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CMS Compliance- Barometer 2017

Representative Study with German Companies

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3rd edition of the CMS Compliance Barometer (as of October 2017)

Summary of Results

Companies are becoming better and more professional in their compliance activities

German businesses have steadily expanded their compliance structures and internal training programmes compared with previous years and have never been in a better position than they are now. However, declining support for compliance issues among management is giving compliance officers cause for concern. Those are the key findings of the representative cross-sector study for the CMS Compliance Barometer, conducted for the third time. The CMS Compliance Index produced a value of 67.1 this year, out of a possible 100 points, representing a stabilisation compared with previous years.

Although the latest Compliance Index shows an increasing awareness of compliance issues and enhanced development of internal structures in many major companies, recent compliance scandals appear to indicate in particular that work is still needed to make management fully acknowledge the significance of compliance matters. This is a worrying situation, especially since a lack of commitment on the part of management may result in compliance and liability risks, both for the company and for the management team. For the study, leading market research institute Ipsos conducted anonymous interviews with a sample of compliance officers from 180 large companies with at least 500 employees.

More compliance departments in large companies

Recent years have seen a significant increase in the number of companies with their own compliance department. While only 28% had a dedicated compliance department in 2015, the proportion is now four out of ten companies. This development also impacts other departments: correspondingly fewer employees from legal, controlling and risk management departments are performing compliance tasks. An improvement has also been seen in the way departments are equipped and organised. More than half of the companies surveyed had increased the staffing and budget devoted to compliance departments.

Deficits in compliance awareness among management

Although a positive trend is emerging in relation to the resources and infrastructure of compliance departments, only around half of compliance officers feel they are properly equipped to deal with compliance risks. It is particularly noteworthy that compliance awareness among management was assessed as lower this year than in previous years. The willingness of management to support and drive compliance issues has also decreased over the past three years, as perceived by compliance officers, falling from 79% in 2015 to a current level of 71%. The results reflect the desire of compliance officers for greater support from company management due to rising demands and additional duties. Our practical experience also shows that a compliance system is only effective if company management is fully committed to compliance.

Professionalisation of compliance

Currently, the most important task of compliance officers within companies is developing compliance processes and the associated policies. As already in previous years, more than eight out of ten of the companies surveyed (83%) have a compliance code of conduct. Companies are also increasingly extending training programmes designed to communicate behavioural requirements around compliance. While less than half of the companies surveyed conducted internal training sessions in 2015, this year the figure is 71%. Seven out of ten companies train their employees on compliance topics at least once a year. Another indication of the increasing professionalism of compliance departments is that in addition to the main duties of compliance officers, risk management is also gaining in importance. One in every four compliance departments is now also responsible for risk management within the organisation. Identifying, assessing and managing risks is becoming an increasingly important part of the work of compliance officers. This demonstrates that more and more companies are aligning their compliance system with their own particular risks in order to boost the effectiveness of the system. In internal investigations, companies continue to rely heavily on external consultants for support. 70% of firms use such consultants to conduct internal investigations. All these developments are signs of increasing professionalism in compliance.

Cartels and money laundering are underestimated as compliance risks

Data protection, corruption and product liability remain the greatest compliance risks for respondents, while competition law issues and money laundering continue to be less of a compliance priority among the companies surveyed. Relevant risks are often underestimated here. Looking to the future, compliance officers see the greatest external challenges in increasing legal regulation and various special issues, such as the growing importance of data protection and foreign trade law, as well as requirements relating to the prevention of money laundering. This applies in particular to companies with more than 5,000 employees. The EU's upcoming General Data Protection Regulation, the 4th EU Money Laundering Directive which came into force in June 2017 and the current sanctions against Russia confirm the view that rising statutory requirements will continue to place pressure on compliance departments.

We believe that the third edition of the CMS Compliance Barometer will provide useful insights for your work. We would be pleased to receive any suggestions about the study and your personal views on the evolving role of compliance.

CMS Germany

Compliance & Forensic Services Initiative

Comprehensive compliance advice from a single source

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