

NASDAQ GLOBAL COMPLIANCE SURVEY

INSIDE THE MIND OF THE
COMPLIANCE OFFICER

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In its first year, *Nasdaq's Global Compliance Survey: Inside the Mind of the Compliance Officer* collected responses from over 330 participants and found relevant trends between 158 qualified respondents from 131 firms in the financial services industry to provide insight into the ever-changing role of the global Compliance Officer. The in-depth analysis focused on four main components of the modern compliance role through a series of 30 detailed questions. In addition, supplementary sections were included for those specific to trade surveillance or buy-side roles, which will be detailed in a later report.

The survey results investigate both internal and external challenges affecting compliance officers around the world—from an organization’s compliance culture and resources, to which global trends and regulations are having the greatest impact—as well as the overall evolution of the compliance role in recent and future years.

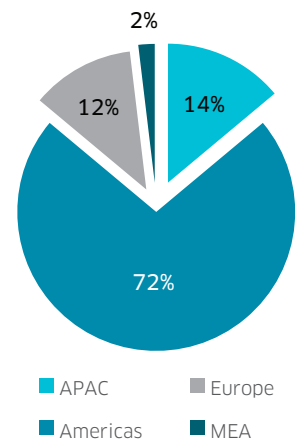
GENERAL SEGMENTATION

The 158 survey responses collected represent all regions across the global spectrum – from the Americas and Europe to the Middle East and Africa and Asia Pacific. The largest majority of respondents were based in North America, followed by Asia Pacific, Europe and the Middle East and Africa.

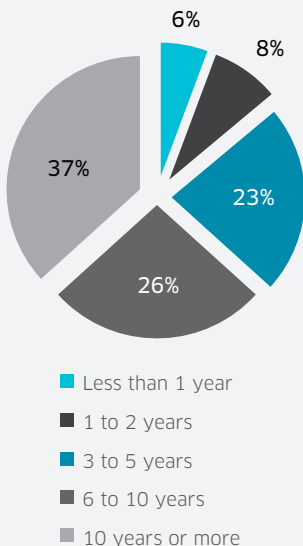
Qualified respondents are members of firms in the financial services sector with roles pertaining to compliance or trade surveillance. The general survey respondent profile reflected that the majority of respondents were experienced personnel with comprehensive compliance roles, with over 63% of respondents having 6+ years of practice in a compliance or surveillance specific role. In addition to experience level, survey respondents are categorized by the following roles: General Compliance, Trade Surveillance and Monitoring, Front-office Business, AML Compliance, Compliance IT/ Tech, Comprehensive Compliance, and Internal Compliance. As noted in the below graph, the majority of respondents hold a position within the General Compliance or Trade Surveillance/Monitoring categories.

Further echoing the levels of experience and comprehensiveness of roles reported from respondents, two-thirds of answers were provided by director-level respondents or above, including a healthy percentage of C-level executives.

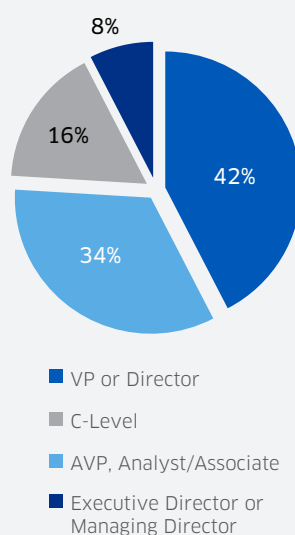
RESPONDENTS' REGIONAL BREAKDOWN



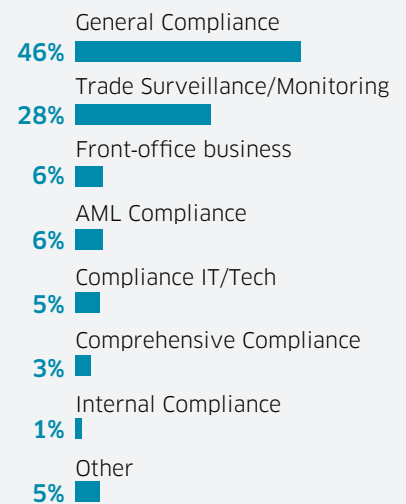
RESPONDENTS' CAREER LEVEL



RESPONDENTS' EXPERIENCE IN A COMPLIANCE ROLE



RESPONDENTS' ROLES



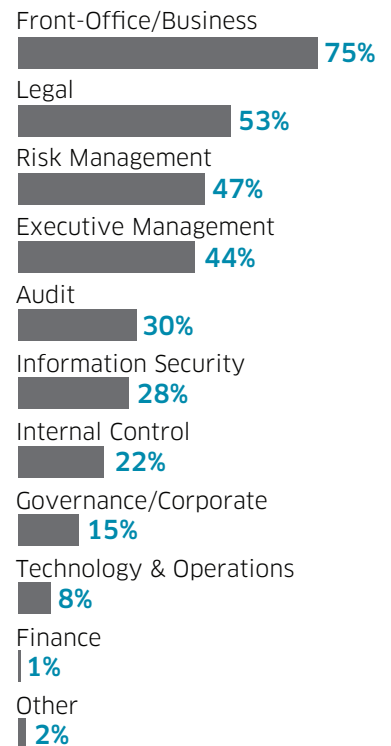
ORGANIZATIONAL STRUCTURE OF RESPONDING FIRMS

Upon evaluating the organizational structure in relation to the compliance function of the responding firms, it is evident that firms around the world are placing higher importance on compliance standards across the board. This increased focus on the compliance function has also helped lead the way for both increased collaboration and visibility across the organization. Compliance has moved from a traditionally back-office function to a high priority for global firms, thus collaboration between the compliance department and the front-office has significantly increased in recent years. Over half of inter-department collaboration is horizontal or advisory in nature, while only 7% is purely vertical.

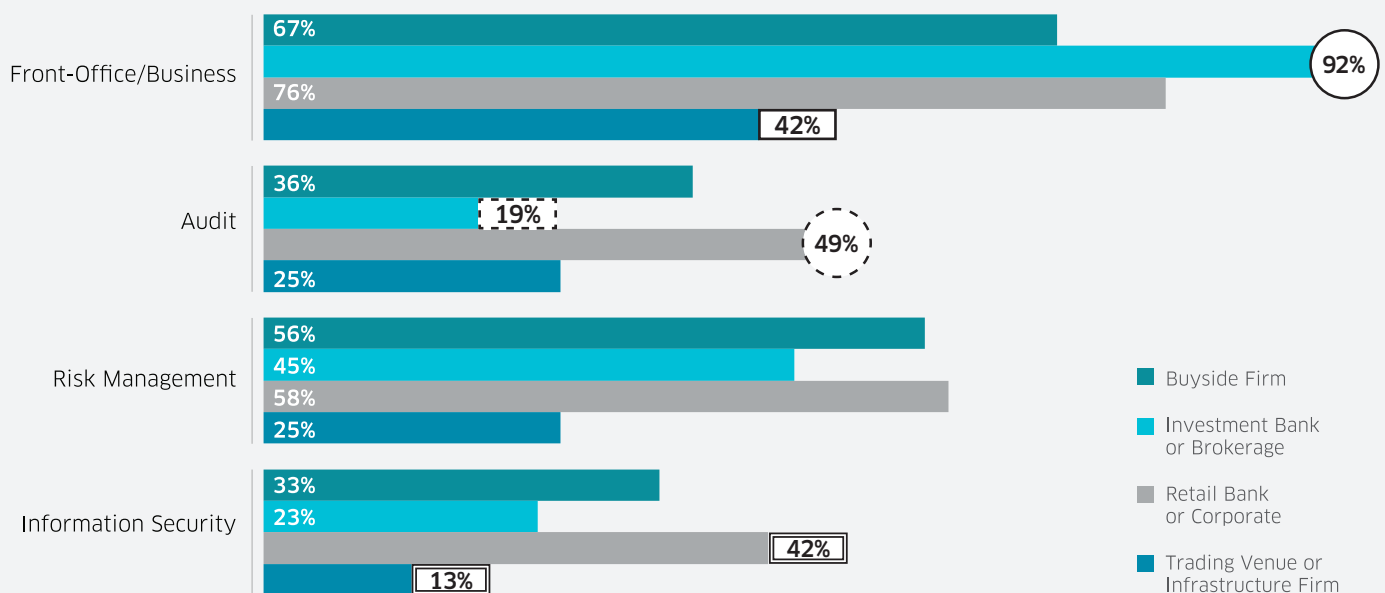
Of the firms participating in the survey, respective compliance departments were found to collaborate most frequently with the front-office (75% of respondents), followed by the legal department (53% of respondents) and risk management (47% of respondents). When comparing the collaboration between groups, significant differences can be found when comparing firm types.

Survey results, detailed in the below graph, showed a strong correlation between investment banks or brokerages collaborating with front-office or business departments, while trading venues and infrastructure firms appeared to collaborate much less frequently with front-office business and information security departments. This is most likely due to trade monitoring being conducted independently by trading desks in nearly three quarters of respondents. However, it is interesting to note that the majority of respondents report that redundancy is employed in the trade monitoring function, with 87% of respondents reporting that both the front-office and compliance teams are involved with the trade surveillance process. Upcoming regulations could significantly impact the correlation of collaboration between departments and will be interesting to monitor throughout the next 12-18 months.

COLLABORATION BY DEPARTMENT AND FIRM TYPE



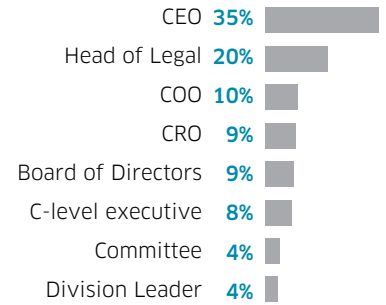
COLLABORATION BY DEPARTMENT (MULTIPLE SELECTION)



Percentages outlined by squares differ significantly from those outlined by circles for each category

In addition to relative increases in collaboration between the compliance teams and other departments throughout the organization, compliance departments are also gaining much more visibility on the executive level. Compliance departments are now much more likely to have a seat at the table in executive discussions concerning the strategic direction of their respective firms, with 74% of respondents reporting that they frequently collaborate with executive management. Furthermore, Chief Compliance Officers overwhelmingly report directly to high C-level or legal departments, with 35% responding directly to the Chief Executive Officer.

WHO THE HEAD OF COMPLIANCE REPORTS TO:



COMPLIANCE DRIVERS AND REGULATION

A large driver for growing focus on the compliance function is the increase in global and regional regulations. Among top concerns impacting respondents, regulatory requirements were the most heavily cited. Both understanding regulatory impact and the ability to meet requirements are a major concern across the board throughout the next 12 months.

Results also show that new and stricter regulatory action is the biggest driver of evolution in compliance processes during the last two years, according to 80% of responding firms. Some firms additionally reported the increasing importance of new data and technology throughout the next 12 months. New data and technology is expected to play a bigger role in driving evolution in compliance processes over the next year; however, the regulatory environment remains a major factor, with only 12% of respondents citing that they feel they are completely prepared for upcoming regulatory change. Regulatory concerns differ based on type of firm, detailed in the below graph.

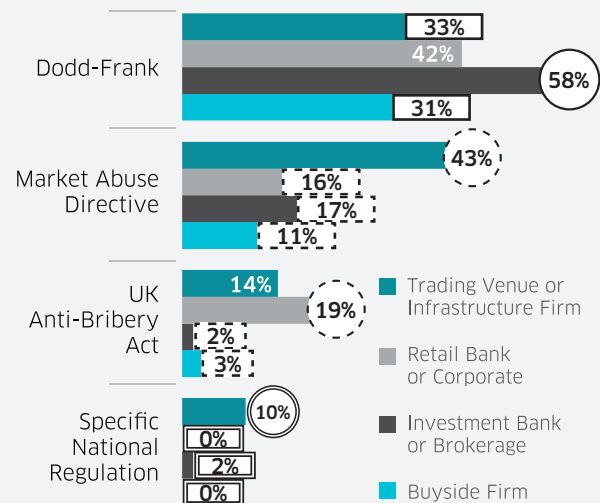
Coinciding with upcoming regulatory concerns, the majority of respondents report that protecting their firm's reputation is a top compliance driver. However, despite being a top concern, the time spent on regulatory research totals less than one hour per work day for the majority of compliance departments.

Among top concerns consuming respondents, regulatory requirements are the most heavily cited

TOP COMPLIANCE CONCERNS



REGULATIONS BY FIRM TYPE



Percentages outlined by squares differ significantly from those outlined by circles for each category

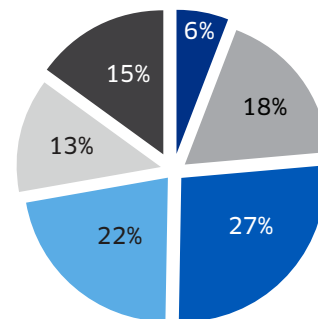
COMPLIANCE SPENDING

Along with an increased focus on compliance standards globally is also an increase in compliance spending at many firms worldwide. Over the past 12 months, nearly half of responding firms have increased their spending up to 25%, while 13% of firms have exceeded 25% increase in spending. This is a notable allocation to compliance in an environment where firms are overwhelmingly looking for ways to cut costs elsewhere.

There are many significant differences in compliance budget allocations depending on type of firm. In the below graph, multiple notable correlations can be observed. As depicted, investment banks and brokerage firms are most likely to be investing in surveillance technology, while they traditionally spend less on compliance support staff. Meanwhile, retail banks and corporates traditionally spend more on Governance, Risk and Compliance (GRC) technology and support staff.

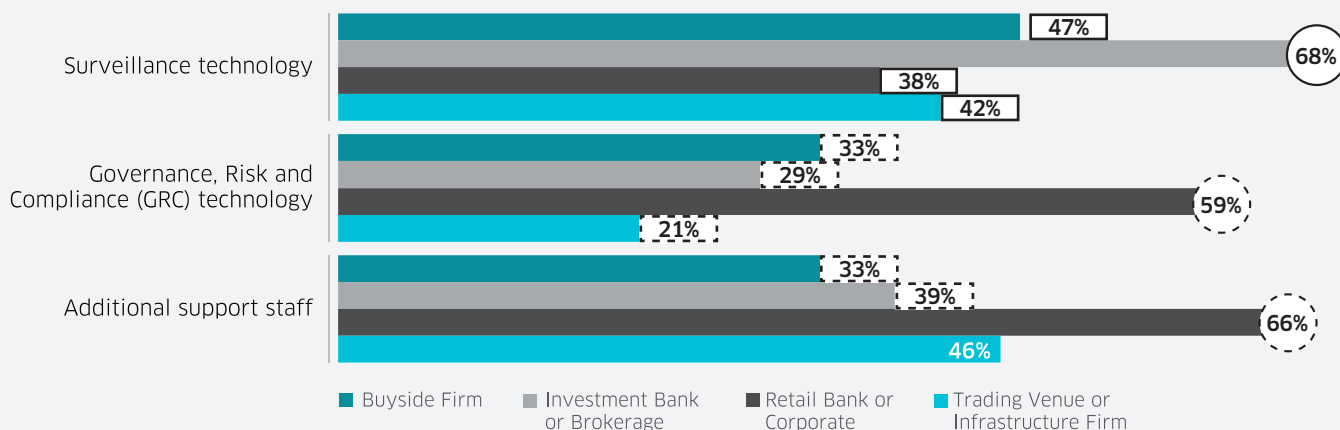
With upcoming regulatory implementations, compliance spending is expected to stay strong over the next year, with one third of firms intending to increase spending up to 10%, and one fifth of firms planning to increase spending 10% to 25%. The largest budget allocations will be dedicated to surveillance technology and additional support staff for compliance teams. In the past, staff increases have been slight, indicating that increasing budgets are weighted towards technology spending. However, compliance departments in retail banks or corporates have traditionally leaned more heavily toward staff increases.

COMPLIANCE SPENDING OVER LAST 12 MONTHS



- Decreased
- No change
- Increase of 1-10%
- Increase of 10-25%
- Increase of more than 25%
- I don't know

COMPLIANCE BUDGET SPEND THROUGHOUT NEXT 12 MONTHS

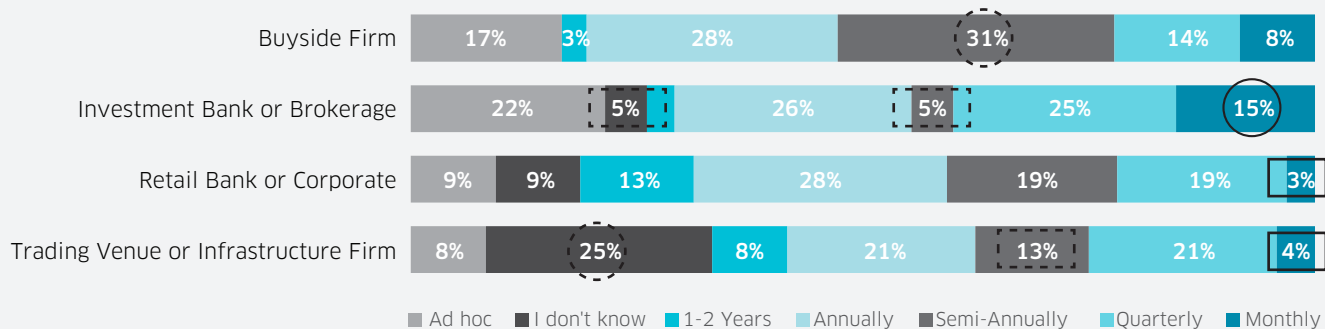


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AUTOMATION AND POLICIES

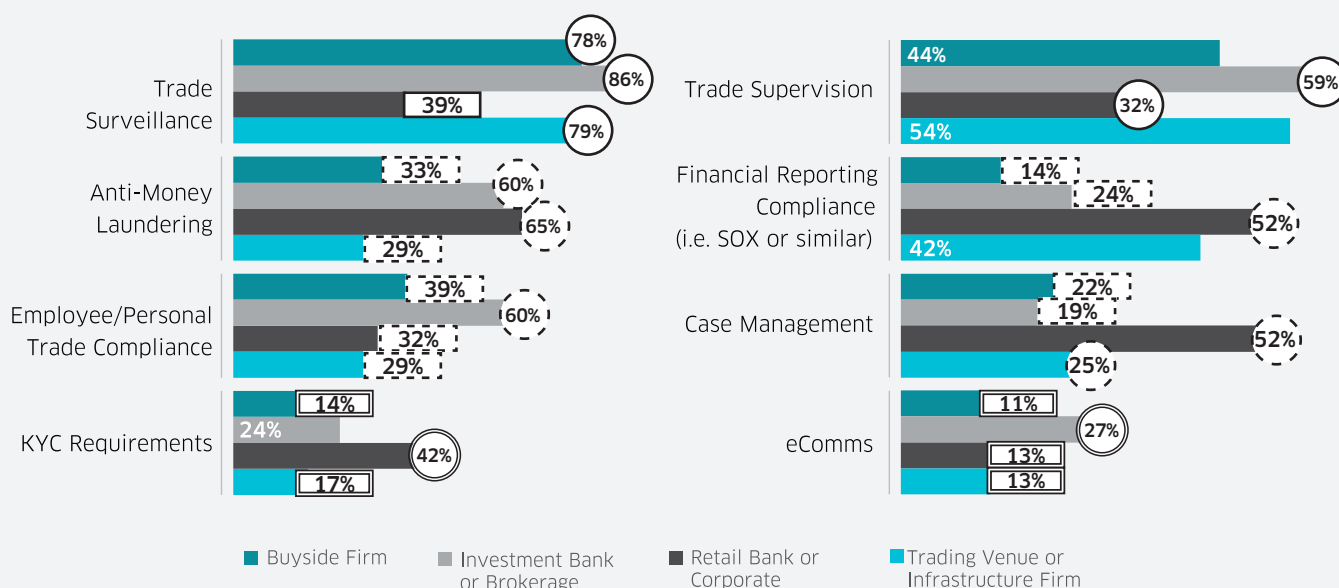
As the trading landscape evolves, it is becoming more essential to implement more explicit policies surrounding monitoring as well as automated compliance technologies. Survey results reveal that most compliance departments do update policies on a regular basis, with most updating more frequently than annual reviews. In regard to automation, trade surveillance and supervision, AML, and employee compliance are currently the most automated processes. However, automation differs significantly depending on type of firm throughout nearly every process.

FREQUENCY OF CORPORATE POLICY UPDATE



Percentages outlined by squares differ significantly from those outlined by circles for each category

AREAS UTILIZING AUTOMATED PROCESSES AND SPECIALIZED TECHNOLOGY



Percentages outlined by squares differ significantly from those outlined by circles for each category

CONCLUSION

Overall, throughout the past year there has been a large shift in focus on compliance, resulting in large increases in compliance spending, resources and staff worldwide. Compliance budgets are increasing dramatically, with about half of respondents stating that their budgets have increased nearly 25%, in comparison to other budget areas, which increase an average of 10-15% per year.

Regulations continue to be a major concern for compliance personnel globally and are a large driver behind these increases, leading to more frequent compliance policy updates and increasingly automated monitoring processes. There is no doubt that the role of the Compliance Officer is evolving rapidly, making it evermore essential to seek educational opportunities to keep pace with the changing regulatory landscape. Those firms that have strong compliance departments moving into the future will find ways to keep up-to-date from both an educational and technological standpoint and efficiently allocate resources where necessary.



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