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March 2014

Business Brief

A Growing Focus on Compliance

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Compliance has come a long way over the last ten years - now, more than ever, due to an ever evolving regulatory and legislative landscape - with the likes of the EU Alternative Investment Fund Managers Directive, the European Infrastructure Market Regulation, Basel III and the trend towards information exchange in particular impacting Jersey and Guernsey – it has to be an integral part of any financial services business.

As a result, pressures on such businesses to ensure they have sufficient risk and compliance controls in place are growing.

So it is at Deutsche Bank in the Channel Islands, where we offer such a variety of services to a wide range of clients, both private and institutional. As a result of our range of businesses and the need to hold a significant number of licences, demonstrating a sophisticated and comprehensive compliance function is absolutely vital.

Excellence

Of course from a Group-wide point of view, there has always been a strong compliance culture at Deutsche Bank. But that has now taken on added significance, with compliance controls taking on an equivalent footing at board level as other functions. That stems from a senior management belief in the fact that compliance is now an absolute necessity in the modern financial services world.

From both an industry and a jurisdictional point of view, we are in an interesting position. The ramifications of the financial crisis have been that both the banking industry and the Crown Dependencies have been thrust into the spotlight.

As a consequence, both Guernsey and Jersey's finance industries have been quick to reflect the high standards they keep. In many ways, in fact, the Channel Islands have seen this as an opportunity to position themselves as centres of excellence in the compliance, risk and corporate governance space.

From the Bank's own point of view, not only do we need to ensure that the businesses we operate in both islands are compliant with all laws, rules and regulations, but also that we adhere to Deutsche Bank's own internal group-wide policies and procedures.

Internally, the remit for compliance extends across the entire Bank. Compliance issues penetrate everything the Bank does, so it is important as a compliance team that we are talking to colleagues across business divisions and from senior levels right through to front office staff. Externally, meanwhile, there is a definite trend towards ever more extensive reporting. As well as carrying out rigorous client on-boarding procedures, including ensuring robust and comprehensive Know Your Customer (KYC) data is held, annual and much more frequent interim reports are now required to provide evidence internally and externally that the Bank is aspiring to the highest possible compliance standards.

Another tangible repercussion of the greater focus on compliance is the growing number of site visits from the regulators – a feature in both Guernsey and Jersey. Of course, this is an important element of the ongoing supervision of the islands' financial standards and, because the regulatory landscape is moving so quickly and there are differences in the licensing and compliance requirements between the islands, these visits are very useful in terms of cementing a good working relationship with the regulator and ensuring the Bank remains at the cutting edge of a complex environment. The visits can put pressure on an organisation's compliance resources both before, during and after a visit all while we are managing the "day" job

Expertise

There's no doubt that with the regulatory landscape becoming ever more complex and with compliance now central to everything a business does, having the right people with the right expertise in a compliance team is vital.

Whilst there are a growing number of opportunities for compliance roles available across the Islands' finance industries now, it is symptomatic of the changing nature of compliance that there has been a focus on 'up-skilling' in this area. Specialist qualifications for those working in

compliance, for instance, are now a requisite – something that was perhaps not the case just five years ago.

In addition, even those who are not working in compliance roles specifically now need to have a much firmer grip on such issues, which increasingly filter into their day-to-day activity.

At Deutsche Bank, we have recently expanded our compliance and risk teams in the Channel Islands as we continue to enhance our control environment locally and reinforce our firm focus on creating a robust approach to risk at all levels and in all business areas. Within our compliance team but also right across all our other business areas, we aspire to a culture of total integrity towards our clients and operational discipline in partnership with our regulators.

Not only is this positioning us strongly as an organisation at the centre of Guernsey and Jersey's finance industries, but it is also inspiring confidence in our clients that we are advising them professionally and taking the safety and security of their assets seriously.

In the rapidly evolving financial services landscape in which the Channel Islands exist, having a strong compliance function is not only a necessity when it comes to focusing on risk avoidance – intelligently managing risk and compliance can also be a valuable asset that can offer strategic advantage. Having this sort of recognition at board level at Deutsche Bank in the Channel Islands is positioning us strongly for the years ahead.

Ends.