

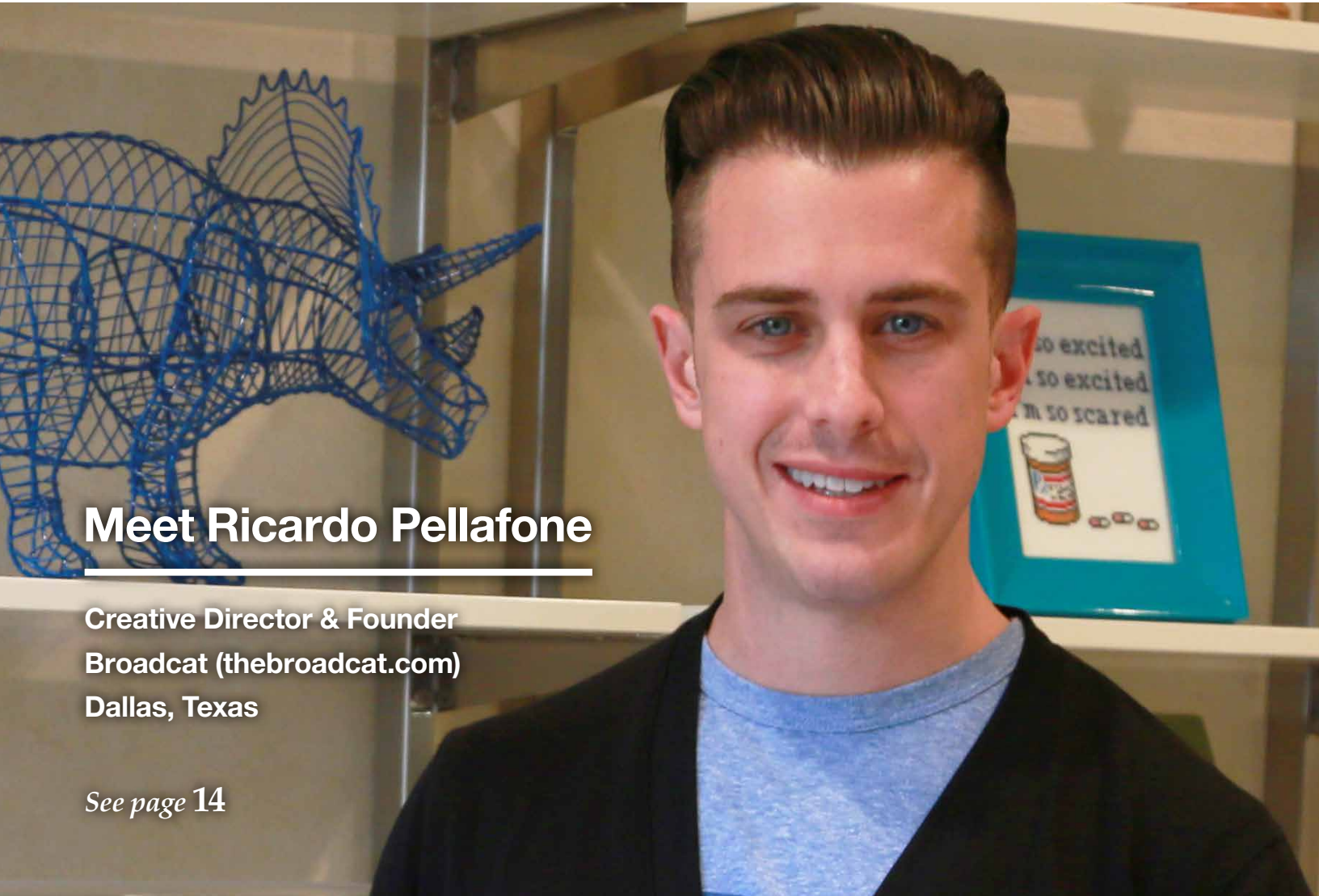
Compliance & Ethics Professional

March
2016



A PUBLICATION OF THE SOCIETY OF CORPORATE COMPLIANCE AND ETHICS

www.corporatecompliance.org



Meet Ricardo Pellafone

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Ethics and values can be compliance risks

An interview with **Chad Fentress**, VP Ethics, Compliance & Regulatory Law, PayPal, Cfentress@PayPal.com

Steve Priest: Chad, you have been a champion of using risk assessments to shape your compliance efforts since your days as an ethics and compliance officer at Accenture. Can you do a compliance risk assessment without including ethics risks?



Priest

Chad Fentress: Sure, but it wouldn't be a very good risk assessment. While compliance may be about rules, people are about ethics and values, and these can have a huge impact in compliance.

Steve: Some leaders are wary of the concept of "ethics," or believe that you can't measure ethics risks. So I often talk about reputational risks, since these are easier to grasp, don't have moral overtones, and very often have ethics or compliance lapses at their roots.

Chad: You're right. In my experience they are also somewhat embarrassed or at least reluctant to talk about making "ethical" decisions; they believe the requirement for ethical conduct is self-evident and doesn't need to be addressed directly. But that's wrong. We can, should, and must talk about ethical conduct and measure the ethical culture of an organization.

Steve: Yes. An underappreciated element of risk assessments is the process itself, done well, can lower your risks. The day after a compliance officer for a prominent professional sports league and I held a meeting to discuss the process, a mid-level employee came into her office with a stack of invoices: "It occurred to me

that some of these charges may be indicators of bribery." Indeed.

Chad: In our company, we work with many financial regulators around the world, and for the first time, we are hearing them ask about the culture of ethics and the ethical tone of the organization. Companies that focus exclusively on following the rules are missing an important opportunity to improve the quality of their function. If you look at any major regulatory regime that drives extensive compliance activity, there is an underlying value: anti-corruption—protect the weak; terrorism financing—protect people from harm; privacy—protect a fundamental human right (at least in Europe).

Steve: The amount of non-compliance in organizations with huge Compliance functions is staggering. Regulators are getting it. Robust assessments that include ethics and cultural components should help indicate companies do too.

Chad: Right. The whole approach needs to be integrated. For example, anti-money laundering compliance includes large elements of technology-driven monitoring. But all this depends on people on the front lines understanding the values that support compliance, knowing the standards, people in mid-management making hard calls from time to time, and senior leaders supporting a culture of compliance and ethics. *

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