

2014 COMPLIANCE RISK FORECAST

As the World Economic Forum took place in Davos last week, the list of global predictions for 2014 was of major interest. “Taking a 10-year outlook, the report assesses 31 risks that are global in nature and have the potential to cause significant negative impact across entire countries and industries if they take place,” according to the WEF statement accompanying the predictions. GreenPoint Legal decided to look at predictions closer to home—or closer to the board room—by examining some of the top compliance risk predictions for 2014.

Sarbanes-Oxley (SOX) Alive and Well

It has been 10 years since the passage of the SOX Act, which resulted in major reforms of corporate financial reporting and accounting practices. Nevertheless, despite tremendous strides toward compliance with this financial oversight behemoth, audit committees and CFOs still need to tweak their internal controls and compliance programs in order to comply with disclosures of potential violations, reporting on corrective measures and identification of compliance shortfalls. The need to outsource SOX compliance monitoring and reporting to experts will only grow as civil and criminal penalties remain on the horizon.

FINRA (Financial Industry Regulatory Authority) Fines and Punishments Expected to Grow

Hardly a week passed in 2013 without another headline heralding a \$900,000 to \$7.5 million fine assessed by FINRA. Ten days ago, FINRA assessed fines and restitutions totaling more than \$1 million against two broker-dealers for “Unsuitable Sales of Leveraged and Inverse ETFs, and Related Supervisory Deficiencies.” And just last week, two longtime friends who grew up together on Long Island were barred from the securities industry for their roles in an alleged insider trading scheme. Wall Street’s self-regulation watchdog will be a risk factor to be reckoned with in 2014.

UK’S Financial Conduct Authority (FCA)

For companies with branches or licensure in the UK, it would be wise to study the 46 punitive actions brought by the FCA in 2013 resulting in fines totaling £474,138,738—or about 778 million USD. Charges ranged from “misleading investment advice” to “misconduct as a Director” and “failing to have in place appropriate checks and controls to guard against the risk of bribery or corruption when making payments to overseas third parties.”

New Rules—New Risk

From Washington to Basel to London, 2014 promises to be a year of very healthy returns—for regulators, that is. With the globalization of risk controls imposed by way of international treaties, accords and forums, your organization needs the expertise of GreenPoint Legal’s team of global compliance experts to advise you in 21st-century risk reduction.