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Compliance Looks to LPO to Avoid the Regulatory Enforcers

RoboCop's ED-209 famously warned us back in 1987: "You have 15 seconds to comply. You are in direct violation of Penal code 1.13, Section 9."

Although the consequences of non-compliance for today's corporate offenders are not quite as severe as those portrayed in the Hollywood cult classic, agencies like the DOJ and SEC in the US, the FCA in the UK, and a plethora of other regulators are policing corporate conduct with ever-increasing voracity.

Given the perilous nature of burgeoning regulation and associated enforcement, it is not surprising that the legal process outsourcing (LPO) industry has been quick to step up to the plate. LPO is leveraging its legal and process expertise, technology and

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global resources to help their corporate clients meet compliance demands. This shift towards outsourcing portions of corporate compliance has been precipitated by another change. It is somewhat ironic that as compliance has begun its love affair with LPO that the responsibility for compliance within corporations has been steadily moving away from the purview of the legal department.

Compliance is increasingly recognised as an independent function, with Chief Compliance Officers routinely now reporting to the CEO as opposed to the General Counsel.

The development of a sophisticated LPO compliance offering has occurred in tandem with the maturation of the LPO industry itself and its progression from LPO 1.0 to LPO 2.0, or as others have coined it, “next generation” LPO. Consider this recent assessment from Raconteur which estimates the global LPO market at more than £1.5 billion (or approximately \$2.5 billion USD) and growth expected to continue, including movement “up the value chain to incorporate more complex, high-value tasks.”

Compliance LPO solutions are often characterised as enterprise-wide endeavours, rather than single service transactional engagements. Regulatory requirements increasingly demand both quantitative and qualitative reporting and regular testing or auditing. Compliance requires collaboration between the key constituent stakeholders, namely corporate legal, compliance and the internal audit, accounting or finance departments. Global LPO providers are stepping in and facilitating this collaboration. Effective LPO compliance support programs today provide much more than merely labour arbitrage and include process reengineering, multilingual support and enabling technologies.

As corporations struggle to ensure their systems, processes and policies are compliant with the FCPA, UK Bribery Act, Dodd Frank, and Anti-Money Laundering legislation, LPO providers have begun to leverage their global delivery platforms and process reengineering know-how to assist their clients in evaluating current compliance initiatives, implementing new ones or consolidating jurisdiction-specific processes into global compliance programs. In the midst of all the legislative noise, Know Your Supplier (KYS) and Know Your Customer (KYC) support have emerged as perhaps the key LPO compliance offerings. The associated multi-lingual and multi-jurisdictional surveying, fact-checking and research, coupled with legal and technology skills are of course core competencies of the leading LPO providers.

The financial services industry, for example, which has long capitalised on the labour arbitrage and follow-the-sun advantages of outsourcing, is now increasingly looking to LPOs to help meet anti-money laundering requirements. For instance, Integreon supports its clients throughout the customer onboarding process by undertaking due diligence research and analysing data pertaining to Politically Exposed Persons, high risk jurisdictions or relating to any other red flag issues. The output from this process can range from basic red flag indicator reports demonstrating the searches completed to much more detailed reports where high risks have been identified, including in-depth profiling of the corporation, directors, shareholders or other relevant entities. Once again, the true value-add is gaining access to resources with the legal know-how to understand the driving forces behind the legislation responsible for triggering the demand for these compliance programs. The combined research,

analytics and legal capabilities of top-tier LPO providers make them the logical port of call for providing this type of extensive support.

The greater vigilance of anti-corruption regulators is also increasing the liability associated with third party suppliers, which is in turn driving the outsourcing of compliance work. In connection with FCPA or other anti-corruption legislation, outsourced compliance support can include the design, distribution, assistance in completion, and collection of surveys or questionnaires for a company's global supply chain. This can be supplemented by supplier response fact-checking and red flag analysis. The skillset required by these LPO resources engaging with third-party suppliers calls for not only an understanding of the anti-corruption laws in play, but also the interpersonal skills necessary to facilitate successful interaction with third parties who may be wondering why they're being asked to jump through hoops over and above the normal supplier selection process. When all the information is finally obtained, it then needs to be organised, categorised, hosted and maintained in an easily accessible platform or repository.

At the end of *RoboCop* a reporter asks, "Robo, excuse me... any special message for all the kids watching at home?" RoboCop responds simply with a message for our time, "Stay out of trouble." In the world of corporate compliance, this is easier said than done! As the corporate regulatory landscape becomes an ever more treacherous minefield, and legal and compliance departments are increasingly tasked with achieving more for less, then as sure as night follows day, the demand for LPO compliance solutions appears set to soar.

This article was co-authored by Laurel Lichty, VP Compliance Solutions, Integreon.