



Preparing for Change

The State of Compliance in 2018

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Q2 Compliance Update

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About the Presenters

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Melody Hart, CPA, CTP, FP&A

Senior Consultant

Strategic Treasurer

Melody Hart joined Strategic Treasurer in the fall of 2013 as a treasury and finance leader with global experience in consumer products, automotive, wholesale, retail, distribution, manufacturing, not-for-profit and service/consulting. Melody has a proven record in managing relationships with banks, rating agencies, vendors, and customers. She has over 20 years of global treasury experience covering a variety of organization types, and worked formerly in various corporate accounting roles.



Stephanie Villatoro, CTP

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Stephanie Villatoro provides clients with realistic solutions to their challenges in the context of leading and best practices. Stephanie is responsible for technical content, effective project management, and ensuring that projects are delivered on time and within budget. Stephanie has over 20 years of global treasury experience that covers a variety of organization types. She has direct experience in various industry segments including: financial services, manufacturing, government, technology and utility industries.



→ The Corporate Treasury Situation

- Overall Situation: Challenges & Responsibilities
- The Compliance Landscape

→ State of Compliance in 2018: Treasury Perspectives

- Cost of Compliance
- Economic Concerns
- Burden Today vs. Historically

→ The Compliance Game Plan for Treasury

- Proactive vs. Reactive Approach
- Treasury's Game Plan: 8 Steps
- Focus: Staying Abreast of Changes & Understanding Updates
- Focus: Raising Internal Awareness

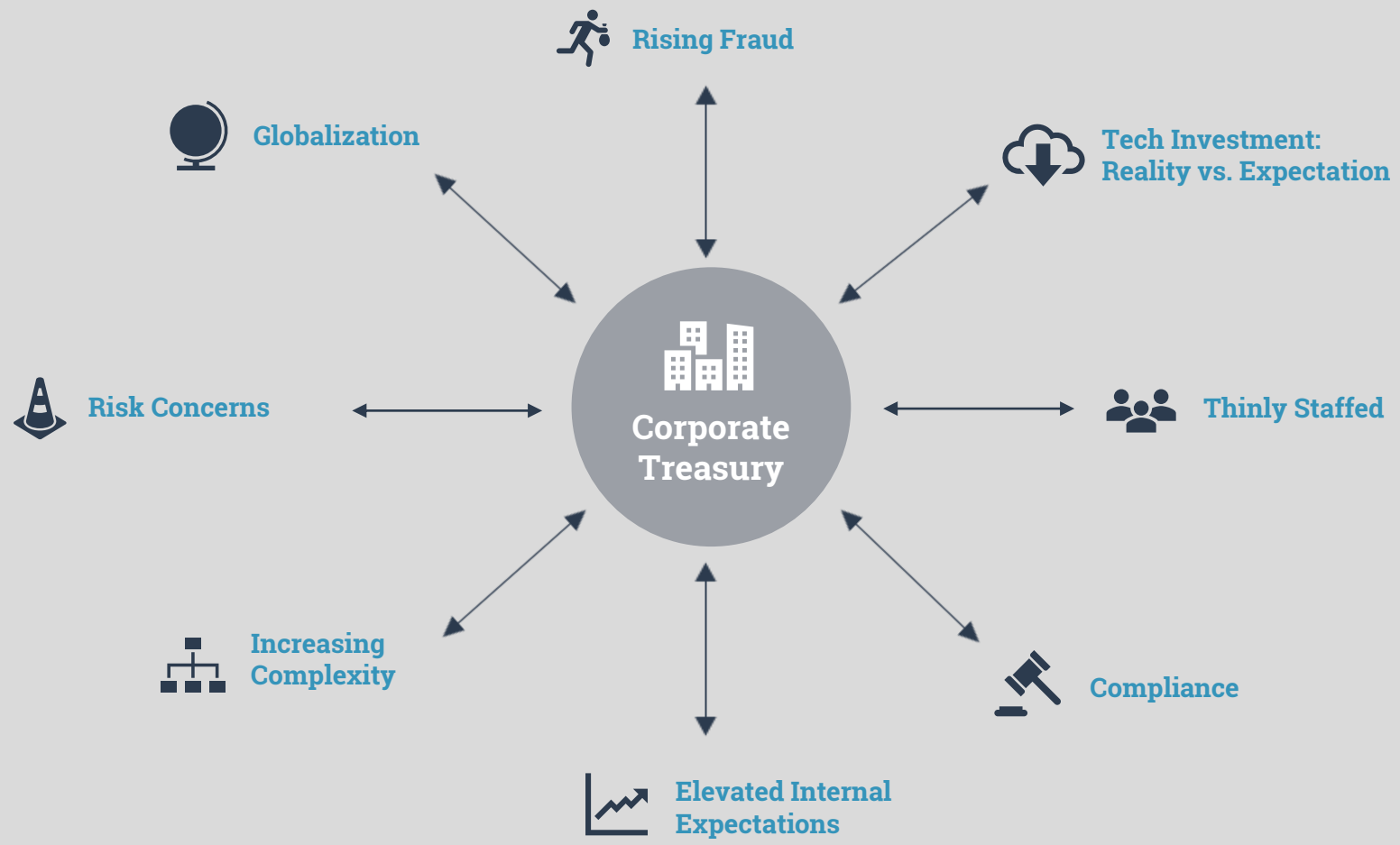
→ Compliance Landscape & Regulations Overview

→ Case Study: Strategic Treasurer & GDPR Preparation

→ Final Thoughts

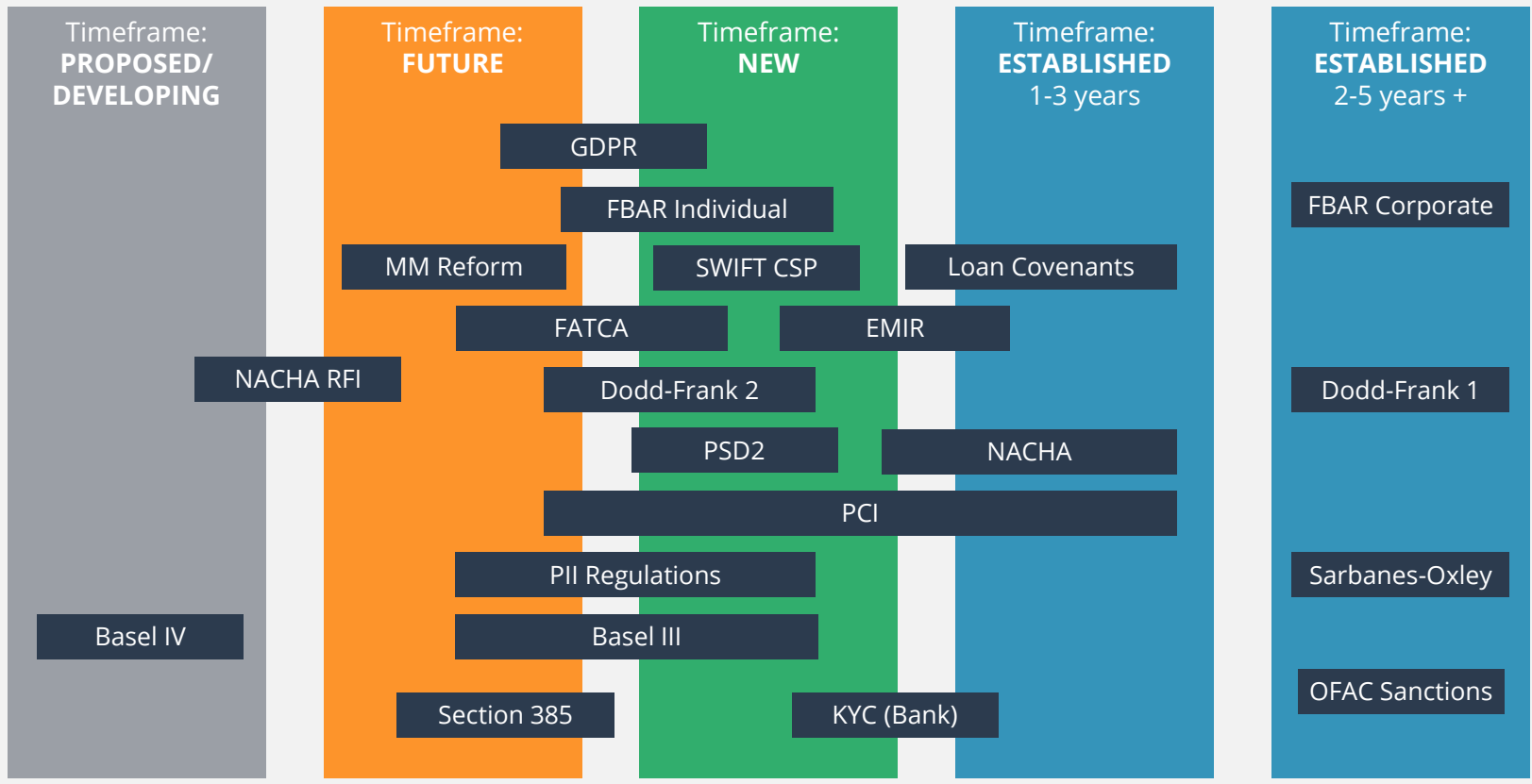
DISCLAIMER: This presentation provides a high-level overview of various regulatory developments and compliance strategies, but is not intended and should not be taken as either professional or legal advice. Consult your legal team or treasury consulting firm for specific advice on legal, professional and compliance issues.

Treasury's Situation: Responsibilities, Challenges, & Considerations



State of Compliance in 2018

Calibration of Attention



State of Compliance in 2018

Top Economic Concerns

- In a recent survey, the cost of maintaining compliance was a top economic concern for both bank and corporate respondents.

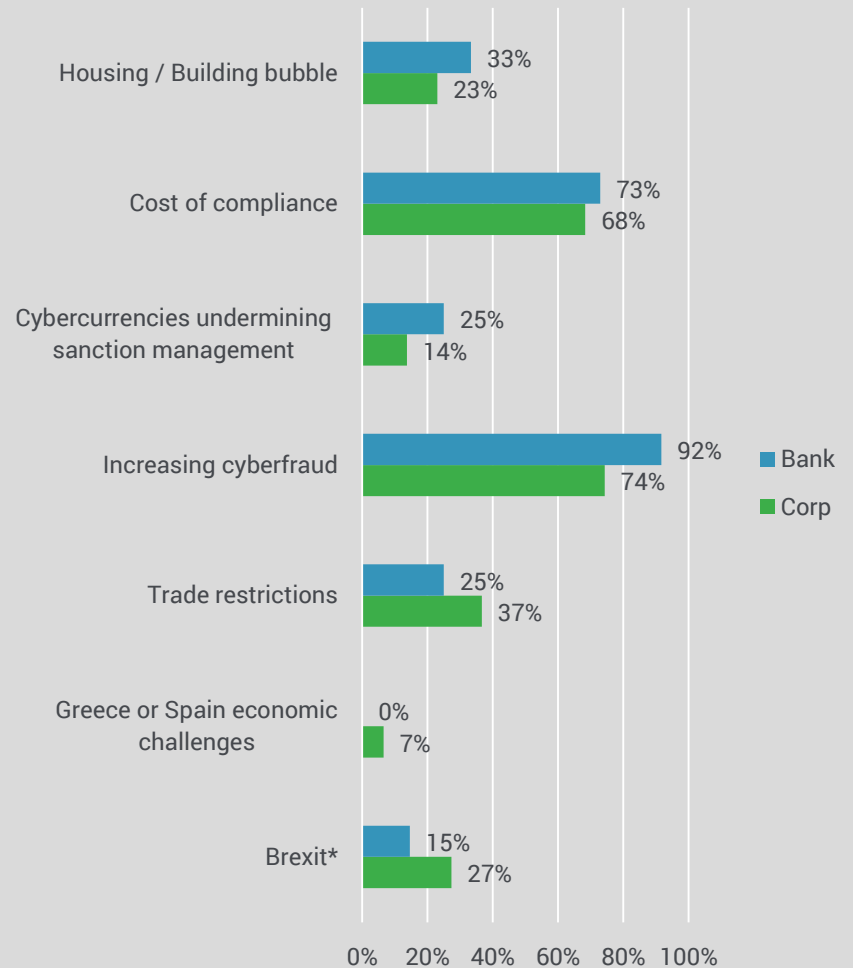
COST OF COMPLIANCE: 2ND LARGEST CONCERN



TOP CONCERNS

- | | |
|---|---|
|  Increasing cyberfraud |  Increasing cyberfraud |
|  Cost of compliance |  Cost of compliance |
|  Trade restrictions |  Housing/building bubble |

Please select up to your top three (3) CONCERNS with regards to economic and cyber changes.

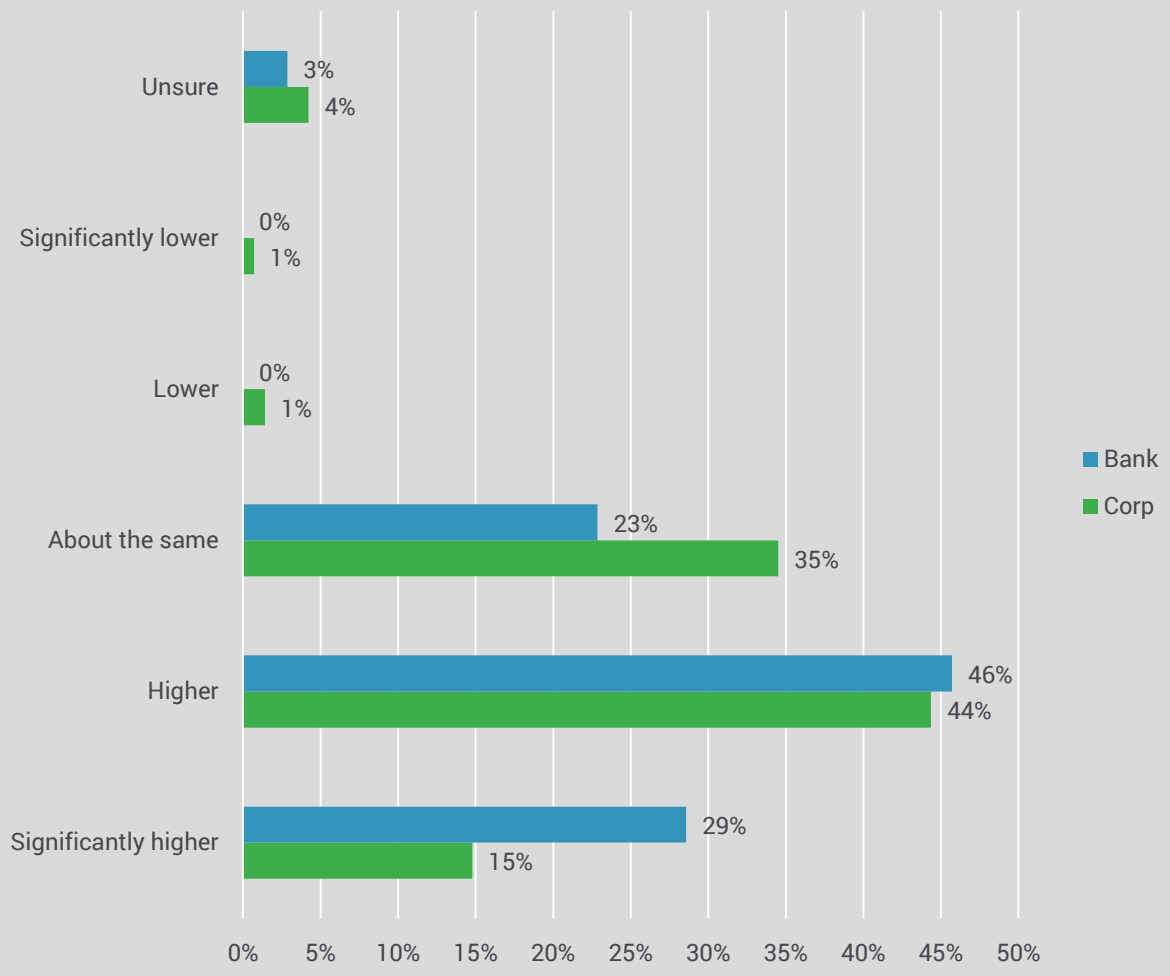


State of Compliance in 2018

Compliance Expectations are Elevated

- **Escalating Requirements.** Over the past decade, regulatory authorities have placed increasingly stringent compliance requirements on the financial environment.
- **Corporate Impact.** While many of these regulations have targeted banks, corporates are feeling the pressure as well.

With regard to historical norms, the current level of regulatory oversight and compliance requirements impacting treasury is:

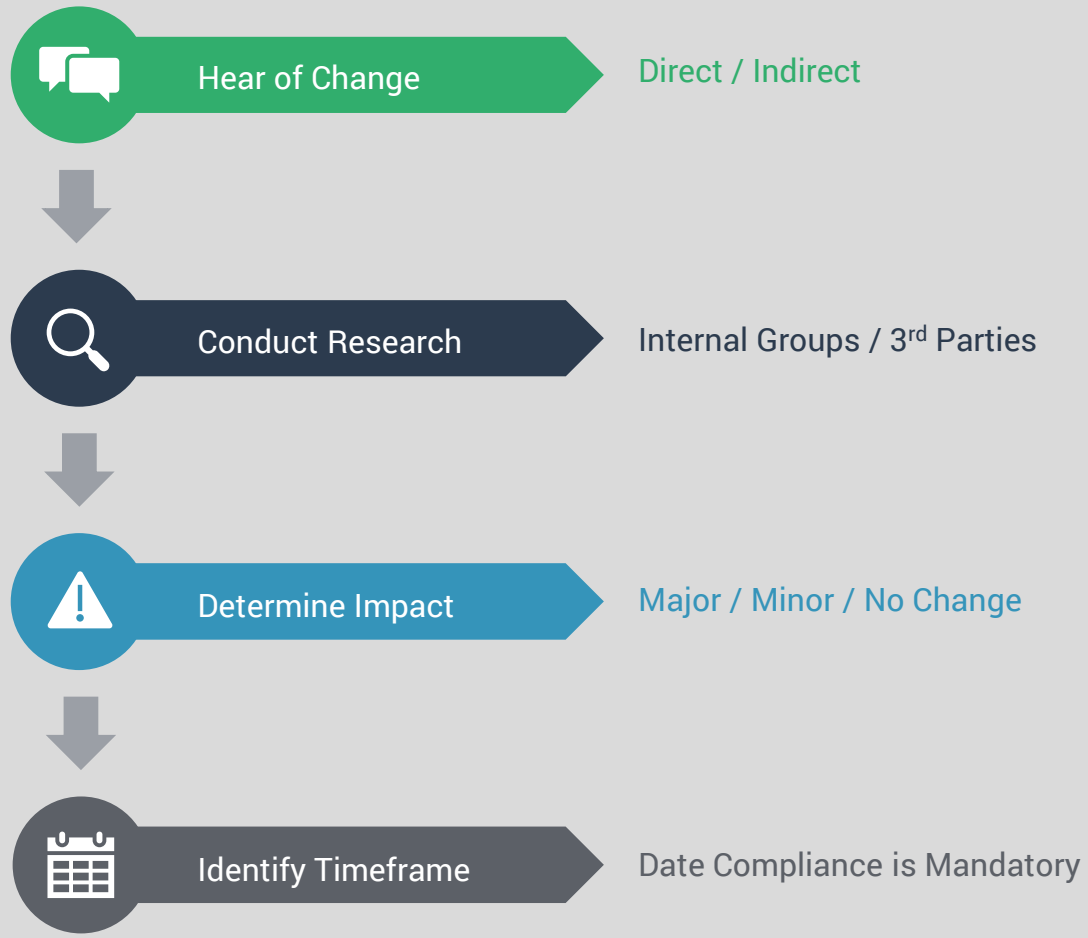


Keeping Abreast of Updates

Identifying New Requirements: Process Workflow

- Usually, there is a 1-2 year transitional phase to implement new compliance standards.
- However, treasurers are often forced to quickly respond to changes.
- Potential changes are not always announced publicly and new regulations can be released suddenly and within abbreviated time windows.

Staying "In the Know"



Developing a Game Plan: Setting the Stage

Proactive vs. Reactive Approach to Compliance

- A common compliance issue for treasury is that unanticipated changes result in an ad hoc game plan.
- Treasury does not always know ahead of time when/what regulations are set to be introduced.
- Developing a game plan for quickly and effectively responding to changes will help treasury’s approach to compliance become proactive rather than reactive.

Reactive Approach



New Regulation is Released



Treasury Caught by Surprise



Requirements Identified Late



Now a Race Against Time

Proactive Approach



Treasury Researches Potential Changes



Aware of Upcoming Developments



New Regulations Anticipated



Head Start on Incorporating Changes

A Proactive Approach to Compliance: 8 Steps

1**Establish a Compliance Monitoring Group**

**2****Identify Items in Need of Further Research**

**3****Contact Proactive Peers / Experts for Advice**

**4****Outsourcing vs. Internal: Pros & Cons**

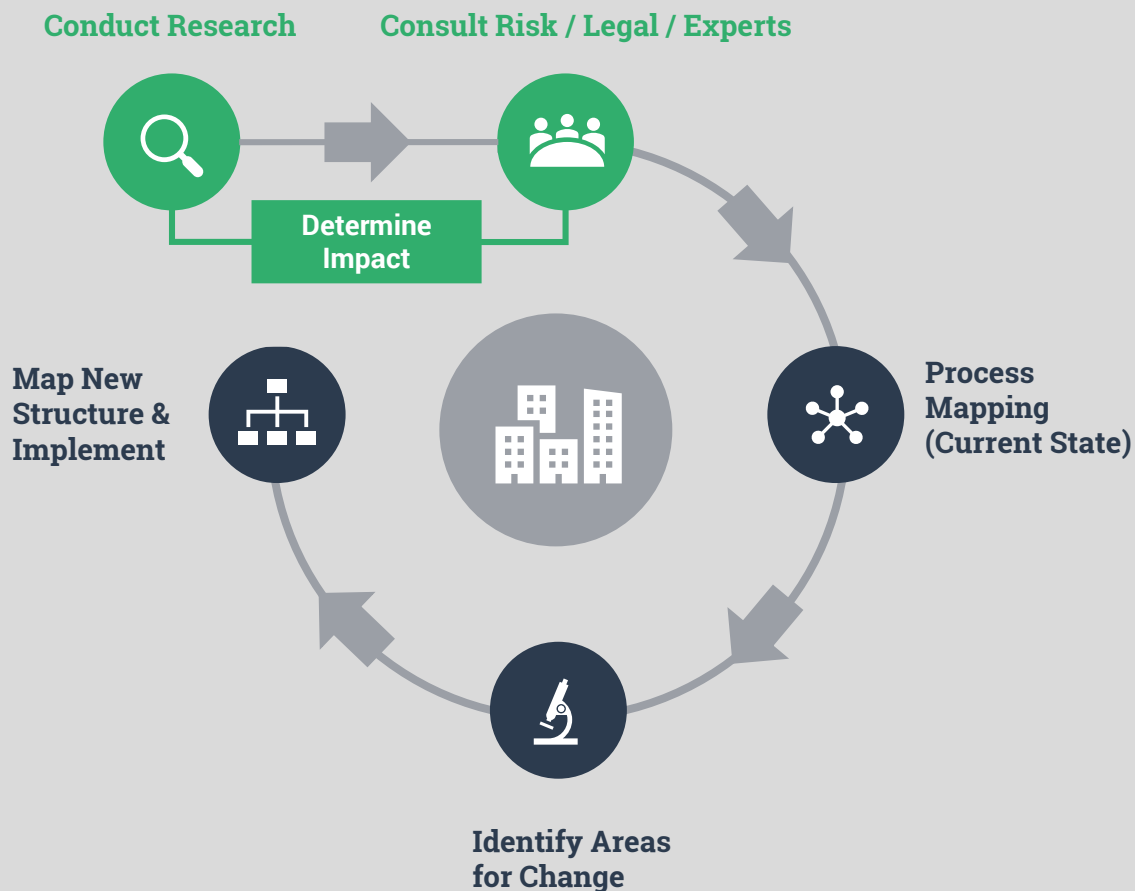
Understanding Changes

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How Does This Impact Me?

- Regulatory changes impact different firms in unique ways.
- Global complexity, size, internal architecture, etc., all come into play.
- Firms must determine the impact of new regulations for their operations in specific.
- Depending on the regulation, changes may be minor or require a massive overhaul of processes/workflows.

Understanding & Responding to Change



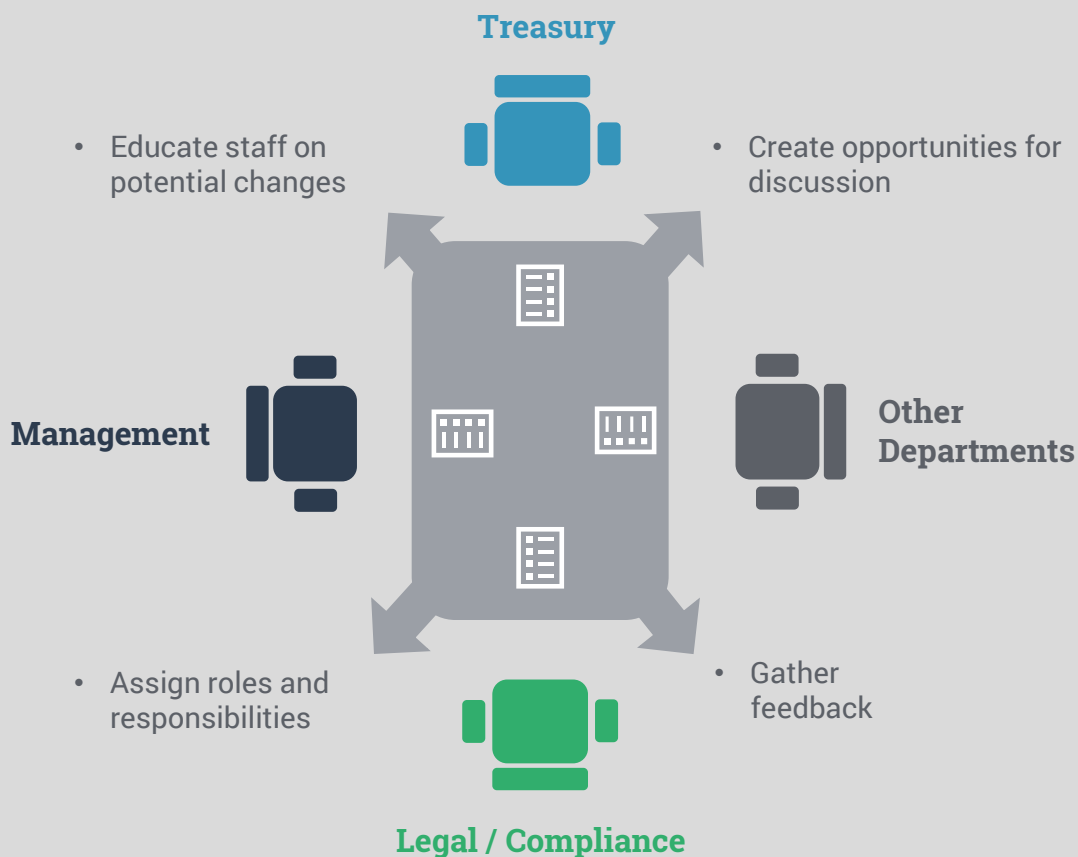
Raising Internal Awareness

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Everyone on the Same Page

- As treasury responds to new regulatory changes, it is pivotal to include other parties.
- Changes almost always impact other departments.
- Additionally, management and executives must be made aware of potential changes and their anticipated affect on the firm.

Internal Awareness: Spreading the Word



A Proactive Approach to Compliance: 8 Steps

5**Specify an Escalation Process and Establish Timeframes**

**6****Map Current Processes, Develop an Implementation Approach**

**7****Conduct Implementation with Regular Checkpoints**

**8****Continually Refine & Improve New Processes**

Overview

- ➔ **International Set of Measures**
- ➔ **Regulate, Supervise, & De-Risk**
- ➔ **A Set of Minimum Requirements**

Recent Developments

- ➔ **December 2017: Additional revisions released**
- ➔ **Key objective: reduce excessive variability of risk-weighted assets (RWA).**
- ➔ **Intended to help restore credibility in the calculation of RWA.**

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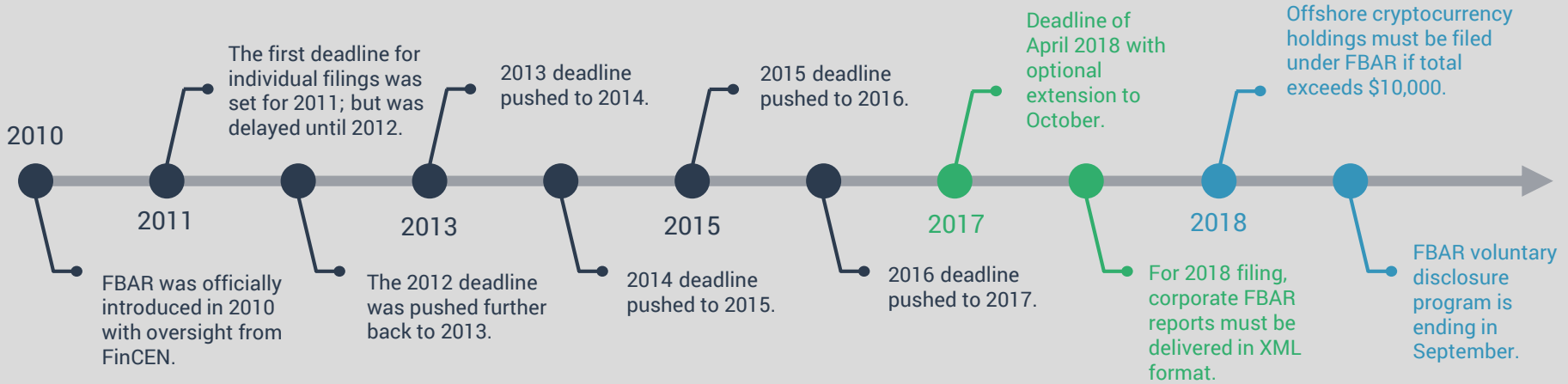
Overview

- ➔ **Introduced in response to Financial Crisis in 2010**
- ➔ **Provides stricter regulation of the financial markets.**
- ➔ **Includes:**
 - Greater transparency into use of derivatives
 - Consumer protection reforms
 - Improved oversight of credit rating agencies
 - Consolidation of regulatory agencies into larger bodies with more authority.

Recent Developments

- ➔ **June 2017: President Trump's administration introduced the Financial CHOICE Act.**
- ➔ **Reduce Oversight & Governance**
- ➔ **Includes:**
 - Exemption of small banks from Volcker Rule
 - Restructure Consumer Financial Protection Bureau
 - Bank Stress Tests – 2 Years Instead of Annually

FBAR Timeline & Recent Developments: 2010 - 2018



2018 Updates

April deadline, voluntary extension

XML format

Cryptocurrency included

Voluntary disclosure program ending

SWIFT CSP Overview



A Constant Threat



Evolving Techniques



Endpoints Compromised



SWIFT's Response

SWIFT CSP Updates



Self-Attestation



Deadline



Attestation Update



Majority Response

Section 385 Overview

 **Regulatory Background**

 **Policy Shortcomings**

 **Recent Activity**

Section 385 Updates



April 4th, 2016: Proposed Changes

The United States Treasury and the IRS published proposed regulations under section 385 of the Internal Revenue Code.



October 13th, 2016: Final & Temporary Changes



2017: Tax Simplification & Deadline Extensions

GDPR Overview



Global Impact



Risk Profile



Internal Controls



Heavy Fines

GDPR Action Items

1. **Conduct a Data Audit**
2. **Identify Shortcomings**
3. **Create Remediation Roadmap**
4. **Implement Controls**

Challenge



- The introduction of GDPR to the regulatory landscape means that Strategic Treasurer must reconstruct our data capturing and storage processes for individuals on our contact list, specifically in Europe (at this time).

The Task



- Implement new procedures for how individuals' data is captured and obtained in our system, how we obtain approvals for capturing information, how this information is stored, and for how long it can be stored or shared.

Project Steps



- **Step 1: Research.** Several analysts conducted research on GDPR and developed documentation and recommended processes for restructuring our data workflows to comply with GDPR.



- **Step 2: Internal Discussion.** The entire team met to discuss the impact that these changes would have on current processes. A prospective timeline for implementation was also developed.



- **Step 3. Implementation.** While the majority of changes have yet to be completed, the process has been set in motion and we remain on track to implement all necessary revisions by the deadline of May 2018.

Key Takeaways for Treasury:



Regulatory Concerns & Pressures Escalate



Uncertainty for the Future



Ad Hoc Approach to Compliance Inadequate



Proactive vs. Reactive Game Plan



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Thank you for participating in this event!

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