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Building a Culture of Compliance within an Organization: Tips and Strategies

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INTRODUCTION

In recent years, the importance of compliance within the financial sector has grown significantly. As a leading International Financial Centre (IFC), Mauritius recognizes the need to foster a culture of compliance to ensure the integrity and stability of its financial system. By prioritizing compliance at all levels of the financial sector, Mauritius can enhance its reputation, attract

investment and sustain long-term growth. From the time Mauritius was placed on the FATF's grey list, the standard of compliance has changed significantly whether it be from the authorities perspective or internally within organizations. This article aims to provide the 5 main tips and strategies for building a strong compliance culture within an organization.

01 >> Establishing Clear Policies and Procedures

The foundation of a compliance culture lies in having well-defined policies and procedures. These should cover a wide range of areas, including anti-money laundering (AML), counter-terrorism financing (CFT), data protection and ethical conduct. Like in everyday life, compliance helps to maintain order, safety, and harmony, by following rules and regulations set by authorities such as road traffic laws or even workplace rules. For example, stopping at a red traffic light while driving or adhering to a company dress code at work are examples of compliance in daily life. Similarly, organizations should devise policies and procedures which would help staff understand their responsibilities and ensure consistent adherence to regulatory requirements. Without a clear framework, staff would be working in a disorderly manner, not complying with the laws and regulations and this could result in sanctions and penalties imposed by authorities.

02 Promoting Awareness and Training

Regular training programs and awareness campaigns are crucial for instilling a compliance mindset among employees. These initiatives should cover the latest regulatory developments, best practices, and case studies to enhance understanding and promote a proactive approach to compliance. It is important to implement ongoing training programs to keep staff informed about evolving compliance requirements and emerging risks. By investing in continuous education, financial institutions will empower their staff to make informed decisions and act with integrity in their day-to-day operations. Well-trained staff are more likely to follow procedures correctly and efficiently, leading to smoother operations and reduced errors or delays. Organizations should promote sharing of knowledge and ideas internally such that if ever there has been an internal incident, the information is circulated to all staff so that they are aware and can take the necessary precaution to avoid the same.

03 Implementing Effective Monitoring and Internal Controls

To ensure compliance, it is vital to have robust monitoring systems and internal controls in place. Regular audits, risk assessments, and compliance reviews should be conducted to identify any gaps or weaknesses. For example, by monitoring transactions and implementing internal controls, financial institutions can detect and prevent fraudulent activities, safeguarding the institution's assets and reputation or help to ensure that the institution complies with relevant laws and regulations, reducing the risk of fines, penalties or legal issues. By promptly addressing these issues, organizations can mitigate risks and demonstrate their commitment to compliance. However, actions should also be taken against any staff who did not comply with the control systems in place. Disciplinary actions help build a compliance culture within a safe and productive work environment.

04 Collaboration with Regulatory Authorities

Building a culture of compliance requires close collaboration with regulatory authorities. Regulatory authorities promote dealing with them in a co-operative manner and comply with disclosure obligations. A regulator would rather have an organization openly disclosing any potential issue to be able to advise or address it rather than concealing it and later having a bigger issue. Organizations should therefore actively engage with relevant regulators, participate in industry forums, and stay updated on regulatory changes. This proactive approach will help organizations align their practices with evolving compliance standards and build trust with regulators. The Financial Services Commission regularly requires financial institutions to report on the number of AML/CFT policy breaches and the disciplinary actions taken against the breaches. This is also important in building a compliance culture within organizations.

05 Leading by Example

Leadership plays a crucial role in shaping a compliance culture. Senior management should lead by example, demonstrating a strong commitment to compliance and ethical behavior. By setting the right tone at the top, leaders can inspire employees to prioritize compliance in their day-to-day activities. For example, senior management should not be driven by large turnovers but should also be able to select and choose the right clients and reject those who could pose a risk to the staff, the organization or to the jurisdiction as a whole.

CONCLUSION

Building a culture of compliance within an organization requires a concerted effort and commitment from leadership and employees. Staff have a tendency to think that "Compliance" falls solely under the purview of the Compliance department. This is a misconception which organizations have to deal with. By implementing the strategies outlined above, organizations can foster a compliance mindset, mitigate risks and contribute to the overall integrity and stability of the financial system. Embracing compliance as a core value can lead to a more resilient, trustworthy and successful financial institution in the long run.



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