
AFME Webinar

Post Pandemic Compliance: Preparing for What Happens Next

29 April 2021 09:00 – 10.00 BST

On 29 April, AFME held a webinar featuring industry policymakers and participants, discussing the changing landscape of compliance in light of the pandemic, and how firms can prepare for what will happen next. Changes in supervisory expectations create challenges for compliance functions but also opportunities, as there is room to expand the role and impact of compliance within the organisation. These changes are taking place across several key areas such as technological change and ESG, as well as culture, behaviour, and conduct.

Lessons Learned from COVID

Speakers acknowledged that, while compliance models coped remarkably well with the impact of the Covid-19 pandemic, they have also had to swiftly adapt. Compliance practices have become increasingly digitised in adapting to accommodate hybrid working, while also addressing the ever-present cost and efficiency challenges. Compliance teams have also had to adopt greater flexibility, with priorities changing more frequently and have learned to implement change ‘overnight’. This has emphasised the importance of both hiring staff with the adaptive skillsets, and being able to bring together at short notice stakeholders from across the business to implement rapid responses to new circumstances.

On a related note, connectivity between second line functions has been key to prudent risk management during the pandemic, with many firms considering how greater long-term efficiencies can be achieved in this respect. On the other hand, this must be balanced against the need to maintain the independence of the Compliance function – the willingness to challenge and to escalate.

Whereas business continuity and risk assessments were the main priority at the outset of the pandemic, compliance functions now need to consider what the ‘new normal’ may be and what practices from the past year should be wound up, continued or adapted.

From a supervisory perspective, the experience has also been revealing. There has been a need to shift to remote, rather than on-site, supervisory inspections, elements of which may be able to continue longer term. Operational resilience and firms’ adoption of outsourcing has also come under increased scrutiny, proving the supervisory view that firms need to be prepared to respond ‘when’, not ‘if’ they face challenging circumstances.

Technology

The shift to remote working driven by COVID-19 naturally accelerated changes in the application of technology within compliance. As well as an increase in voice (and in some cases video) recording, many firms accelerated their adoption of more advanced surveillance and data-collection systems to compensate for the lack of face-to-face contact, in some cases incorporating advanced techniques such as Artificial Intelligence. This has presented compliance teams with an abundance of structured and unstructured data, which brings challenges as well as rewards. Firms will need to establish the integrity of complex data sets and ensure that data is being harnessed for client benefit in order to build trust with stakeholders and clients. Moreover, since there is potentially endless scope to invest and expand, compliance teams will need to identify the right targets, prioritise their resources and establish what they want to achieve with their use of data.

ESG

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Environmental, social, and corporate governance (ESG) factors will play a fundamental role in the future financial system, which is leading to increased focus within compliance. There are many expectations in respect of how commercial enterprises address ESG, but the topic is still also new to many and developing fast. Trust is key in this area, since it is necessary to build confidence into approaches to avoid the appearance of 'greenwashing'. As part of this, firms need to evolve and mature their disclosure practices in relation to ESG, which will be a key area for compliance input. Compliance functions will also need to assess their future involvement in ESG and build expertise in this field, in order to advise the business and help manage associated risks.

Culture and Conduct

One of the greatest challenges for compliance teams has been maintaining and building culture and good conduct in a remote working environment, while staff have been navigating so much change. This encompasses not only long-standing relationships between colleagues, but also onboarding and training new starters. Firms have made increased use of virtual workshops to keep staff connected and up to date with the latest skills and practice. Encouraging debate of practical market conduct scenarios in small groups, even in a virtual environment, has proved successful, particularly with junior staff. The importance of remaining true to corporate values was also emphasised and how firms should remind their staff to consider the concerns of other staff and stakeholders in remote working environments.

Compliance Priorities for the Coming Months

As the webinar drew to a close, the key message conveyed by speakers focused on the importance of ongoing prioritisation of resources and targets. Compliance functions should identify their unique value proposition and obtain stakeholder buy-in, in order to avoid becoming spread too thinly between ever-expanding objectives – one speaker used the neat analogy that if you add more lanes to a motorway, you'll just end up with more cars, rather than greater efficiency. This will be key to maintaining a sustainable compliance model as firms transition into new ways of working.