Compliance Built Better.

Gifts, Entertainment and Hospitality

A User Case Study

Know Your Employee

Contents

Overview of client’s problem

Giving and receiving gifts, entertainment, courtesies and hospitality is a common practice within this clients’ organization, used for legal and perfectly legitimate business purposes. Just like all compliant organizations, it is well understood that gifts and hospitality are never given or received with the intent to improperly influence the recipient.

Our client has a specific policy with general parameters for providing gifts and hospitality, such as meals, entertainment, travel and accommodations, and attendance at conferences and sponsored events. The policy is clear about procedures and approval thresholds.

Despite the presence of an active policy, it was proving difficult to apply the process consistently across the organization. Some business units used an old internal system to preclear their gift requests, while others would seek approval from their manager via email or over the phone. This created a number of issues:

1. It was proving impossible to enforce the policy consistently across every business unit
2. It was very challenging to add new rules and thresholds to enhance the level of control and amend the program to meet evolving business and regulatory demands
3. It was exceptionally hard and very time consuming to get an overview of the status of the program
4. The creation of benchmark statistics and the application of these to control the program was hard

This lead to several significant concerns. Firstly, the organizations exposure to conduct risk was significant and had the potential to lead to reputational and financial loss. Secondly, the management of the program was not meeting the needs of the business. Thirdly, the program was proving costly to manage and administer.

Our client researched the issue and identified the following requirements for a modern and dynamic gifts and hospitality program:

1. Best practice demanded a robust and secure online tool, accessible by all global employees
2. The program would have to be configurable to meet their specific needs
3. The interface and user experience should be consistent for all employees
4. Offer a single database with a reliable audit trail of all requests and appropriate approval workflows
5. Report should be easy to produce on ad hoc basis for each business line or jurisdiction
6. Vendor who would support the compliance team in implementation and on an ongoing basis
7. The ultimate goal was a more comprehensive solution that would be easy to use and adopt, save time, and enforce an ongoing culture of compliance.

Why did the client choose MyComplianceOffice?

MCO was selected for a number of technical reasons as highlighted below. In addition, our practical experience, security standards, multi-lingual capability and commitment to implementation and support were part of that selection process too.

Configurability of forms

The system needed to be configurable so that client-specific, detailed information could be gathered on each type of reportable item. Outside of G&E the client also required additional forms for the disclosure and approval of other Conflict of Interest activities such as 'Outside business activities,' 'Close personal relationships between co-workers' and 'Interactions or affiliations with competitors.

Workflow Flexibility

The system needed to have robust workflow capabilities so that requests could be routed to different approvers based on the type of item being reported, the location or business unit of the requestor, or the amount of item. The workflow had to be flexible enough to accommodate a global audience of users with multiple workflow reviews and approval paths.

Rule Customization

The system needed to have the ability to create rules and thresholds based on the clients' needs. The rules would create alerts to compliance administrators when something beyond their compliance and risk tolerance levels was being requested. Out of the box, standard rules would not suffice. The client has very specific thresholds and parameters based on the category and subcategory of gift or recipient (including aggregate total calculations over specific time period). The system needed to be able to auto approve, escalate or auto deny requests that breached these thresholds.

Ease of Reporting

Our client required all data to be stored in one single database for ease of reporting and monitoring. The client need to quickly determine the number of gift requests, understand trends and gain transparency into requests that breached internal policies. The client also needed the flexibility to filter reports on defined fields and parameters for board and regulatory reporting requirements.

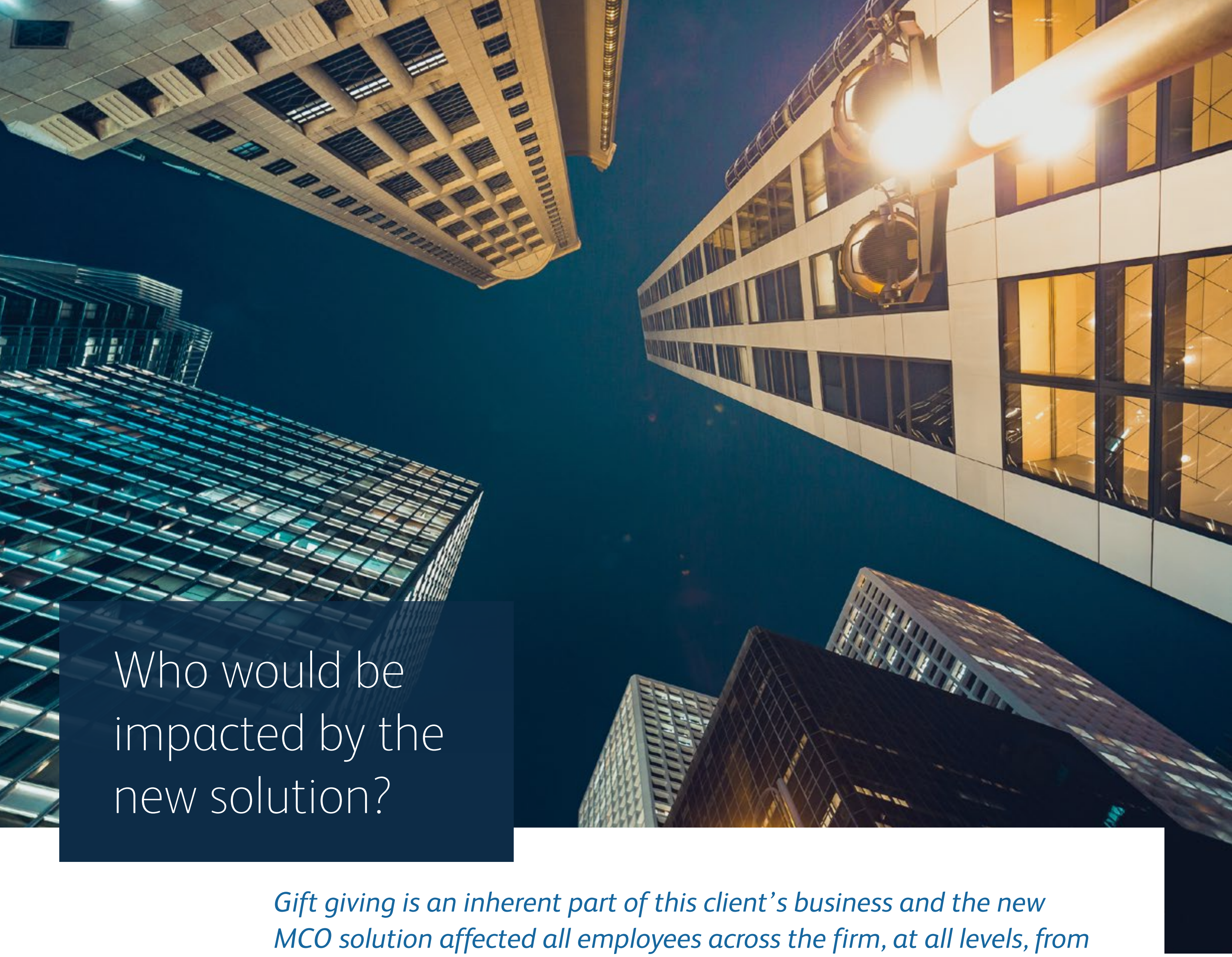
Ease of Use

The system had to be easy to use for the end employee as this would key to driving up the adoption rate. The client was looking for an intuitive interface that would facilitate compliance and not create a barrier to usage. We implemented single sign on technology to help with this and embedded a link to the platform onto the clients' intranet so no usernames, password or links needed to be distributed. The combination of a simple user interface and easy access made the application immediately available to all employees.

Data Consistency

An issue using multiple different systems was that the output was not consistent therefore before this implementation our client could not easily tell how much has been given to any one person or firm.

By implementing our system, we were able to address this issue and provide a much more consistent approach to data aggregation and reporting.

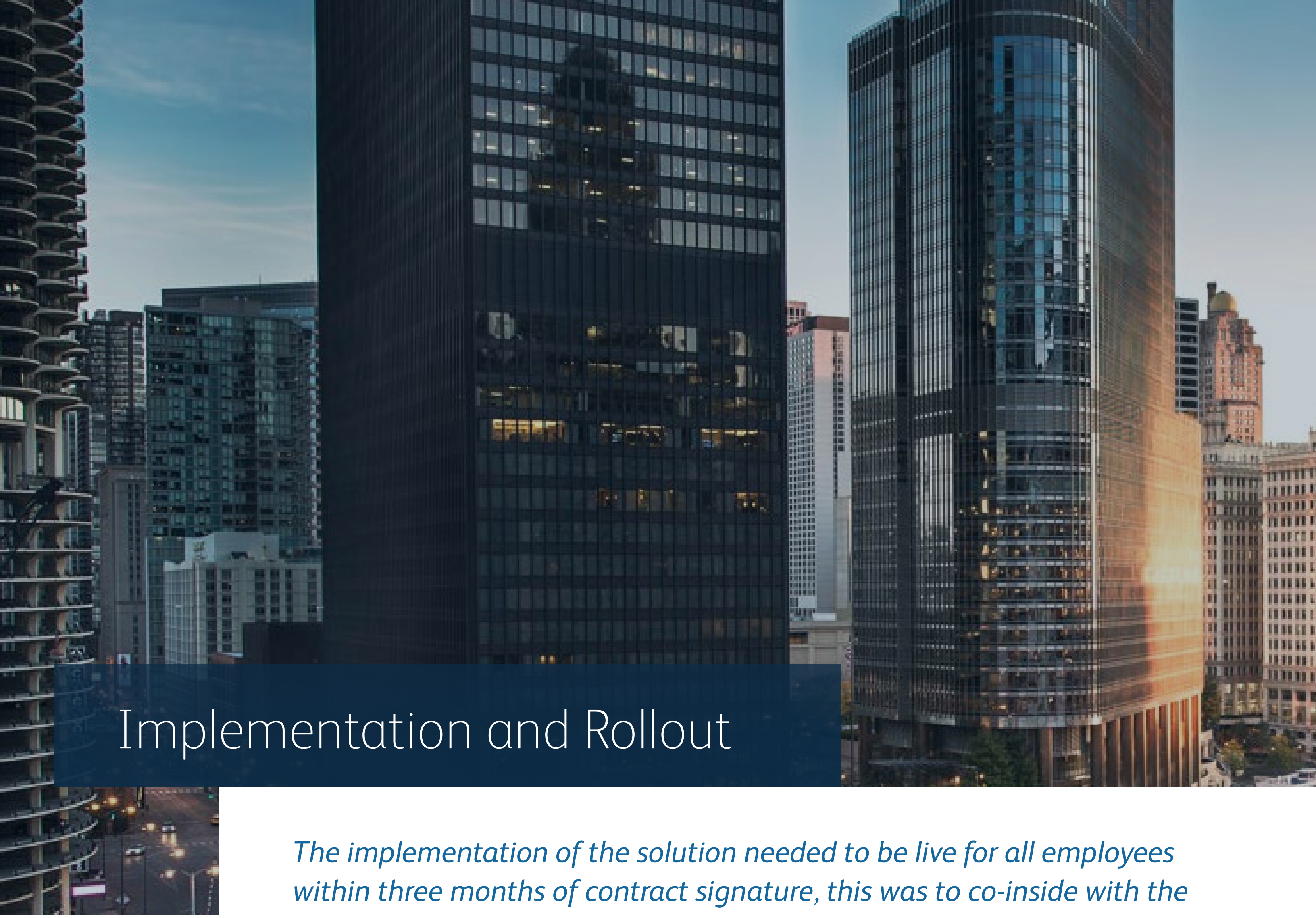


Who would be impacted by the new solution?

Gift giving is an inherent part of this client's business and the new MCO solution affected all employees across the firm, at all levels, from board directors to junior employees.

More junior employees would enter requests on behalf of their managers. High-value gifts, a gift to individuals who were considered 'high-risk', and invitations to high profile event would be approved by very senior employees, in some cases all the way up to board level executives.

The platform created a centralized approach to gift and entertainment pre-clearance and confirmation that is now used by all employees within the global organization.



Implementation and Rollout

The implementation of the solution needed to be live for all employees within three months of contract signature, this was to co-inside with the release of a new policy around G&E pre-approval.

To meet this deadline, we appointed a dedicated implementation manager to the project from day one. During the implementation, our dedicated manager worked closely with the client project manager throughout the process.

The full client list of requirements was reviewed and we offered different options on implementation to ensure their needs were met. The team worked as a single unit and decisions were made on how best to implement all of the functionality.

Our due diligence process then examined the program to identify any gaps and the team agreed to either adapt the software, or in some cases slight modifications were made to the organizations policies and procedures. The policy changes tended to reflect learnings we brought from best practice in the category across our 500+ client base.

Once the software was configured, each of the rules, workflows and form configurations were tested from end to end. The compliance team underwent a series of training sessions to ensure they were familiar and expert in the system before the solution was then rolled out to the end users.

In this instance, the end-user rollout was conducted in a phased approach to ensure the compliance team had the capacity to introduce everyone to the system, as well as increase their familiarity with the program.

The client received on-going support and service from our dedicated team, covering 20 in every 24-hour day as standard. This support is delivered via email and in-person over the telephone.

Key benefits to the client

One single integrated solution

Our client now has one single entry point for G&E requests and other conflict of interest disclosures. The solution has significantly improved the overall compliance program from a cost efficiency perspective.

Better implementation of policies

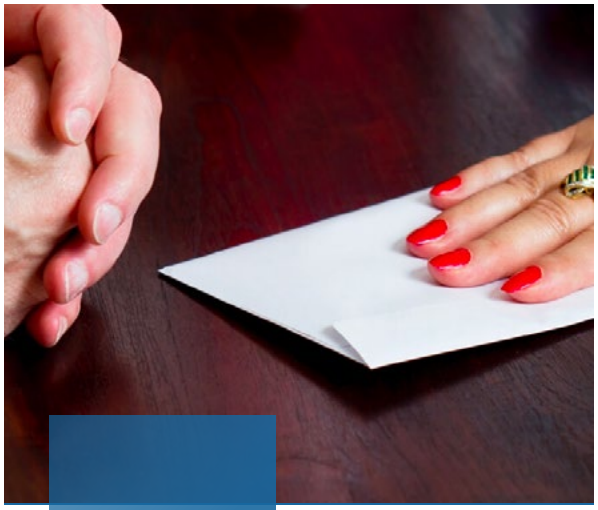
With the introduction of the tool, the compliance team can now manage complex aggregation rules and workflows which were previously not possible. Approvals can now be simplified with consistent mutual limits on giving and receiving, and more discretion can be allowed for low-value business gifts by the addition of automated aggregate rules and monitoring.

Higher adoption rates

As the system makes it easy for users to enter gift requests and get approval quickly, more employees are using the system thus giving compliance more oversight on what gifts are being offered by employees and to whom.

Greater transparency in the program

A centralized and integrated platform allows for much more transparency and consistency on the gifts being offered by whom and to whom. Compliance personnel can now sort and filter all data in one location and quickly produce ad-hoc reports for management.



Status and Next Steps

The system has now been rolled out to over 12,000 employees across the globe to facilitate the preclearance of Gifts and other conflict of interest disclosures.

The next stage is integration with other expense systems within the client organization so that the compliance team can be alerted when the amount of the realized gift is different from that which was precleared, or in some cases where a gift is expensed but never precleared.

Since implementation, MCO has launched and made available to the client our mobile app for iOS and Android. The mobile app offers innovative features like the ability to photograph receipts and upload them to the database, or to request pre-clearance of a gift or hospitality item while on the move. It was designed to further improve the culture of compliance by making the gifts and entertainment program more user-friendly.

Visit us at **www.mycomplianceoffice.com** for more details.