


Getting up to speed

COMPLY
by LOD

7 Risk & Compliance insights
for in-house legal teams



Compliance

Over the past few years, organisations have seen the ever-growing importance of risk and compliance. How you navigate the complex web of regulatory changes has become a standing item on most leadership team agendas. In Australia, we've seen a series of Royal Commissions and inquiries into how organisations, particularly in financial services, respond to risk and ensure their compliance. It is unignorable.

From our vantage point, LOD has a unique perspective into how leading teams are effectively managing their risk regimes and compliance frameworks. As the premier provider of alternative legal services in Asia-Pacific, LOD not only works with in-house teams across all sectors, but we also have risk experts who are up-to-date with the very latest in this area. Combining our internal know-how with what we're seeing with our clients, we have distilled 7 insights for in-house teams to consider when evaluating their risk and compliance function.

1) Risk & Compliance is a separate skillset, not a subset of legal.

It's worth first acknowledging that Risk & Compliance management is a distinct discipline and there is much more to it than simply having 'policies'. If you're of a certain size, you will likely have dedicated risk specialists. If you're not large enough to justify a dedicated headcount, you should consider what external expertise can be brought in. A helpful starting point would be to talk to people who are Risk & Compliance specialists and consider joining Risk forums or associations.

2) You need to understand the full picture.

Do you know the full extent of what your organisation does (and doesn't do) in the Risk and Compliance space? Understanding what you don't know is the first step. Then you need to ask questions and fill in your knowledge gaps. You may need to enlist the help of your senior business managers to identify risks if this hasn't been done before or recently enough.

3) Do you have 'fit-for-purpose' frameworks?

Make sure your organisation has operational compliance and risk management frameworks in place. These need to be practical and effective – over-complicated rules and processes just don't work. This needs to be so much more than a risk or obligations register sitting in a bottom drawer.

4) Position to challenge?

Just like your lawyers, your Risk and Compliance specialists need to have enough seniority or standing to be able to confidently challenge senior management without fear or favour. There needs to be a culture where these people are heard, and their views are given as much weight as everyone else's around the table. If you don't have this type of culture, you need to prioritise getting to this stage and external expertise can help jump-start you to get there.

5) Clear accountability.

It needs to be obvious who is accountable for risk & compliance management and ensure there is adequate oversight and challenge by the Board and senior executives. Unclear accountability and responsibility will always result in an ineffective risk & compliance culture. Ambiguity and diffusion of responsibility is a recipe for poor compliance.

6) Conduct as a separate risk.

You may need to consider whether your organisation needs to focus on 'conduct risk' as a separate workstream. Organisations in industries that, like the financial services sector, have obvious opportunities for putting the pursuit of profit above the interests of customers will benefit from doing this. If your organisation falls into a relevant category, the frameworks mentioned in point 3 above should include one dedicated to conduct risk.

7) Get the right people.

Like the wider legal function, Risk and Compliance "capability" and "voice" is essential to its effectiveness. Your organisation needs the right people and enough people to support its risk and compliance management. Underinvesting in these areas will ultimately have an impact and could lead you to having a greater risk exposure.

If you want to discuss any of the above or get help with your Risk and Compliance management, please get in [contact here](#).