



Compliance transformation

kpmg.com/cn



Compliance transformation: The strategic opportunity

Faced with the 'new normal' of constant regulatory challenges, some organisations see a strategic opportunity. In addition to focusing on how to comply with existing regulations, organisations are increasingly seeking to fundamentally reassess and retool their Compliance function and activities in anticipation of future developments.

More and more, organisations are taking a thoughtful step back to gauge the effectiveness and efficiency of their entire compliance function, which is key.

They are also assessing how they can further integrate their technology, processes and people enterprise-wide in an effort to further mature their compliance activities and ensure a sustainable approach. Implicitly, they choose to stop tinkering at the margins.

The potential benefits of this strategic approach begin with improved compliance effectiveness, and can extend to building a compliance culture that is driven by strategy, and embedded in the enterprise's governance, planning and operations.

What stakeholders, such as the board of directors, are asking:



More than ever, management and boards of directors are taking a sharp look at their compliance programme and strategies. When they do, critical questions being asked include:

- How do we move our compliance programme beyond what is required to what is expected for an organisation of our size and complexity?
- What should the target state be for our compliance programme across people, process and technology?
- How can we help ensure that the changes made will be demonstrable and sustainable?

Transformation: Destination and journey

For some organisations, compliance transformation will describe the continual evolution and alignment of existing activities with their internal risk profile and tolerance; culture; strategic and financial objectives, and business, operating, functional, and human capital models. For others, it may represent significant step-change, with markedly different 'before' and 'after' states.

Organisations can choose any starting point to initiate compliance transformation. The process can begin with a single component of their programme, because of a change in their internal or external environments, or a combination of both. Or it can extend from an enterprise-wide decision to revisit the entire compliance framework. Regardless of the trigger, organisations need to be able to deploy change and adapt their people, processes and technology in support of their compliance activities.

How KPMG can help

KPMG can help you realise this strategic opportunity by fundamentally reassessing and retooling your compliance governance and culture, and your compliance business and risk operations.

•Industry relevance: KPMG helps organisations further develop and enhance their compliance programmes, regardless of industry. We help clients align their compliance programmes to the current regulatory environment specific to their industry and geographic jurisdictions. We also help them anticipate regulatory change and better understand peer practices in their sector.

•Client-specific target operating models: Beginning with an understanding of an organisation's regulatory requirements, objectives, business, operations and jurisdictional reach, KPMG assesses compliance programmes against regulatory requirements and appropriate peer group or sector standards. This customised process helps KPMG evaluate organisations' compliance risk culture; develop and/or implement an enhanced compliance risk assessment; assess the current state of their compliance programme; and arrive at a target operating model using KPMG's proprietary maturation criteria. These criteria incorporate our industry knowledge for either a broad or targeted industry-based benchmarking, and are appropriately sized for the organisation. KPMG develops methodologies that can produce increased effectiveness and efficiency over the longer term, expand compliance integration, and enhance strategic business decision-making.

Compliance Transformation framework

Three Lines of Defence: KPMG's Compliance Transformation framework includes eight key elements that drive prevention, detection and response, with governance and culture at the core. Compliance accountability starts with a strong compliance culture with tone at the top, and reaches across the three lines of defence (LOD). With clearly defined roles and responsibilities, each LOD plays an important role within the organisation's overall compliance framework.

The Three Lines of Defence model

| 1st LOD | LOD | 2nd LOD | 3rd LOD | External |
|-----------------------|-------------------------------|----------------------|----------------|----------------------------------|
| Management operations | Business monitoring (ongoing) | Oversight monitoring | Internal audit | External auditors and regulators |

The Three Lines of Defence model can help promote agility, point the way to emerging compliance risks, and help clarify an organisation's strengths and weaknesses. Organisations that apply the LOD model can transform to reduce risk, strengthen culture and behaviour, and enhance governance, organisation and infrastructure.

KPMG's tools and services

“

Getting ahead of compliance is not only possible, but part of any forward-looking business strategy. We are here to help, whether an organisation wants to begin with a single line of business or operational unit, specific systems and technology, or their entire enterprise.

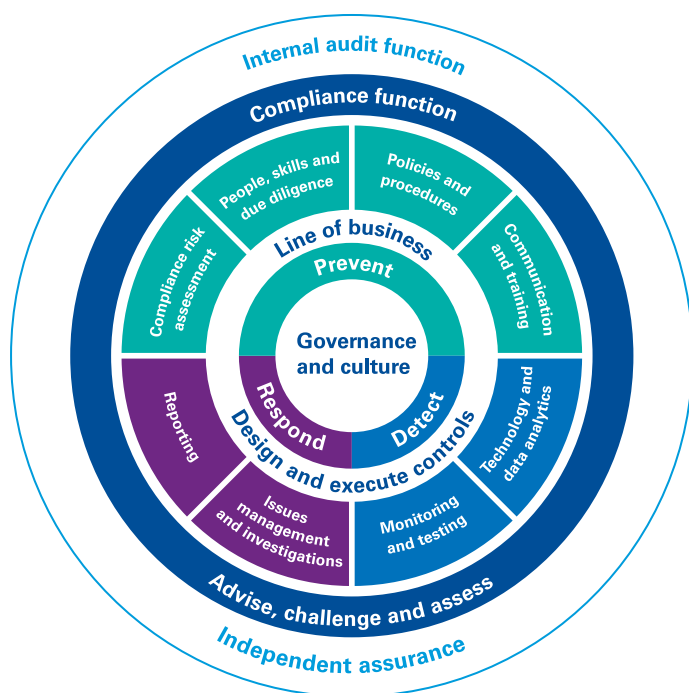
”

- Amy Matsuo

Principal, Advisory, KPMG in the US

Compliance Transformation model

KPMG recommends a holistic view of compliance, rooted in governance and culture, and harmonised through eight key programme elements.



KPMG Compliance Transformation tools

| Services | Description |
|----------------------------------|--|
| Regulatory Compliance Tool (RCT) | <ul style="list-style-type: none"> KPMG's RCT Tool is a central repository of business processes tied to regulations, risks, controls, policies and procedures. It assists clients in their regulatory obligation mapping, risk and control assessment through a standardised testing methodology, and process and regulatory change management. RCT can be used to execute a robust testing and monitoring function. |

| Services | Description |
|---------------------------------------|--|
| Compliance risk culture | <ul style="list-style-type: none"> This involves assessment and enhancement of the compliance risk culture as a foundational input to an organisation's overall risk strategy and risk appetite. These services cut across all LODs and support transformational strategy and execution activities. Services include surveys and interviews, and cut across the following areas: <ul style="list-style-type: none"> Board and committee interaction Ethics and compliance Structure and organisation Tone and culture Risk appetite Communication Skills and training Roles and responsibilities Performance management and compensation |
| Compliance programme assessment | <ul style="list-style-type: none"> This assessment benchmarking exercise can occur in phases and typically includes: 1) an assessment of the existing current state of the compliance programme for all or part of the following: design effectiveness, implementation effectiveness and operational effectiveness; 2) identification of gaps in the compliance programme; 3) design and/or implementation of recommendations for a compliance target operating model and an enhanced compliance management programme and systems; 4) assistance in executing the transformation to a future target operating state. This scale serves to address the holistic Compliance Transformation framework to strategically target any of the fundamental components. |
| Compliance integration | <ul style="list-style-type: none"> As part of future target operating models, this entails assisting our clients to identify, design and enhance enterprise compliance processes that may be leveraged by multiple stakeholders, including compliance risk benchmarking assessments, regulatory/legal obligations inventories, identified business compliance controls, and compliance effectiveness monitoring and testing. Focal points for compliance integration and value management services may include compliance process and control automation, integration with the Governance Risk Compliance (GRC) platform, dashboards/reports, surveillance monitoring, complaints management, and issues management. |
| Information and technology enablement | <ul style="list-style-type: none"> This involves enhancement of information and technology to help further automate compliance controls, allow for more timely identification and response of compliance matters, and/or enhance data quality and linkages for enhanced analytics and predictive measurement. Services include linkages to risk integration, GRC platforms and business operational systems, as well as data and analytics solutions. |
| Compliance transformation management | <ul style="list-style-type: none"> This includes assessment and strengthening of the supports to the structured, centralised management of the compliance transformation programme. |
| Compliance controls | <ul style="list-style-type: none"> Assess and strengthen compliance control design, control effectiveness, and linkage or 'integration' of compliance controls to business and compliance processes, as well as compliance monitoring/testing (See also 'Compliance integration'). |
| Compliance design and transformation | <ul style="list-style-type: none"> This involves the development, evaluation and execution of enhanced compliance management programmes and systems to future target operating models, specifically for compliance: <ul style="list-style-type: none"> Technology and data analytics Monitoring and testing Issues management and investigations Reporting Risk assessment Policies and procedures Communications and training |

Who we are: The KPMG advantage

To meet the regulatory compliance needs of our clients, KPMG offers:

- **Global delivery capability:** From its vast network of member firms, KPMG can assemble compliance service delivery teams virtually anywhere in the world. At the same time, we work flexibly with clients at any scale, from specialised local assignments to wide-ranging multi-region engagements.
- **Sector and region know-how:** Organisations can draw upon the seasoned expertise of KPMG sector and regional jurisdiction specialists.
- **Consistency:** Common KPMG network professional development standards, defined KPMG methodologies and standardised KPMG formats give clients the benefit of a consistent response to compliance challenges, wherever they engage us.

At KPMG, we help organisations go beyond simply meeting the next requirement, and instead, fundamentally reassess and retool your compliance governance and culture, and your compliance business and risk operations. We invite your inquiries.



Contact us

Shanghai

Li Fern Woo

Partner,
Risk Consulting
T: +86 (21) 2212 2603
E: lifern.woo@kpmg.com

Grace Chen

Partner,
Risk Consulting
T: +86 (21) 2212 2780
E: grace.xh.chen@kpmg.com

Joyce Ge

Director,
Risk Consulting
T: +86 (21) 2212 3295
E: joyce.ge@kpmg.com

Beijing

Frank Mei

Partner,
Risk Consulting
T: +86 (10) 8508 7188
E: frank.mei@kpmg.com

Jessica Xu

Partner,
Risk Consulting
T: +86 (10) 8508 5952
E: jessica.xu@kpmg.com

Johnson Li

Partner,
Risk Consulting
T: +86 (10) 8508 5975
E: johnson.li@kpmg.com

Shirly Wang

Director,
Risk Consulting
T: +86 (10) 8508 5113
E: shirly.wang@kpmg.com

Hong Kong

Paul McSheaffrey

Partner,
Risk Consulting
T: +852 2978 8236
E: paul.mcsheaffrey@kpmg.com

Jia Ning Song

Partner,
Risk Consulting
T: +852 2978 8101
E: jianing.n.song@kpmg.com

Alva Lee

Partner,
Risk Consulting
T: +852 2143 8764
E: alva.lee@kpmg.com

Jeffrey Hau

Director,
Risk Consulting
T: +852 2685 7780
E: jeffrey.hau@kpmg.com

Guangzhou/Shenzhen

Kelvin Leung

Partner,
Risk Consulting
T: +86 (755) 2547 3338
E: kelvin.oc.leung@kpmg.com

Daisy Du

Director,
Risk Consulting
T: +86 (755) 2547 1168
E: daisy.du@kpmg.com

kpmg.com/socialmedia



This document was originally published by KPMG International.

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act upon such information without appropriate professional advice after a thorough examination of the particular situation.

© 2017 KPMG Advisory (China) Limited, a wholly foreign owned enterprise in China and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved.

The KPMG name and logo are registered trademarks or trademarks of KPMG International.