



**e-DEMOCRACY**

ICT - A DRIVER FOR IMPROVING DEMOCRACY

# THE IMPORTANCE OF COMPLIANCE FOR COMPANIES AND INSTITUTIONS

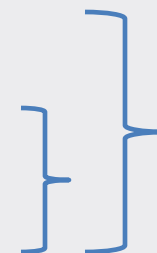
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# WHAT IS COMPLIANCE?

- Compliance is a **function in a company** which ensures that **the company in its entirety** (internal - directors, managers, officers, employees; external - its clients and suppliers) act in accordance with applicable
  - **legal and regulatory requirements**
  - **accepted standards** in a given industry or a given country, and
  - the company's **internal acts/by-laws and values**
- Who is responsible for compliance?
  - Corporate culture should not promote compliance, however defined, as 'someone else's' responsibility
    - **at the first level** - each individual
    - **at the second level** - territorial/functional managers
    - **at the third level** - Chief Compliance Officer (CCO)
    - **at the fourth level** - Management Team/Managing Board
    - **at the fifth level** - Board of directors / Supervisory board



# PURPOSE OF COMPLIANCE

## Acceptable

- Follow developments in the legal framework relevant for the Institution
- Follow implementation of the code of conduct of the entity
- Support management in staying informed on key legal and regulatory changes in the countries in which the Institution operates

## Better

- Same and **systematically organize information** in this respect (including through keeping of a Compliance Register), and disseminates this through the Institution.
- Same and include in the scope of its work **industry standards**
- Provide **technical support to management and business units heads** in using the systematized compliance information

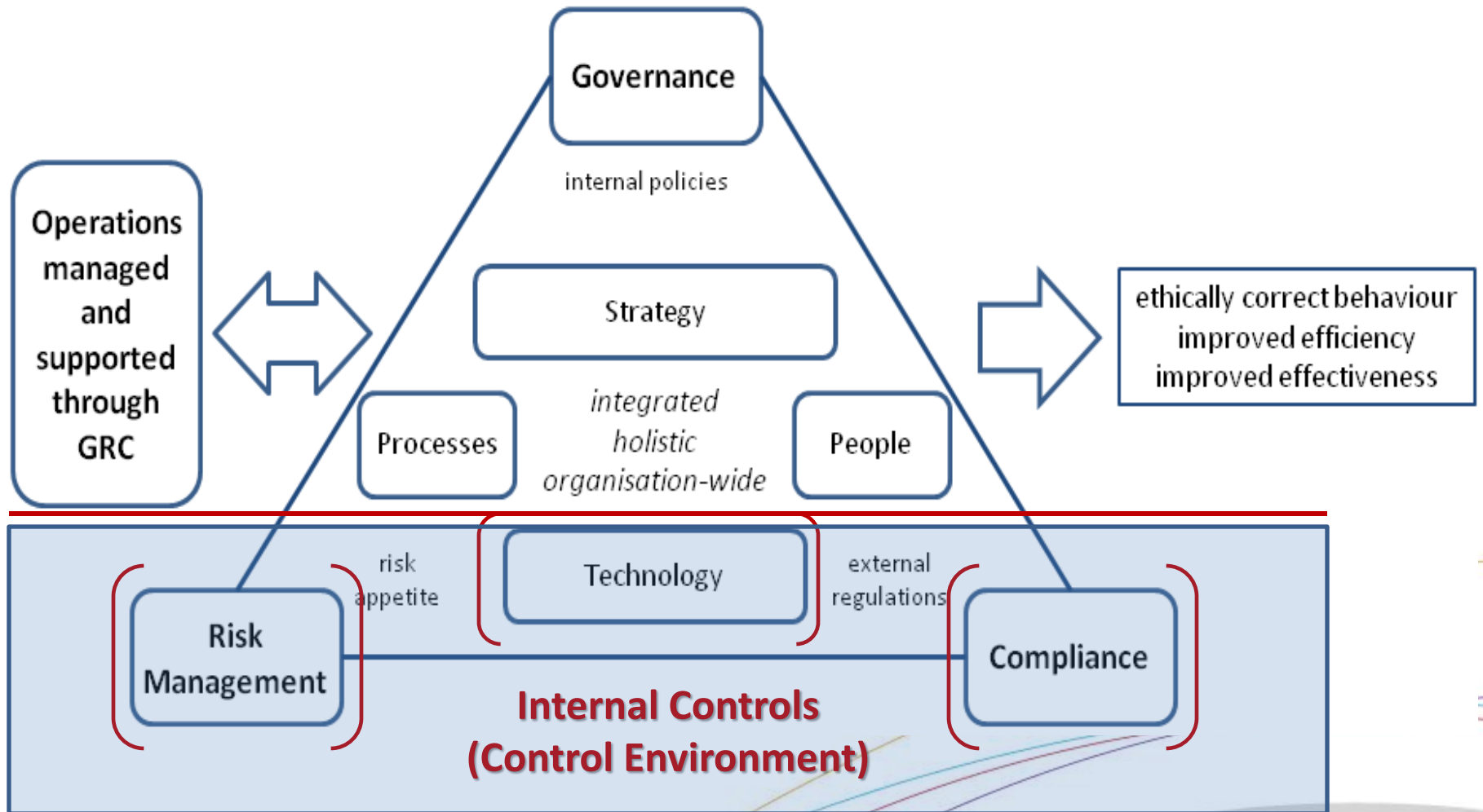
## Desirable

- Same and develop **comprehensive compliance system**
- Same and expand the scope to **international best practices**
- Same and support in **implementing** the comprehensive compliance system
- Support **Audit Committee** to properly identify and manage compliance risk

## Best Practice

- Same and **integrate the compliance system in the whole risk management system**, and more widely with the overall corporate governance framework of the Institution
- Same and **anticipate legal and regulatory developments** on national level, and developments of the standards and international best practices on global level
- Same and support management and business units to properly formulate feedback information on possible future improvement of the compliance system, including through review of the level of its integration in the **risk management system** of the Institution
- Develop and nurture constantly evolving **compliance culture** in the Institution, taking into consideration the latest developed best-practices in the subject area

# GOVERNANCE, RISK, COMPLIANCE (GRC) CONCEPT



- COSO** – reaction to compliance
- SOX** – and PCAOB Audit Standards

# COST OF NON-COMPLIANCE



## Types of costs

- Civil
- Criminal
- Reputational
- Financial
- Market based
- **All of the above**

# BENEFITS OF COMPLIANCE

## Ambulance car on a cliff – where is it best positioned?

- **Strength of the business** – radiating in the environment
- **Certainty and continuity** – from legal/regulatory actions
- **Quality of processes** – preformed in line with policies and procedures
- **Reputation** – long-term investment
- **Optimization** – of operations, through improved accountability
- **Morale** - among employees



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# THANK YOU!

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