# Cost of Compliance 2014

*Thomson Reuters Accelus*
2014

**OBJECTIVE:**
The survey was conducted in order to gather insight about the cost of compliance and the greatest compliance challenges firms expect to face during the year ahead.

**METHODS USED:**
From November 2013 to January 2014, over 600 responses across 71 countries were collected from compliance practitioners. A significant number of heads of compliance and chief executives from financial service firms such as banks, brokers, and insurers provided their insight.

**KEY FINDINGS:**

- 45% of respondents expect the cost of senior compliance staff over the next 12 months to be slightly more than today. 43% expect the total compliance team budget to increase slightly as well. This suggests that compliance salaries are rising and so is the size of compliance teams.
- 43% expect the personal liabilities of compliance professionals to be the same as today. 36% expect it to be slightly more than today. The perceived increase in personal liability may be another factor driving up the costs associated with senior compliance officers.
- 75% expect regulatory information published by regulators and exchanges to be slightly or significantly more than today.
- 24% stated that in an average week their compliance teams spends over 10 hours tracking and analyzing regulatory developments, almost double last year's 13%. 39% spend between 4 to 10 hours, and 28% spend only 1 to 3 hours.
- 40% responded that in an average week compliance teams spend 1-3 hours amending policies and procedures to reflect the latest regulatory rules. Overall, year-to-year, there has not been much change in the amount of time spent updating policies and procedures.
- Reporting in all forms is expected to increase in 2014. The need to include qualitative measurements in management information has highlighted the necessity for high-quality internal reporting.
- A majority of the respondents indicated that in an average week, the compliance team spends less than 3 hours consulting with the legal, internal audit, and risk functions on compliance issues.
- 62% expect the time spent liaising and communicating with regulators and exchanges to be slightly to significantly more than today. The expected increase in time comes from having to deal with more intensive supervision, more arduous regulatory and reporting requirements, and more information requests.
- 46% expect the focus on managing regulatory risk to be significantly more than today.

**CONCLUSION:**

- Budgets will need to reflect the large cost of hiring experienced, skilled personnel who can help firms to understand and implement increasingly technical regulatory developments and who can also deal with a less narrow, judgment-based style of supervision and the increase in personal liability.
- 2014 will be characterized by the need to shift thinking. Regulatory expectations are shifting and it is no longer enough for firms to do a bare minimum of compliance.
- Compliance officers will need to work extensively with their boards and senior managers to ensure that there is firm-wide understanding of the changing regulatory environment and the implications of the focus on culture along with tone from the top.
- The persistent lack of interaction between compliance and internal audit functions needs to be tackled.

**Full Report**