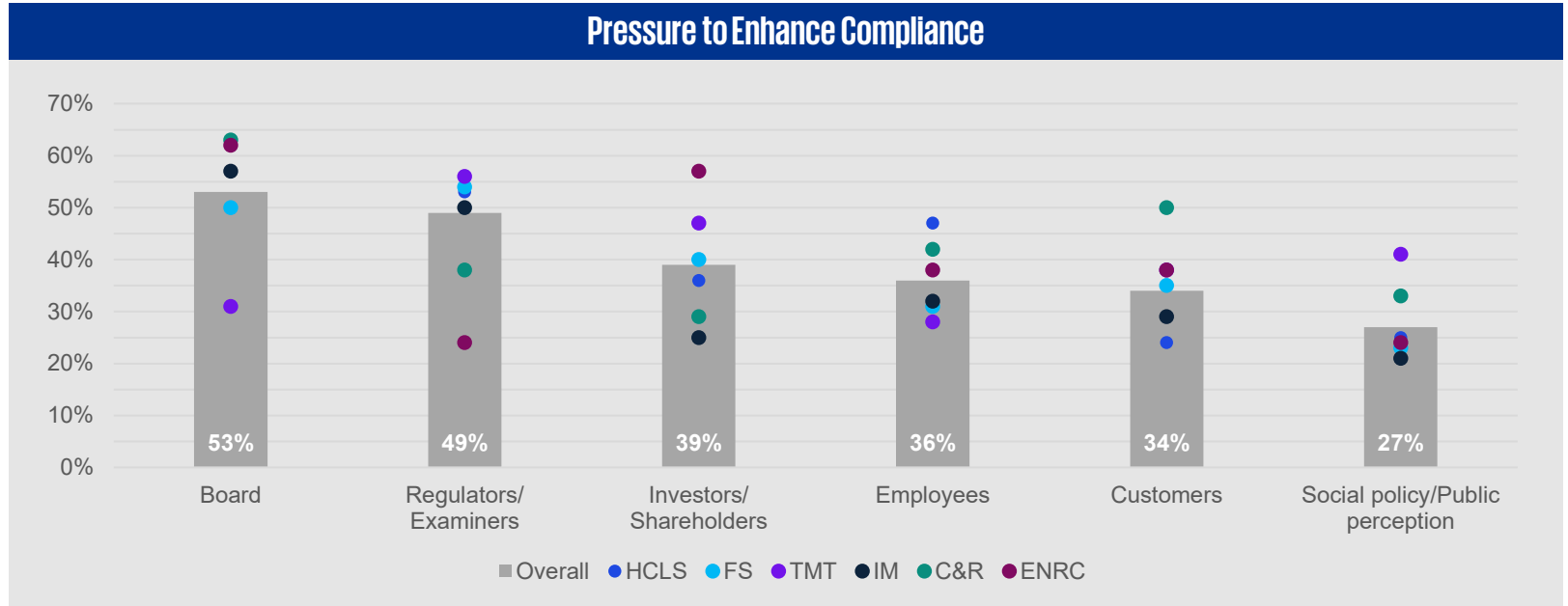
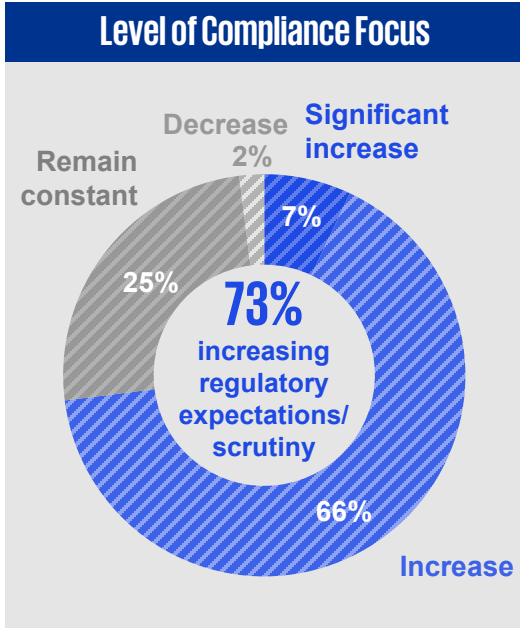


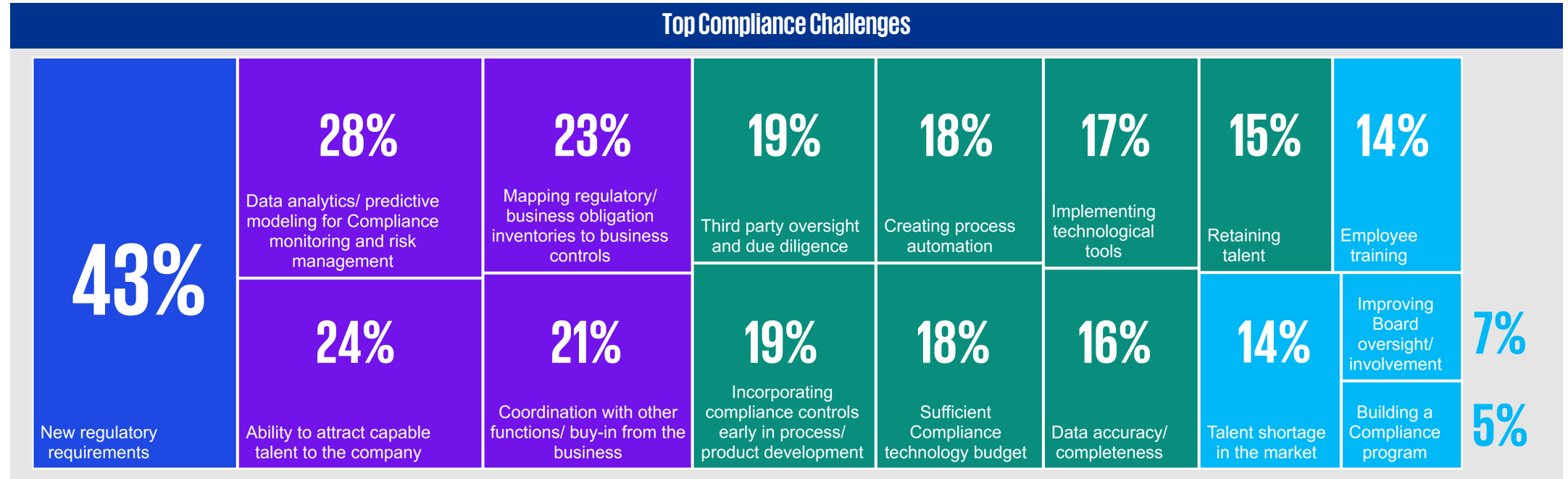
# Pressures on Compliance from Boards and Regulators





- The pace and scale of regulatory activity (e.g., SEC, large global regulations) increases compliance risks (and are in addition to “BAU” compliance operations).
- Expanding “regulatory perimeter” is increasing scope of examinations and investigations under existing regulations and jurisdictional authority.
- Regulators looking for demonstrable evidence of Compliance critical challenge, domain skills, dynamic risk assessment.
- Rulemakings, enforcement actions, consider robustness of risk frameworks across Risk and Compliance.
- While board and regulators/examiners are the top two sources of pressure overall, there are clear industry stakeholder differences:

Industry	Top Pressure Sources					
	Board	Regulator/Examiner	Investor/Shareholder	Customer	Employee	Social policy
HCLS	#1	#2			#3	
FS	#2	#1	#3			
TMT		#1	#2			#3
IM	#1	#2			#3	
C&R	#1			#2	#3	
ENRC	#1		#2	#3 (tie)	#3 (tie)	

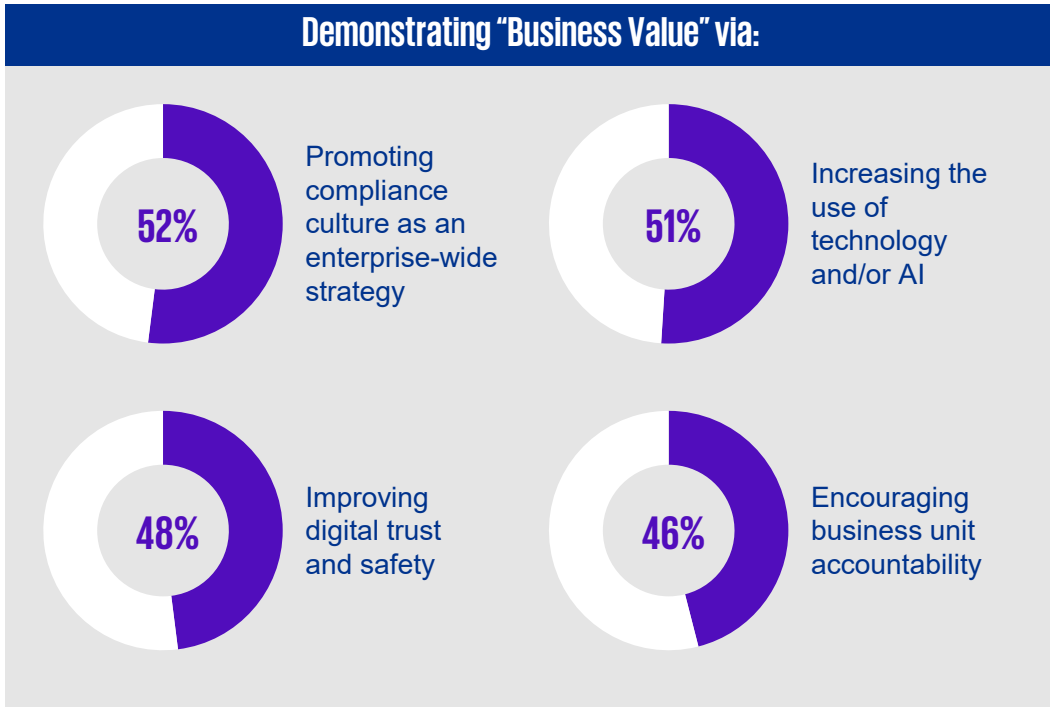
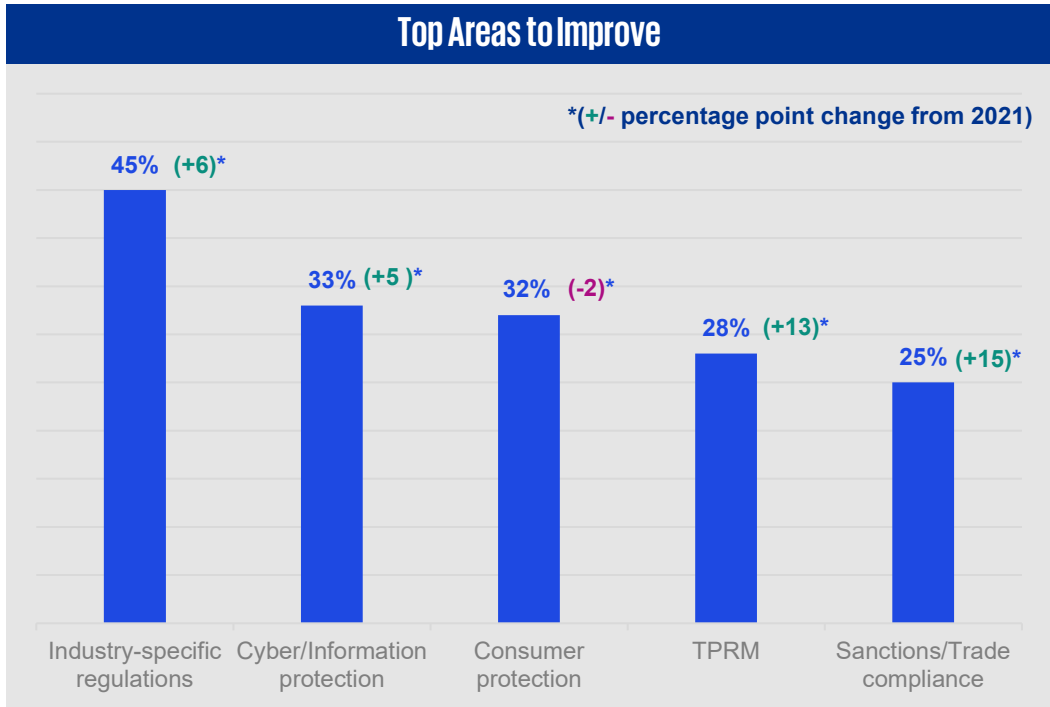
# New regulatory requirements top list of looming challenges



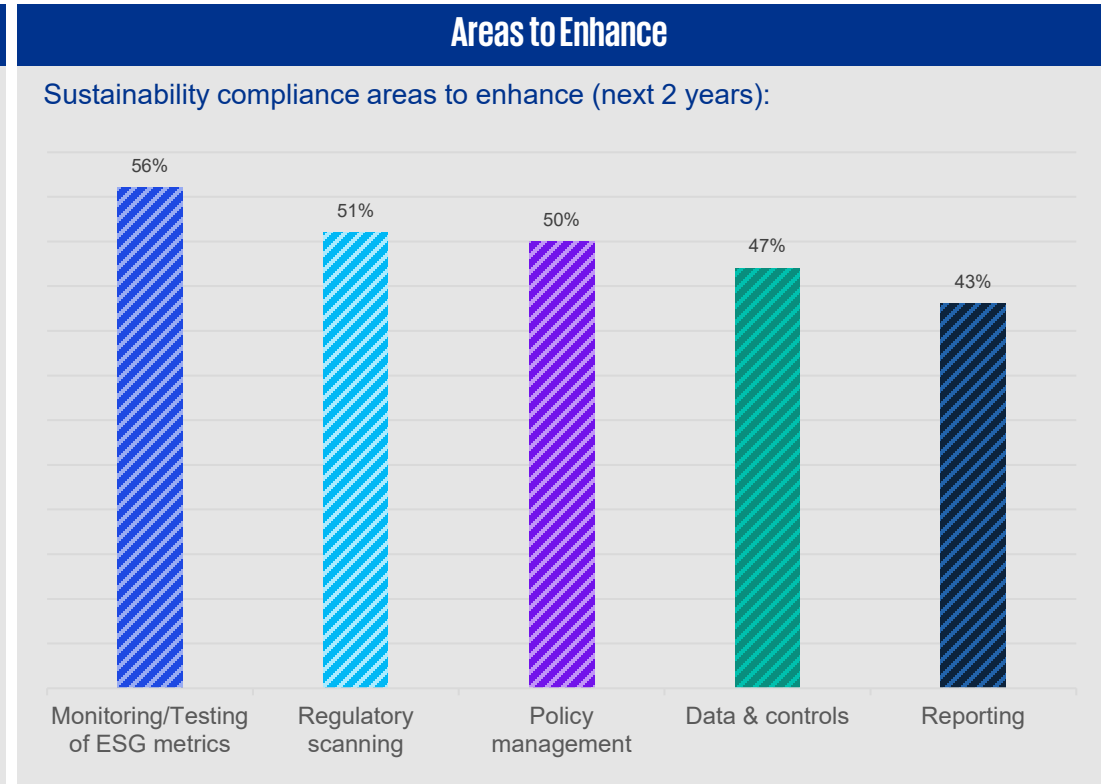
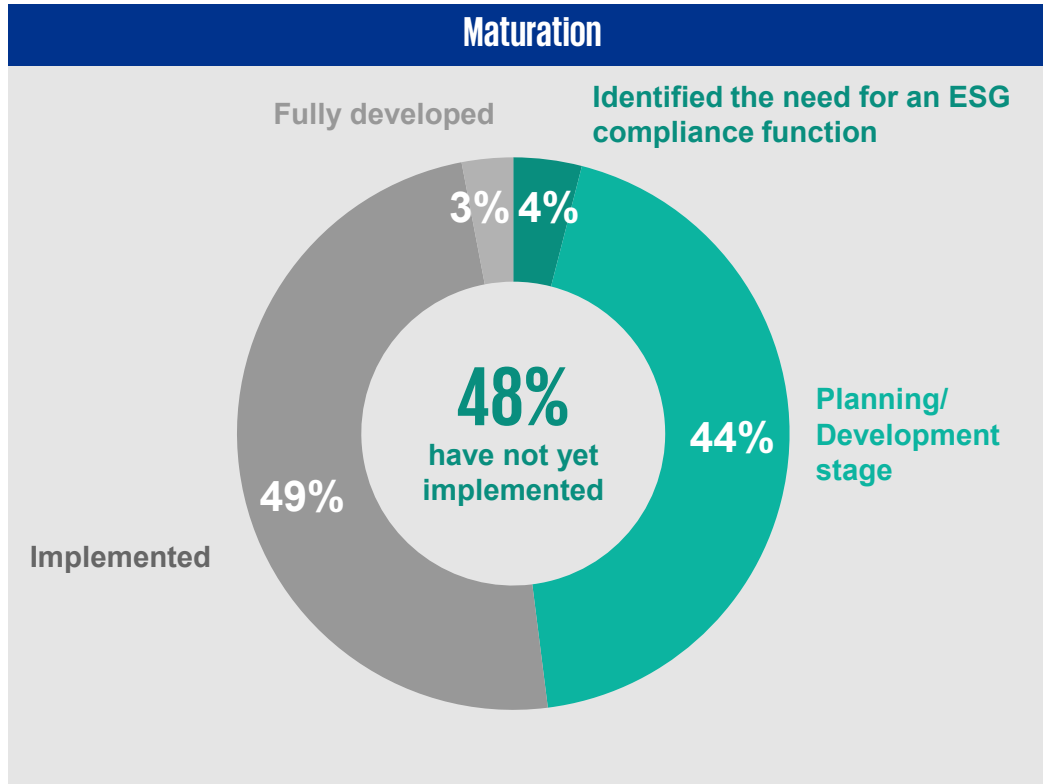
- Intense level of rulemaking/guidance and enforcement activity, including:
  - SEC disclosure proposals (e.g., cyber, climate), insider trading, and clawback policies
  - FTC guidelines on mergers, fair competition, and data use/privacy
  - DOJ “Monaco Memo” revising its Corporate Criminal Enforcement Policy to enhance corporate ethics and compliance, including in matters of individual accountability, voluntary self disclosure, and compliance culture
- The Administration is issuing “whole-of-government”/multi-agency directives on regulatory policy matters (e.g., cybersecurity, data governance, fairness, sustainability/ESG), yet there are regulatory disparities across US/global and federal/state issuances.
- New developments, applications, and evolving technologies open up discussion for regulatory scrutiny and new regulation.
- Compliance priorities include: implementing a data-driven compliance program, embedding controls upfront and throughout process lifecycles, increasing awareness of Compliance tools and technology, and maintaining the needed numbers of skilled resources.

# Industry regulations top list of key compliance focus



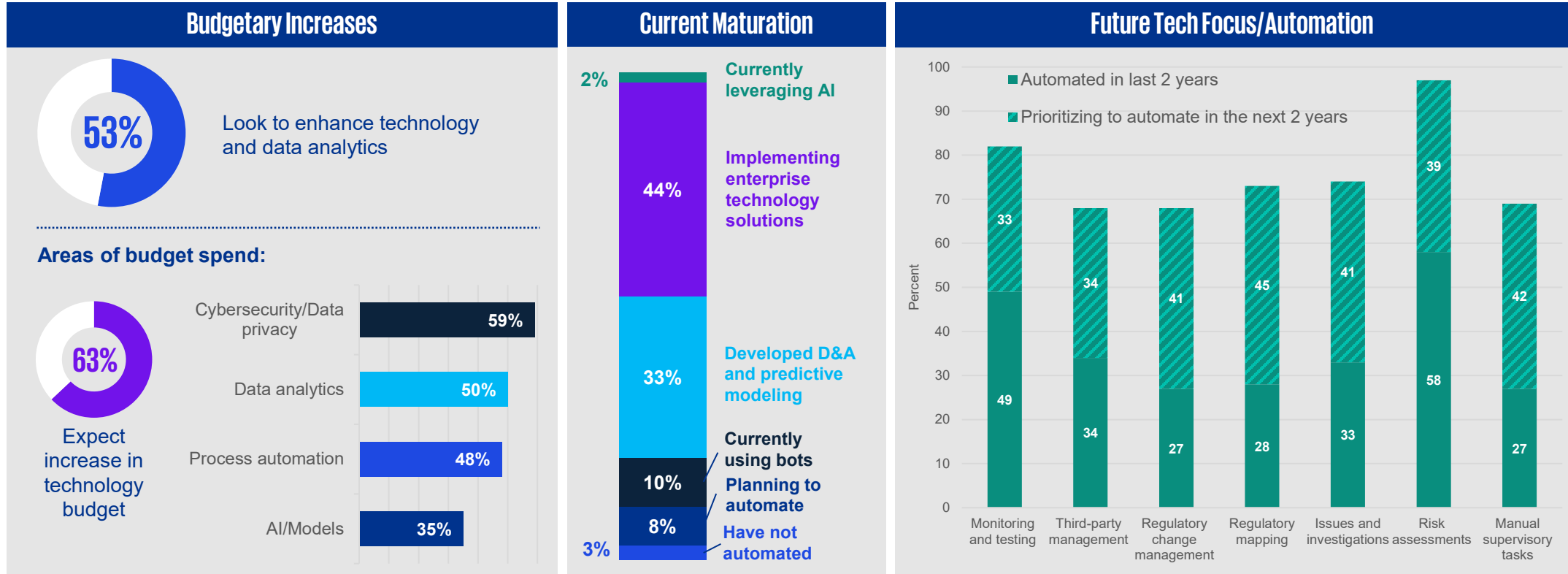
- New regulations, continued regulatory discord and heightened regulatory/stakeholder scrutiny, while needing to drive "business value", culture, technology/AI, digital trust and safety and business unit accountability.
- Administration directives for increasing regulatory cross-agency focus on data governance, cybersecurity risks, and AI (e.g., SEC cyber risk management proposals, FTC data safeguards rule, CISA incident reporting).
- Continuing attention and broad application to consumer protections, including fairness, data privacy and use, and fraud/scams.
- Third party risk management challenges (e.g., cybersecurity, operational resiliency, data use and privacy, ethical supply chain).
- Expanded use of sanctions and trade restrictions, coupled with complexities in areas such as beneficial ownership.

# Sustainability/ESG Compliance in development



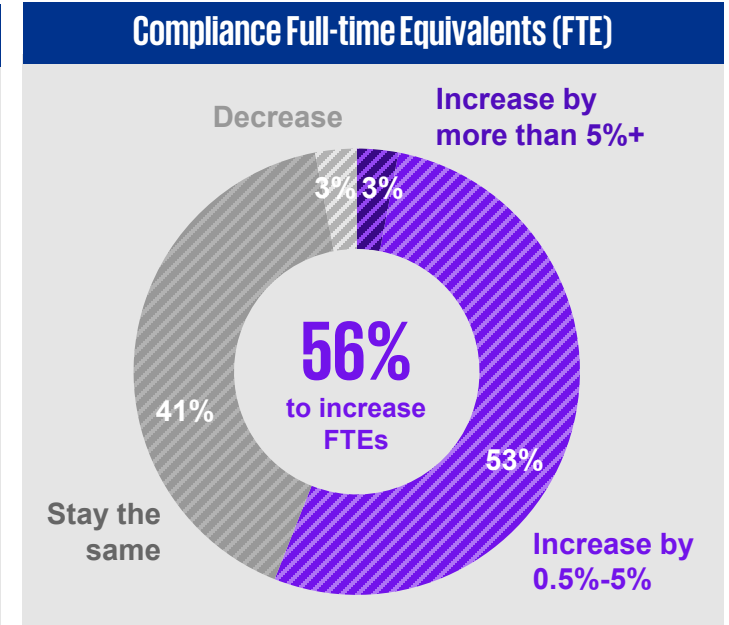
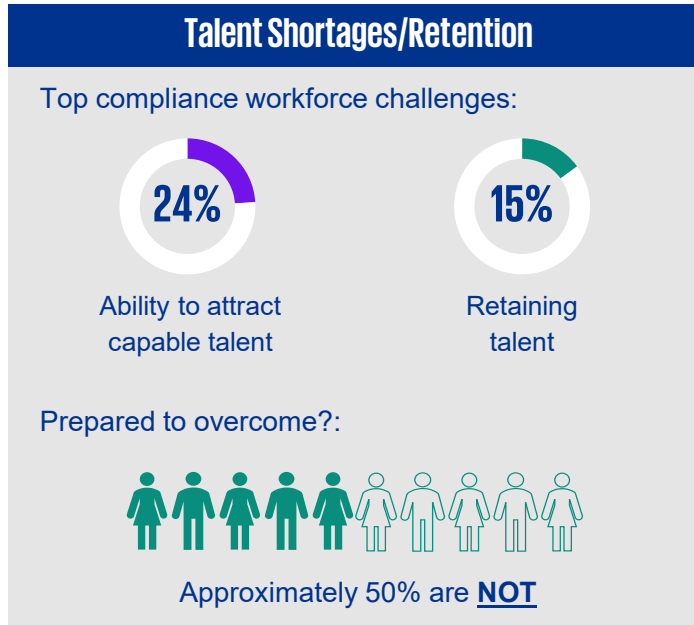
- Divergence and continually evolving expectations/requirements across state, federal, and international regulations.
- Political sensitivities around sustainability/ESG, causing operational challenges and reputational risk.
- Defining the role of compliance with sustainability/ESG (inclusive of regulation tracking, compliance risk assessment, etc.) can create both design and implementation challenges in building out an ESG compliance program.
- Progress of the business line in implementing the company's sustainability/ESG strategies and policies as well as data input challenges associated with E, S, and G metrics.

# Compliance technology & data analytics top areas to enhance



- Heightened regulatory scrutiny of new technology uses internally and externally (e.g., digital devices, AI, machine learning, automation; and advertising, model bias (customer protections)).
- Heightened expectations for technology risk management, technology resiliency, and operational resiliency.
- Data governance, customer protections (privacy, collection, use, retention, disposal).
- Focus on cloud adoption (Treasury report; FTC RFI).
- Administration’s Blueprint for an AI Bill of Rights.
- Need for tech- and data-driven skill sets to implement compliance program and related tools.

# Accountability and talent shortages/retention top workforce worries



- Regulatory and supervisory scrutiny as well as new regulatory expectations/requirements is a top risk.
- Board and regulatory critical challenge pressures on the effectiveness of Compliance.
- Despite economic uncertainty, expanding Compliance FTEs projections shows the importance of, and commitment to, Ethics & Compliance on individual compliance accountability.
- The criticality of Compliance talent/skills clear in regulatory and enforcement accountability focus, including:
  - DOJ revisions to Criminal Division policies (as outlined in the “Monaco Memo”) to provide incentives to promote and support a culture of compliance, including “cooperation credit” related to voluntary self-disclosure and compensation structures.
  - DOJ states its top priority in corporate ethics and compliance matters is to hold accountable individuals who commit and profit from misconduct.
  - Enforcement actions against executives (e.g., sales practices misconduct; misleading disclosures).
  - SEC final rule on clawback policies.



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