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The 2024 Compliance Buyer's Guide

6 STEPS TO SELECTING THE RIGHT COMPLIANCE SOLUTION PARTNER

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INTRODUCTION

Raise your hand if you are managing your firm and employee compliance program using a legacy system or a home-grown solution. Keep your hand raised if that same solution increases your operational costs, bogs down your resources, limits your flexibility, creates information silos, and lacks reporting and audit trails you can actually trust.

Or maybe you're using a handful of industry point solutions that you've cobbled together to manage both the complexities of firm and employee compliance — but the amount of manual labor needed to visualize and report on compliance has become an impossible and time-consuming task.

The result? When you use static, pieced-together solutions, you're forced into rigid processes that impact productivity and lack the ability to turn data points into insights. You don't know what you don't know — and

that's not the sort of risk you want to take. Not with billions of dollars fined to organizations just like yours every year.

This is a scenario we know all too well in the compliance industry.

The fact of the matter is, if you're a CCO or a member of a compliance team, you're feeling the pressure to reimagine how you handle enterprise-wide compliance and you need a vendor with the capabilities and the chops to advise you on where to go from here. And where you should be headed in the near and long-term.

Modernizing compliance is top-of-mind for CCOs and business leaders. The 2023 KPMG Chief Ethics & Compliance Officer Survey highlights a significant need to evolve the compliance function into an even more strategic area of the business.

84%
EXPECT TO FACE INCREASING REGULATORY EXPECTATIONS AND SCRUTINY IN THE NEXT TWO YEARS

34%
OF CCOS SAY NEW REGULATORY REQUIREMENTS ARE THE BIGGEST COMPLIANCE CHALLENGE, FOLLOWED BY DATA ANALYTICS AT 30%

70%
OF CCOS ANTICIPATE AN INCREASE IN TECHNOLOGY BUDGETS

72%
PLAN TO HIRE MORE COMPLIANCE STAFF IN THE NEXT YEAR

Big questions are bubbling up. Do you continue down the path of investing in your home-grown solution or working with the various vendors you use to try and build a holistic view of your compliance program? Or do you build the case for a new compliance solution?

"Is it possible to have it all?" you wonder. **One view, one platform, one vendor** — with open architecture and modules configurable to your unique environment, business practices, and firm risk profile? And can that same vendor serve as an extension of your team by offering consulting, strategic services, and managed services?

The answer is yes.

THE CHALLENGE OF STICKING WITH THE STATUS QUO

Trust is hard to earn and easy to lose. To build your business case for a new solution, you must address the major risks of sticking with the status quo. No one knows more about the cost of non-compliance than you. The ripple effect of non-compliance can be catastrophic. Legal fees, fines, loss of licenses, operational costs, and reputational damage from non-compliance are unacceptable.

Ensuring you're not the next firm to make headlines is enough to keep you up at night. Just take a look at a sampling of 2024 so far…

SEC Charges Three New Yorkers for Raising More Than $184 Million Through Pre-IPO Fraud Schemes

SEC Charges Five Investment Advisers for Marketing Rule Violations

SEC Charges Firm with Cybersecurity-Related Controls Violations

SEC Charges Firm and Founder for Failing to Disclose Conflicts of Interest

SEC Charges Two Investment Advisers with Making False and Misleading Statements About Their Use of Artificial Intelligence

SEC Charges Advisory Firm with Recordkeeping and Other Failures

So where do you go from here?

It's time to scope out your project, gain an understanding of what you need and don't need, and work with your internal team to select and implement a new solution — one that will scale with your firm and keep you out of harm's way.

Let's get started.

6 STEPS FOR SELECTING THE RIGHT COMPLIANCE SOLUTION AND VENDOR

We first need to address the elephant in the room: budget. It's no secret that the compliance function is often perceived as a cost center. Don't let that deter you from making your case for partnering with a vendor who offers the technology, services, and support you need to transform your compliance program into a strategic function with deep ROI. These steps will walk you through how to establish your business case, request budget, and understand what you need — and don't need — from your vendor.

STEP

1

Define the Big Picture of the Project

There's no delicate way to say this — but if you kick off your project without a concrete plan in place, you're going to end up selecting a solution that lacks everything you need. Or, in the worst-case scenario, is a step back for your compliance program. Defining the big picture is easily one of the most important steps in the process.

Yet it is often overlooked. Why? Because we're busy.

It's difficult to find time to meet. Everyone makes assumptions about which requirements are must-have, want-to-have, or nice-to-have. You assume that because you've managed compliance in one vendor's system, it will be similarly managed in another. Which, surprise-surprise, isn't always the case.

Luckily, this critical step is relatively easy to accomplish. Here's what you need to do. **You need to start by asking the right questions to understand what you're looking to achieve both now and in the long-term.** Your goals, initiatives, and needs are unique to your firm, but here are some important questions to ask before beginning your search...

- What are the firm's objectives, goals, and priorities for the next 1-4 years, and how does compliance fit into the overall strategic plan?
- How much budget is allocated to the acquisition, setup, launch, and ongoing management of your new technology?

- What is your organization's primary purpose in selecting a new compliance platform? Is it to manage firm compliance, employee compliance, third-party risk, or a mix of some or all?

- What is the compliance workforce strategy? Are you looking to supplement your team by using your vendor's managed or strategic services? Are you reducing head count, adding headcount, or reallocating headcount because you are implementing a more robust, advanced technology?

- Are you looking for a vendor that offers a wide range of services, including managed services and strategic advisory services?

- Will the new system be replacing or augmenting an existing system?

- If you have an existing vendor in place, when does your contract end?

- How many employees need access to the system?

As you start to work through those initial thoughts, more detailed questions about the innerworkings of the system will naturally come up. Don't worry, we're going to touch on examples later.

STEP

2

Assemble the Buying Team

Selecting the right compliance solution is a collaborative effort and requires a team of dedicated people with a vested interest in the success of the function and the overall success of the firm — and how compliance fits into that narrative. Even if you are one of those Type A personalities that thrive on managing a big project on your own — you simply cannot, for a variety of reasons.

Firstly — and maybe most obviously — if you're a large enterprise firm, you most likely have a procurement team in place for any vendor investment. A formal procurement process is a good thing — it gives you the structure needed to make the right decision. If you're at the tipping point of a formal procurement process, but do not have one in place, this guide will help you build out your procurement process.

Your selection committee, buyer's group, whatever you want to call yourselves, needs to be comprised of a cross-functional group of leaders and practitioners to ensure you define the right requirements, priorities, overlaps, gaps, budget, resource allocation, workforce needs, and on and on and on. This team will be comprised of:

- Procurement
- IT
- Finance and Operations

- C-level Champions, including the CCO
- Compliance Team Lead and Managers
- Dedicated Project Manager

Once the group is established, we strongly recommend you leverage the RACI project management and decision-making framework. Each member of the selection committee will fall within each of these categories, depending on the requirements.

R **Responsible**	**Responsible** — The person or people who are going to be managing the project and/or completing specific tasks.
A **Accountable**	**Accountable** — The decision maker who is ultimately accountable for the selection and implementation of the right solution.
C **Consulted**	**Consulted** — The person or groups of people who need to provide input across the firm to ensure all requirements are met.
I **Informed**	**Informed** — The person or groups of people who need to be kept updated on the progress and completion of the project. They're not often an active participant but still play a critical role in the process – especially when it comes to adoption and communication across the firm.

With this matrix in your virtual back pocket, you can begin to work with the members of this team to get the ball rolling.

STEP

3

Develop Your Use Cases

Here's where the fun really starts. It's time to define your strategy, understand your needs, and develop use cases you can present to the vendors you evaluate. The more effort you put into this step, the smoother your evaluation process will go. Every firm is different — yours included. It's oh so critical that you think about how your processes can fit into the technology (and services) you select. The last thing you want is another problematic situation where you're constrained by the capabilities of the solution and vendor you choose.

There are a few ways to go about gathering your requirements list. We recommend you conduct one-on-one interviews with each stakeholder — especially the compliance team members responsible for managing the system — in the process to understand exactly what you need.

Employee Compliance

CODE OF ETHICS, CONFLICTS OF INTEREST, AND PERSONAL TRADING

- **How are you currently handling your Code of Ethics, conflicts of interest, and personal monitoring today?** How would you like to handle this in your new solution?

- **How are you reviewing employee personal trading statements?** What does that process look like and where do you see areas for improvement?

- **Does your current system automate broker feeds?** How much coverage does your current provider offer? How much coverage does your new provider need to offer?

- **Do you have preclearance rules?** What do those look like? How are they configured?

- **Do you have a restricted list?** How complex is the list? Will it continue to grow? How so?

- **Do you monitor crypto transactions and if so, how are you doing this?** If you don't have a need for it now...will you have a need for it in 3, 5, or 10 years from now?

- **How do you review gifts and entertainment (G&E) requests?** What does the approval process look like? How can it improve?

CERTIFICATIONS AND ATTESTATIONS

- **How are employees completing certifications today? Is it automated, manual, or both?** Would you want your new system to have the ability to cover more certification options?

- **Do your certifications or training need to integrate with your HR tech stack?** Does HR need to be involved?

- **Are all certifications done in one place?** How much time are you spending collecting and reporting on completions?

- **How many certifications do you need to review and monitor?** Is this taking away critical resources or time that could be spent elsewhere?

- **Are you looking for your vendor to provide services to support your certification effort?** What does that look like?

- **How do employees document attestations?** How does the compliance team manage this process?

COMMUNICATIONS AND ARCHIVING REVIEW

- **What policies do you have in place regarding personal devices?** Have you completely banned customer communication via personal devices? Do you supply devices for your personnel?

- **How do you track your communications?** Do you track email, social media messages, What's App, or similar messaging apps?

- **What are you using for email and social media archiving?**

- **Who is conducting your email reviews?** How often do you conduct email reviews? If in-house and cumbersome, is that something you'd be interested in outsourcing?

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POLITICAL CONTRIBUTIONS AND OUTSIDE BUSINESS ACTIVITY (OBA) MONITORING

- **Do you have a need to monitor political contributions for employees?** What policies have you established around contributions? Are they completely banned? Are covered associates required to preclear? How many covered associates are you currently monitoring?

- **How are you monitoring political contributions?** Is this self-reported or using an automated third-party system?

- **How do employees submit OBA's at your firm?** Is this cumbersome?

- **How much time would you save by automating political contributions and OBA reviews?**

FCA'S SENIOR MANAGERS CERTIFICATION REGIME

- **Does your organization operate in the United Kingdom?** If so, how do you create and maintain your statement of responsibilities (SORs), assign senior management functions (SMF)?

- **How are you building assignments and approvals?** Is this automated? How long does this take you on average every month, quarter?

- **What does professional development at your firm look like?**

FIDUCIARY DUTY

- **Do you have a standard process for all disclosures and documentation for both account and product recommendations?** Is that process followed by all parties within your firm? Is that process manual or automated?

- **How do you assess, document, and disclose rollover recommendations and meet compliance requirements?**

Firm Compliance

COMPLIANCE PROGRAM MANAGEMENT

- **Do you have a centralized compliance calendar?** If so, what does that look like in its current state and how do you want this calendar to function in its future state?

- **Does your compliance calendar integrate with workforce tools like Outlook, Gmail, Salesforce, or other CRMs?** If it doesn't currently, would that be something you want?

- **How are you staying on track throughout the year with your monthly or quarterly firm-wide compliance tasks such as filings, books and records reviews, policy reviews, and so on?** Are certain functions automated? Are certain functions labor-intensive?

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- **How are you compiling and documenting the completion of all of supervisor compliance tasks?**

- **How are you keeping up to date with changing regulations?**

- **What does your compliance log look like?**

ANNUAL REVIEW AND RISK ASSESSMENT

- **What does your annual review look like?** How long does it take to complete an annual review? Does reporting hinder your ability to achieve a clear picture? When is your annual review conducted, do you fulfill obligations throughout the year or wait until year-end?

- **How would you like to change this process?**

- **Do you use any outside support to conduct your annual review?** Do you leverage external consultants for this?

- **How are you conducting risk assessments?** How often are risk assessments conducted? Do you have a standard process, which includes a risk assessment when new rules are adopted, business functions change, etc.?

- **Do you feel confident that your annual review and risk assessment are comprehensive enough and up to date with changes to your firm and changing regulation?**

- **Would you consider choosing a vendor that offers strategic services for conducting mock annual reviews and risk assessments?** Or do you work with outside consultants/legal experts to conduct these activities?

MATERIAL NON-PUBLIC INFORMATION (MNPI)

- **What protocols do you have in place to identify and prevent market abuse, insider trading, and other conflicts of interest?** Does your current process put you at-risk for non-compliance?

- **How do you currently track wall crossing?**

- **How do you manage access of MNPI?** Is this information self-reported in a system? Using email?

- **Are you able to easily visualize conflicts of interest and reallocate resources if one exists?**

MARKETING RULE REVIEW

- **Does your firm do marketing and advertising?** Have you considered incorporating more marketing and advertising into your strategy given the updated SEC Marketing Rule?

- **What is the volume of marketing materials produced?** Have you factored in more "standard" items like business cards, etc.?

- **Who is responsible for reviewing marketing materials on the compliance team?** How many people are involved? Is this a manual process? Or partially automated?

- **Do you have process gaps or challenges in the way you are currently reviewing marketing materials?**

- **Are you concerned about non-compliance under the new SEC Marketing Rule?** How significant is this concern?

Third-Party Compliance

COUNTERPARTY DUE DILIGENCE

- **How do you conduct reviews for institutional investors, private equity funds, broker-dealers, endowments, foundations, and pension plans?**

- **How many third-party asset managers do you work with?** What does their onboarding process look like?

- **How confident are you in your ability to identify money laundering, personal trading, account reporting and NAV calculations, conflicts of interest, custody of client funds or securities, non-public information and confidentiality, trading and brokerage, and adherence to investment restrictions?**

- **What would you improve about your counterparty due diligence process?**

CYBERSECURITY

- **How are you handling regulatory cybersecurity requirements like phishing testing, employee cybersecurity training, or incident reporting?** Is this managed in one location? Or do you leverage an HR or learning management system to conduct your training?

- **How do you handle security awareness training?**

- **Does your cybersecurity program follow the National Institute of Standards and Technology (NIST) framework?**

- **How do you conduct technology and risk assessments?** Who within your firm is responsible for conducting these assessments?

- **How do you prepare for a regulatory audit of your cybersecurity practices?**

- **Do you leverage external consultants to assist with cybersecurity efforts?** Would you consider consolidating your consultants to your new vendor's services team?

VENDOR DUE DILIGENCE

- **Is your vendor due diligence process automated, ad hoc, or a mix of both?**

- **Do you have due diligence questionnaires?** Are they standard across the firm? How are they managed?

- **Do you conduct regular assessments of your vendors?** Are assessments typically only relegated to new vendors?

- **Do you have calendar reminders for vendor due diligence activities?** Would you want your solution to have that configured?

Services

Are you working with third-party consultants or outside contractors for managed services or strategic advisory? Some compliance technology vendors — like COMPLY — offer a robust services program that complements the technology — enabling firms to get even more return on their investment — a big win for those who fall into the "compliance is a cost center" viewpoint.

Here are a few things to consider when evaluating if services are something that would help you save time and money and ensure you're on the right path to success.

CONSULTING SERVICES

- **Would you like your vendor to offer personalized strategy sessions with your CCO about regulatory best practices?**

- **When new rules and regulations pop up — would you like the ability to meet with experts about how they'll impact your firm?** And, more importantly, how you can navigate and implement any necessary changes?

- **Do you need assistance in ensuring your marketing and advertising materials are current and contain all required disclosure?**

- **Would you like guidance on reviewing annual holding report forms for clients' access persons?**

- **When was the last time you reviewed and updated your policies and procedures manual or Code of Ethics?** If that is something on the horizon, would it make sense to work with your vendor's services team?

- **When was the last time you conducted a compliance review, mock exam, or DOL retrospective review?** What were the findings? Did you implement any changes following these reviews?

- **Who helps you with your business continuity plan? Do you do annual reviews of your disaster recovery plan?**

- **Is your team overwhelmed with the volume of manual uploads, email review, advertising reviews, and broker feed maintenance?** Would this be something you could delegate to your vendor's managed services team?

Continuing Education

Moving beyond technology and services — would you consider switching to a vendor that also offered continuing education?

- **Are your employees required to do ongoing continuing education?** Are your IARs staying up-to-date with their continuing education credits?

- **How does your compliance team go about continuing education?**

- **How are you handling your professional designations?** Would it be easier if you selected a vendor who offers this service rather than seeking outside help?

- **Do you invest in the continuing education of your employees?** Would they benefit from ongoing education offerings from your vendor?

As you can see, there is a lot of ground to cover. These questions serve as a great jumping-off point to have conversations with various stakeholders across the firm to understand just how the compliance program runs today and how you envision it running in the future. From there, the use cases will naturally present themselves to you.

STEP

4

Build and Rank Your Requirements List

You've established your buying team, assigned RACI, and developed your use cases. Now it's time to translate all the information you've diligently gathered into a robust requirements list for vendor evaluations. When writing your requirements list, it should include everything you need to carry out your use case scenarios and evolve your compliance strategy.

But don't just think about your immediate needs — think about what the future holds and what sort of regulations might be on the horizon. When you start to evaluate vendors, it is critical that you ask about their roadmap, innovations and research, and development practices. That way, you ensure you select a vendor that has the chops to stay on top of new regulations and build the solutions needed to enable your success.

Requirements fall into three different categories, which makes it easy to understand who needs to cover what.

FUNCTIONAL REQUIREMENTS

What the **system needs to do from an end-user and administrator perspective.** There are a lot of things to consider, here are a few questions to get you thinking...

- Do you need automated broker feeds? Do you understand how much coverage you have on your current solution vs. how much coverage you would like to have?

- Do you need robust dashboards for managers, admins, and employees?

- What type of reporting is required? Will the system free up time previously spent on reporting?

- Do you need to support multiple languages?

- Is the system easy to use? From both an administrative and employee perspective?

- Do you need a mobile app that allows staff to easily track their compliance tasks?

TECHNICAL REQUIREMENTS

How the **vendor and the technology adhere to security, privacy, and IT standards.** Your IT department is going to play a heavy hand in helping you build this list. They might even have their own set of security, privacy, and other system requirements established. Some questions your IT team might need answered are...

- What are the firewall and security needs of your firm?

- Does the compliance solution need to integrate with an internal system or third-party tools?

- What are the vendor's administrative, physical, and network security safeguards?

- Do you have two-factor authentication?

- Do you offer single sign on?

- How is the data encrypted?

- What certifications and documentation does the vendor need to have? Soc certified?

OPERATIONAL REQUIREMENTS

How the **system should run, which includes user profiles, security, scalability, service-level agreements, and customer support.** Here are a few options to think through as you develop your own questions.

- What are the customer support options?

- When is support available? Are there tiers of support options?

- What capabilities does each user have? Can you establish groups within the platform that allow for different geographies and/or teams to be separated out?

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- Does the vendor offer training as part of the onboarding and implementation process?

- Who is involved in onboarding?

- What do customer success packages look like? Do you get a dedicated customer success manager?

- How often does the vendor offer quarterly business reviews?

- Does the vendor listen to customer feedback and incorporate needs into their product roadmap? And how often does this happen?

- What sort of consulting options are available?

- Do you need managed services to relieve the internal team of the administrative burden of manual tasks, like document uploads?

Are you having fun thinking through all these questions yet? We sure hope so.

Once you've compiled your list, you're going to need to organize your requirements into logical categories and rank criteria on a scale.

NICE-TO-HAVE 1 — 2 — 3 — 4 — 5 ABSOLUTE MUST

Perhaps 1 being nice-to-have and 5 being an absolute must. That way, you can fairly rate each vendor based on your needs and the processes you want to have in place. **Remember: process first, technology second.**

STEP 5

Issue Your RFP or Request a Demo

You've done the hard work. You've put hours into meeting with colleagues, creating your requirements list, and are all in consensus of what you need — let the evaluations begin.

You've two big options here. You can create and issue your very own RFP, which will include dozens, maybe upwards to a hundred, questions you need each vendor to answer. Or you can contact your vendors and request a demo.

Typically, the sales process will cover the following steps.

1. Discovery call to gain a general understanding of your current compliance program and requirements

2. A series of functional demos that cover your detailed use cases and criteria

3. Follow-up calls with pricing, implementation, and onboarding scope

4. Technical demo with your IT resources

5. Additional demos to clarify questions and functionality, as needed

6. Opportunity to speak with customer references

Do not, we repeat **do not**, skip over customer references. This is arguably the most important step of any evaluation. Be sure to ask questions like...

• Why did you select the solution?

• What has your experience been so far?

• How long have you been a customer?

• What were you using before?

• How do you feel about customer support?

• Do you use the vendors services?

• Are there any challenges with the solution?

• Is there anything the solution does that has totally transformed your compliance function?

• What was implementation like? And what does continuing education and training look like?

STEP

6

Review and Select the Vendor

Congratulations — you put in the work, built your detailed requirements list, evaluated your top vendors, and now it's time to make your decision. Thanks to your due diligence and selection committee, you should feel confident that you're making the right decision.

CONCLUSION

Selecting the right compliance technology isn't for the faint of heart. It requires deep investigation of what is available on the market and a lot of collaboration and understanding of what you need — and what you don't need.

The result is an illuminating and worthwhile experience, one that results in a new relationship with a vendor who is committed to your firm's success.

Discover why 7,000 clients have entrusted COMPLY to help them confidently and effectively navigate the regulatory landscape. Empower your program with **configurable technology, expert services, and premier education** designed to help you effectively and confidently meet your unique risk points.

SPEAK TO AN EXPERT TODAY!

COMPLY™

As a global market leader in regulatory compliance solutions, COMPLY combines the power of regulatory technology, services, and education to empower Chief Compliance Officers (CCOs) and compliance professionals to easily navigate the regulatory landscape. COMPLY enables firms to scale their growth while remaining vigilant in their compliance efforts by providing solutions designed to manage the burden of complex compliance tasks. Our deep bench of industry expertise — which includes expansive knowledge in technology enablement and regulatory compliance protocols and processes — supports more than 7,000 clients, including investment management firms, private equity firms, hedge funds, broker-dealers, registered investment advisers, and other financial service sector participants.

COMPLY continually supports clients in their work to proactively address core compliance challenges — minimizing risk, addressing critical priorities, and meeting new demands as the industry evolves and the firm scales.

Talk to an expert to learn more about how we can help you COMPLY with confidence.