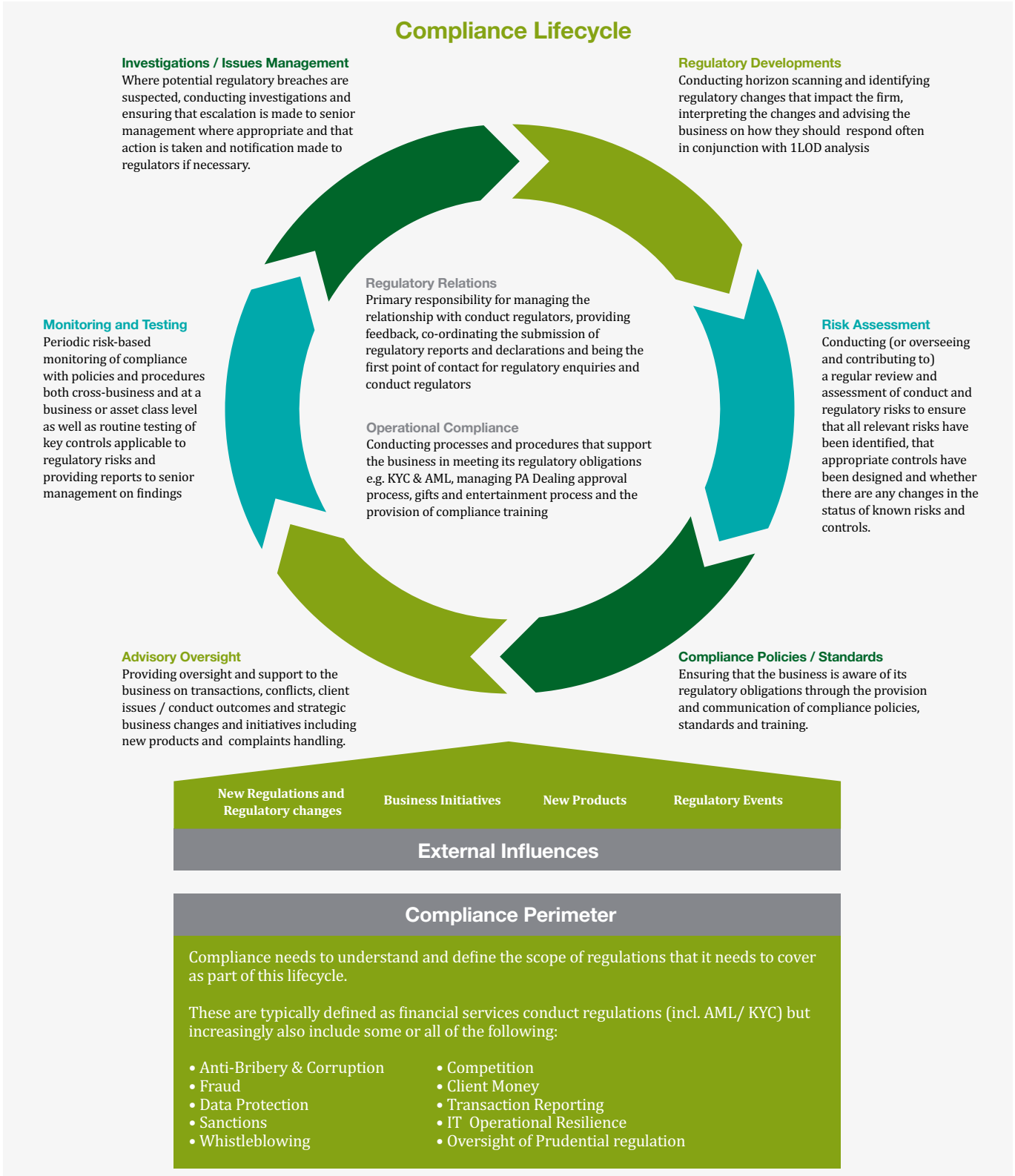
The primary internal and external stakeholders that compliance functions typically interact with are set out in the table below, along with a description of how compliance can deliver against the specific expectations and requirements of each stakeholder.

Compliance will need to fully address each requirement to ensure its continued relevance and effectiveness.

	Board	Other Internal Functions e.g. Risk, COO, Operations, Legal, IT, HR	Business	Regulator(s)
Compliance responses to stakeholder expectations	Assess the risks posed by the business model and strategy.	Identifying any compliance gaps in the 3LOD model and raising them with stakeholders.	Provide analysis of the critical business impacts from current and future regulation.	Provide a challenge to the business both in terms of behaviour and customer and market outcomes.
	Provide feedback on the firm's ability to meet its regulatory requirements.	Share data and make use of data points to assess and draw conclusions.	Provide its interpretation on the direction of travel in relation to firms' regulatory obligations including regulatory statements.	Interpret regulatory requirements and support their translation into business practices.
	Provide feedback on the firm's compliance, conduct behaviours and culture.	Collaborate to provide a single view of regulatory risk on business areas and/or initiatives.	Provide quick, clear and pragmatic advice in response to day-to-day enquiries that allows the business to meet its regulatory requirements.	Have a holistic understanding of the outcomes for customers and the markets.
	Provide feedback on the identification of all current and all upcoming regulatory requirements and plans to address them.	Share resources and skill sets where appropriate.	Assessing and challenging new products and services.	Draw on existing and shared data from across the firm to build a full picture of the compliance of the firm.

Key components of the compliance function

These are the key areas of the 'compliance lifecycle' that compliance has traditionally undertaken. They are regarded by both industry participants and the regulators as where compliance should have a lead role and in most cases, 'own' the component particularly where there is need for oversight of business activities independent of the business senior management.



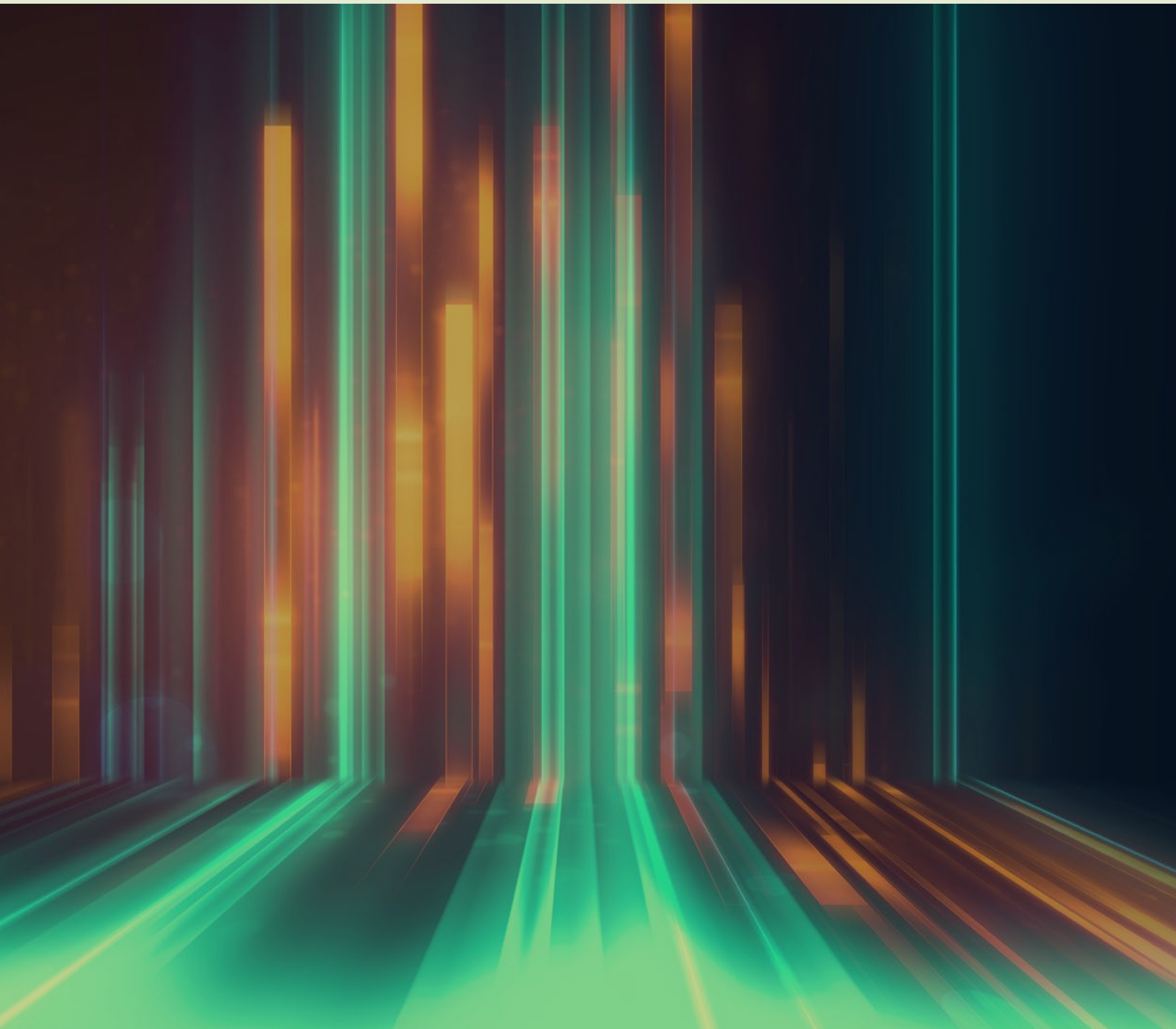
Challenges facing compliance

Compliance currently faces a number of challenges to deliver on its responsibilities, driven by: its position and role in the organisation; the need for new and changing skill sets; the changing nature of sales and trading business models; the speed and automation of processes; and the increased accountability demands on senior managers. This all inevitably leads to a debate on the optimum resource model for compliance given the increased workload and the added complexity and speed of response required. Below we set out these challenges in more detail and how they may be addressed.

Area of Challenge	Description of Challenge	Response
Potential conflict of interest in conducting a dual role of advice and oversight	Ensuring that sufficiently independent monitoring oversight is conducted on the business whilst continuing to provide 'real-time' advice and support on new products and business initiatives (can compliance 'mark its own homework'?). Where front-line BAU advisory activity is reduced, compliance staff may not retain sufficient expertise and knowledge of products and business activities to undertake effective risk reviews.	The compliance role in providing day-to-day advice to the business may need to evolve into one of providing advice at the design / initiation stage and exercising oversight of the outcome post-event, ensuring that the business owns the risks associated with the development of the product or initiative and any conduct issues. A rebalancing of independent oversight vs day-to-day advice is underway in many firms including some automation of advisory support.
Changing nature of business	Business senior management to acknowledge that the compliance role is to provide pro-active challenge and advice on regulatory aspects of risk issues but not to determine the business response.	A restatement of the scope and position of compliance, along with a review of required skill sets to enable staff to respond appropriately to business requests and expectations.
Changing nature of operating models	Compliance must keep up to speed with an ever-increasing use of automated trading platforms, algorithmic trading, a variety of different communications media, and the increasingly complex transactions and structures being developed by the business.	More structured review of the businesses' risk profiles and control framework assessments to ensure that all risks are identified and managed. This will require a change and upgrade in the skill sets of compliance staff, including the review and design of automated processes .
Testing and Monitoring	A lack of clarity between 1LOD and 2LOD on the responsibility for testing and monitoring could impact on the level of risk scrutiny applied to businesses. This is also relevant to the role that compliance should play in oversight of 1LOD activities.	An agreed definition of responsibilities between 1LOD and 2LOD and an appropriate allocation of resources to enable both to fulfil their role.
Speed and automation of processes	The continued speed and automation of business processes will require compliance to adapt to review and analyse issues quickly and effectively.	The use of automated systems to enable faster 'close to real-time' monitoring and surveillance, and increased business and product knowledge to deliver the review and analysis.
Senior Management personal responsibilities	Compliance to provide a sufficiently holistic view of risk to senior managers to help them better fulfil their SMCR responsibilities, including a broad view of how their business is performing against performance metrics.	Focus on providing a broad view of risk, taking into account wider behavioural and outcome testing results in order to form a full picture rather than focus on detailed trade surveillance results.

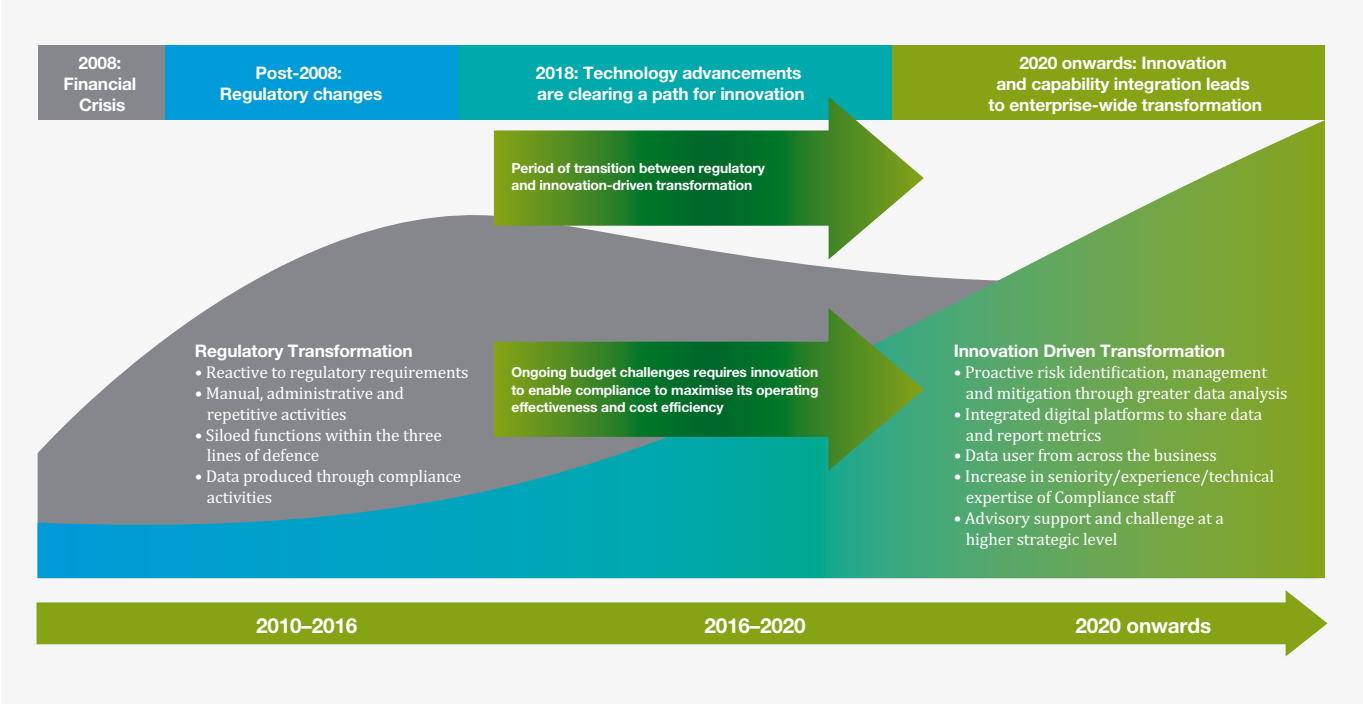
Section 2

Future State of Compliance



Transitioning to a new operating model

Compliance will become more data and technology dependent as budget challenges and operating effectiveness encourage innovation-driven transformation.



The evolving responsibilities of compliance

In order for compliance to transition to a different operating model there should be a shift towards it being a data user, not a data generator. Fundamentally, compliance should take a step back and look to utilise and leverage all streams of data (transactional, behavioural and social) to identify risks and act as an independent overseer and adviser.

Independence

Compliance will continue to operate as an independent 2nd line function as required by the regulators. It will exercise its challenge and oversight responsibilities through a combination of testing and monitoring, involvement in the design of, and challenging, business controls and new business initiatives, as well as continued dialogue and advice to businesses on regulatory expectations. Compliance's effectiveness and ability to influence will be impacted if it removes itself completely from involvement in business decision making, but at the same time it needs to retain an element of independence to enable it to appropriately challenge the business on strategy and approach. A combination of advice in the design of a control, process or business initiatives, along with subsequent monitoring of the operating effectiveness of that design, could provide a reasonable and balanced approach.

It could become more involved in the assessment of strategic business initiatives and provide a regulatory view on whether the firm's business strategy is in line with regulatory expectations, as well as how regulations may impact on specific initiatives. Compliance should have, to the extent it doesn't already, an important sign-off approval on all major business initiatives.

Testing and Monitoring

Compliance will retain a key role in conducting testing and monitoring to enable it to form a view on the design and operational effectiveness of controls, the appropriateness of market and client outcomes and ongoing standards of conduct and behaviour. However, it may wish to rely on testing programmes conducted by 1st line functions where it can be comfortable that the testing has been conducted appropriately and the outcomes are fair and accurate. This may need to be supported by sample reviews of 1st line testing output to establish whether reliance can be placed on it. In order to perform its role in assessing and reporting on the firm's overall regulatory risk framework, compliance may find it useful to utilise a combination of 1st line testing and its own testing and monitoring programmes.

Risk Assessment

Compliance's involvement in the assessment of risks and controls may also evolve. Whereas in some smaller firms compliance may retain a degree of responsibility for assessing regulatory risks and identifying controls across business areas, we anticipate a continued evolution towards 1st line functions assuming responsibility for identifying the risks in their business and implementing relevant controls. Compliance would validate the results of the assessment exercise and through its challenge, oversight and monitoring determine whether the identification of risks was sufficiently robust and comprehensive and whether controls are appropriate and effective.

Compliance could refocus its role to the following activities:

Statement of Responsibility	Action to be taken	Why should it be compliance?	Dependencies
Strategic independent adviser with a broad outlook of risk when considering business changes and initiatives.	Compliance should act as an independent function when breaches are detected and require investigation or where businesses need to seek guidance or clarification on a particular course of action, a new product or service launch, or on whether procedures sufficiently meet the regulatory obligation.	Compliance can act as independent arbiter and point of escalation where serious breaches or matters of misconduct require investigation and/or assessment of whether further regulatory action is necessary. It will also be a subject matter expert on regulations and provide advice on how regulations impact the business and steps that the business should take to address those regulations.	Sufficient resources of a high stature to be available to handle an infrequent but potentially time-consuming task.
Increased and proactive challenge to business.	Utilise transactional and behavioural data to challenge the business as to the adequacy of their controls and processes and therefore where regulatory issues could arise in the future if risks are not addressed.	Compliance will be in a position to be able to consolidate different data points to take a broader perspective on how risks are being managed and whether there are indicators of potential future regulatory problems. This is both within businesses and between different business areas.	Availability of, and access to, all relevant data points to undertake assessments. Skill set change to be more risk focused.
Advise on and review how the business meets its conduct and culture responsibilities (including, in the UK, SMCR).	Actively promote good behaviours through training and support to senior management, in terms of defining how culture will be measured and what specific local procedures need to be put in place to demonstrate that individuals are meeting their cultural standards.	To be an independent assessor of how conduct outputs demonstrate the culture, of the firm and advise senior management across all business areas on actions that they should take to promote a positive culture, drawing on its regulatory and business experiences.	A clear articulation of compliance and culture standards and commitment from senior management to enforce those standards. An ability to identify poor culture and challenge it.
Provide Senior Management and the Board with clear and concise MI and regulatory risk assurance.	Develop an integrated digital platform to allow the sharing of data and an ability to report metrics to provide the Board, Executive Committee and Risk Committee with an independent assessment of how Business Heads are fulfilling their regulatory responsibilities and identify whether there are any gaps in the risk and control framework. This will require reliance on controls and outcome testing performed by other functions.	Compliance will have access to a range of data points drawn from its own analysis, and analysis conducted elsewhere, which it can consolidate and analyse to construct a holistic view of compliance with regulations across the whole enterprise, drawing comparisons and trends where necessary.	Access to controls and outcome testing performed by other functions. Skill sets available to interpret and assess data. Access to firm wide data sources.
Advise on business response to breaches and issues of relevant misconduct, and investigate where appropriate.	Utilise transactional, behavioural and social data to assess misconduct and future areas of weak control and act as an independent investigator to determine if regulatory breaches occurred. Once identified and escalated, compliance should advise on and challenge senior management on remediation of the issues.	Compliance can act as an independent assessor and arbiter of suspected misconduct and provide consistent and fair judgements based on facts. It can determine whether different business areas are dealing with issues fairly and consistently measured against agreed policies.	Availability of, and access to, all relevant data points to undertake assessments . Skill set change to be more risk focused.

Statement of Responsibility	Action to be taken	Why should it be compliance?	Dependencies
Proactive engagement with regulators, including feedback, and managing and developing the regulatory relationships .	To have a clear strategy to manage relationships with regulators, including allocation of business regulatory contacts, a schedule of regulator meetings, and a process for responding to regulatory enquiries and providing updates and reports.	Compliance has a view of the regulators' expectations and will be able to guide and advise the business on how best to communicate with regulators and respond to requests. Having a central process for communicating with regulators and managing relationships will be efficient and ensure that clear and unambiguous messages are provided.	Understanding business risks and collecting sufficient information from the business to prepare and submit appropriate responses to regulators. To have sufficiently experienced compliance staff who can liaise with regulators and business heads to manage the two-way communication process, including supporting business in such liaison.
Identify regulatory changes requiring a business response and act as a trusted advisor during the implementation of that response.	Ensure that the business is aware of the impact of new regulation to their business activities. Compliance should provide input during the design of any operating model that is devised in response to new regulatory requirements or business initiatives. Compliance should then provide support and independent challenge during the implementation of the operating model.	Compliance can provide an understanding of the regulator's expectations, and help the business interpret how the new operating model will seek to address them. It can also provide a post-implementation assessment to provide assurance that expectations have been met.	Need to have awareness of regulatory change initiatives and new product and business proposals at a sufficiently early stage to be impactful, including training and regulatory liaison. Enhance knowledge and experience of technological business solutions to provide input to technology initiatives.

Solutions to enable compliance to pursue its opportunity

- The availability of more **granular and complex business data** providing a fuller perspective of activities and conduct behaviour.
- The availability to compliance of **integrated and automated data and analytics procedures** to enable broader review and assessment of risks.
- **Upgraded skill sets within compliance** to facilitate full analysis of data of different formats and the ability to conclude on risks and communicate key messages to senior management.

Granular and complex business data	Technological advances means that there should be greater and richer data (transactional and behavioural) available. These new streams of data should be utilised to provide more granular and targeted MI to Senior Management on all regulatory risks.
Integrated and automated data analytics systems	The timely analysis of this additional and granular data will necessitate a system that integrates data from different sources and presents it to compliance in a way that enables analysis, assessment and comparison across different products and business areas. Compliance should be able to utilise this data to gain a better understanding of the flow of business and to become more proactive in identifying sophisticated issues of misconduct.
Upgraded skill sets within compliance	The expectations on compliance will increase. As a result, it will need to understand different forms of trading operations and data, and provide assurances that the right outcomes are being obtained, that regulations are being met, and customers are treated fairly. This will require strong data and analytical skills as well as communicating and influencing skills to ensure that appropriate messages are provided to senior management and Board in an effective manner.

Annex: Overview of Regulators' main requirements of compliance

Jurisdiction	Regulator	Regulation	Requirements
EU	ESMA & NCAs	MiFID II Article 16 Delegated Act 22 MiFID II RTS 6, Article 2 MiFID II product governance requirements Market Abuse Regulation ESMA Final report and guidelines	MiFID II Article 16 (Organisational requirements) and **Delegated Act 22** define the functions of compliance to be: 1. To **monitor** 2. To **advise** 3. To **report** 4. To oversee the **complaints** handling 5. To review the **remuneration** policy (mentioned in the wider text) 6. To establish risk based **monitoring system** (mentioned in the wider text) Compliance and reporting obligations in respect of the MiFID II product governance requirements. Compliance with rules on insider dealing, unlawful disclosure of inside information and market manipulation including firm monitoring, surveillance and reporting. Requirement for compliance procedures for: market soundings, disclosure of inside information, insider lists, market surveillance, suspicious transaction reporting and investment recommendations. 29 November 2017: Peer review on certain settings out aspects of the compliance function under MiFID. The ESMA guidelines 1-4 support how NCAs can ascertain compliance with points 1-6, MiFID II, Article 16.
UK	FCA	SYSC 6.1.3R	**A firm must maintain a permanent and effective compliance function** which operates independently and which has the following responsibilities: 1. To **monitor** and, on a regular basis, to assess the adequacy and effectiveness of the measures and procedures put in place in accordance and 2. To **advise** and assist the relevant persons responsible for carrying out regulated activities to comply with the firm's obligations under the regulatory system. Senior Management Function 16 responsibilities: Safeguarding the independence of; and Oversight of the performance of; the compliance function in accordance with SYSC 6.1(Compliance).

Annex: Overview of Regulators' main requirements of compliance

Jurisdiction	Regulator	Regulation	Requirements
US	SEC	Rule 38a-1 under the Investment Company Act of 1940, Rule 206(4)-7 under the Investment Advisers Act of 1940 and amendments to rule 204-2 under the Investment Advisers Act	The objective of the compliance program is to prevent, detect and correct violations of securities laws: **1. Policies and procedures:** Adopt and implement written policies and procedures reasonably designed to prevent, detect and correct violations of securities regulations. **2. Annual review:** Review, no less frequently than annually, the adequacy of the policies and procedures and the effectiveness of their implementation. **3. Chief compliance officer (CCO):** Designate an individual responsible for administering the firm's compliance program.
	CFTC	CCO Rules/regulations regarding certain duties of chief compliance officers	Final rules amending the CCO rules published by the CFTC on 20 Aug 2018 – relating to: * Regulation 3.1- Definitions. Definition of senior officer as 'the chief executive officer or other equivalent officer of a registrant' 1. Regulation 3.3(l) – Chief Compliance Officer Duties – Duty to Administer Compliance Policies and Procedures 2. Regulation 3.3(d)(2) – Duty to resolve conflicts of interest 3. Regulation 3.3(d)(3) – Duty to ensure compliance 4. Regulation 3.3(d)(4) and (5) – Duty to Remediate Noncompliance Issues CFR Part 3 sets out the CCO duties and Annual report to requirements be produced by the CCO on an annual basis.
		Dodd Frank Act	The proposed rules track the required duties of the CCO set forth in the Dodd-Frank Act. The CCO must: 1. Establish compliance policies; 2. Resolve conflicts of interest; 3. Ensure compliance of the registrant with the compliance policies, CEA requirements, and Commission Regulations; 4. Identify noncompliance issues; and establish procedures for the remediation of such noncompliance issues. All of the above duties (with the exception of ensuring compliance) are to be undertaken in consultation with the board of directors or the senior officer of the registrant.
		Volcker Rule	Banks with greater than $10B in total consolidated assets must implement the "standard" compliance program: **1. Policies and procedures** – These must be established at the desk-level to reflect authorized products and trading limits, and hedging strategies permitted by the rule. **2. Controls** – A system of internal controls must be established to monitor compliance with the rule. **3. Governance** – A management framework must be established with clear accountability for compliance, including periodic review of the limits laid out in the policies and incentive compensation arrangements. **4. Independent testing** – Periodic independent testing and audit of the effectiveness of the compliance program must be performed by qualified independent personnel or an outside party. **5. Training** – Banks must provide training to trading personnel, management, and others as appropriate to effectively implement and enforce the compliance program. **6. Recordkeeping** – Documentation demonstrating compliance with the rule must be kept for five years and be readily available to regulators upon request.

Notes

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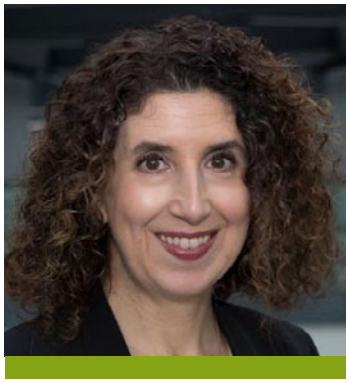

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We represent the leading global and European banks and other significant capital market players.

We advocate for deep and integrated European capital markets which serve the needs of companies and investors, supporting economic growth and benefiting society.

We aim to act as a bridge between market participants and policy makers across Europe, drawing on our strong and long-standing relationships, our technical knowledge and fact-based work.

Focus
on a wide range of market, business and prudential issues

Expertise
deep policy and technical skills

Strong relationships
with European and global policy makers

Breadth
broad global and European membership

Pan-European
organisation and perspective

Global reach
via the Global Financial Markets Association (GFMA)

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