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Thomson Reuters Annual Cost of Compliance Survey Shows More Than Half of Compliance Officers Expect Personal Liability to Increase in 2014

Increased cost of compliance, ongoing regulatory change and growing importance on reporting place added demands on compliance teams

NEW YORK, March 13, 2014 – Thomson Reuters, the world’s leading source of intelligent information for businesses and professionals, today announced the findings of its annual Cost of Compliance survey which revealed that 53 percent of compliance officers now feel that their personal liability has increased; a reflection of increased focus on senior individuals at the supranational level.

According to the survey, this perceived increase in personal liability may be a contributing factor of costs associated with senior compliance officers continuing to escalate.

The findings also highlighted the diverse pressures which compliance functions continue to face, with shifting supervisory expectations, no let-up in the volume of regulatory change and the start of many of the big implementation programs for major complex legislation.

[Thomson Reuters](#) surveyed more than 600 compliance practitioners from financial services firms including banks, brokers, insurers and asset managers across 71 countries covering Africa, the Americas, Asia, Australia, Europe and the Middle East. It builds on annual surveys of similar respondents conducted over the course of the last five years, offering year-on-year trends and developments. Key findings from the latest report include:

- 66 percent of respondents expect the cost of senior compliance professionals to increase in 2014.
- 75 percent of respondents expect an increase in the amount of information published by regulators.
- Consistent with the previous year, 26 percent of compliance teams spent less than an hour a week amending reports for the board (26 percent in 2013).
- Globally, compliance functions again reported spending very little time liaising with the internal audit function, a persistently repeated finding which is a growing cause of concern.
- The number of compliance teams spending more than 10 hours a week tracking and analyzing regulatory developments has nearly doubled in both the U.S. (13 percent in 2013 and 25 percent in 2014) and the Middle East (8 percent in 2013 and 18 percent in 2014).

“The ability to comply with confidence and transparency is integral to building trust in the financial services sector,” says **Chris Perry**, managing director, Risk, Thomson Reuters. “Compliance leaders are being held to increased accountability amidst an ever-increasing volume of regulation, the expectation to move and comply fast, and the exposure to record fines for non-compliance, now regularly totaling in the billions. In this time of heightened scrutiny, it has never been more important that boards support their compliance function and its senior leadership with the budget, resources and tools to help ensure transparency, trust and a lasting change in behaviors throughout firms.”

Increased Cost of Compliance

A high-quality compliance function is expensive but there is growing realization that investment in effective risk and control functions is extremely important. Given the volume of anticipated rule changes combined with a shift in regulatory expectations regarding culture, it is unsurprising that 66 percent of



those surveyed expected the cost of senior compliance professionals to increase in 2014. The competition for senior, experienced compliance officers is likely to be heightened as regulators seek to increase their in-house skills. Furthermore, 64 percent of respondents thought that the total compliance team budget would increase in 2014 and 20 percent of respondents thought that the total compliance team budget would be significantly more in 2014. The results year-on-year suggest that not only are compliance salaries rising across the board but also that the size of compliance teams may also be growing.

Complex Regulatory Change

Working in an ever-changing regulatory environment has become the norm for financial services firms. According to the survey, the expectation is that there will be a further increase in the amount of information published by regulators, though the expectation has eased slightly since last year's results. In 2013, 81 percent of respondents expected an increase in the amount of information published while for 2014, expectations have eased off slightly with 75 percent expecting more to be published. The results are positive in that they show expectations are not quite as high as they were in 2013, but the reality is that any regulatory material which does appear in 2014 will simply add to the vast amounts of regulatory information with which compliance officers already struggle with.

Given the increase in the volume of regulatory information published it makes sense that firms are spending more time tracking and analyzing the impact of regulatory developments. Overall, almost a quarter of firms are spending more than 10 hours per week reviewing the implications of all this new information (22 percent in 2013). There were some regional variations in this area, however. For instance, the number of U.S. compliance teams spending more than 10 hours a week tracking and analyzing regulatory developments nearly doubled (13 percent in 2013 and 25 percent in 2014). There were similar results in the Middle East with 8 percent of compliance teams spending 10 hours or more tracking and analyzing regulatory developments in 2013 compared with 18 percent in 2014. Of equal note was the relative reduction in the number of UK firms spending 10 hours or more on this task.

Increase in Reporting

Reporting in all forms is set to increase in importance in 2014. Regulators have placed a stronger focus on culture, conduct risk and tone from the top, and by association raised expectations with a firm's abilities to identify, measure and report. According to the survey, 26 percent of compliance teams spent less than an hour a week editing reports for the board (26 percent in 2013). Asia has experienced the most change in terms of time spent on board reporting, in the last year the number of firms in Asia spending more than a whole working day each week creating and amending reports for the board has increased from a fifth to more than a third.

A detailed report on the survey's findings can be found at: <http://accelus.thomsonreuters.com/special-report/cost-compliance-survey-2014>

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