

# COMPLIANCE COMMITTEE: CARING HOW BUSINESS IS DONE



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## ABSTRACT

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com·pli·ance | /kəm'plīəns/

Compliance is either a state of being in accordance with established guidelines or specifications, or the process of becoming so.

The concept, perception and practice of compliance has evolved steadily over the past 50 years as the public, politicians, media and common sense demanded greater transparency, integrity and ethics in business. The passage of the Foreign Corrupt Practices Act (FCPA) in 1977 is just one of the more noted milestones as compliance has matured from legal cover, necessary evil and grudgingly checked box to something studied in college curriculums and given executive attention. Thankfully, compliance wasn't left to fester in 1977.

The subject of compliance is so current, relevant and important that the U.S Department of Justice guidelines on the topic were updated as recently as April 30th of 2019 with the following press release: "The Criminal Division announced today the release of a guidance document for white-collar prosecutors on the evaluation of corporate compliance programs. The document, entitled *The Evaluation of Corporate Compliance Programs*, updates a prior version issued by the Division's Fraud Section in February 2017. It seeks to better harmonize the guidance with other Department guidance and standards while providing additional context to the multifactor analysis of a company's compliance program."

## ABSTRACT CONTINUED

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Assistant Attorney General Brian A. Benczkowski stated, “Effective compliance programs play a critical role in preventing misconduct, facilitating investigations, and informing fair resolutions.”

Benczkowski continued, “Today’s guidance document is part of our broader efforts in training, hiring, and enforcement to help promote corporate behaviors that benefit the American public and ensure that prosecutors evaluate the effectiveness of compliance in a rigorous and transparent manner.”

Outlining the government’s evaluation criteria on corporate compliance, the Criminal Division of the Department of Justice asks three key questions:

1. Is the program well-designed?
2. Is the program effectively implemented?
3. Does the compliance program actually work in practice?

The full U.S Department of Justice document on compliance programs can be found at: [justice.gov](https://www.justice.gov)



## ABSTRACT CONTINUED

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Going beyond the law, studies, business pundits and market surveys highlight how successful enterprises view compliance departments as key partners to the core business. Compliance, yes, even with the least appealing definition found on the internet, *“either a state of being in accordance with established guidelines or specifications, or the process of becoming so”* is now being positioned by some as a business differentiator and asset.

However, even with the urging of the U.S. Department of Justice, insight and examples from almost every single industry, compliance is still viewed by some as an onerous endeavor. These organizations view compliance as a burdensome, siloed, cost-center to be tolerated at best, shunned at worst. We’ve all seen people squint at the notion that compliance has a substantial link to the bottom line of a company until industry whispers, flagging quality, lawsuits, recruiting, retention, headlines of unethical behavior, and client attrition costs are examined.

**CLIENT LOSS AND PROSPECT DROUGHT IS ESPECIALLY PREVALENT IN HEAVILY REGULATED MARKETS.**

Companies that don’t address compliance or only give it hollow attention can also suffer further from the prospect that potential clients/customers read a news article, hear of scandal or browse a social media review, and move on.

Client loss and prospect drought is especially prevalent in heavily regulated markets. Being ethical and compliant only goes so far when your partner or partners in business delivery and services

don’t share the same or similar mindset and practices as applied to integrity. In short, companies that value IP, products, services and industry reputations don’t... or shouldn’t do business with partners who lack a matching compliance profile.

The question for stakeholders in organizations is:

**HOW TO PIVOT YOUR COMPLIANCE DEPARTMENT INTO A STRATEGIC ASSET? THE ANSWER IS CALLED A COMPLIANCE COMMITTEE**

# WHAT IS A COMPLIANCE COMMITTEE?

While there is nothing chiseled in stone, in most cases, a compliance committee is an independent body comprised of various legal, business, compliance and licensing thought leaders and subject matter experts.

This group is responsible for assessing and prioritizing legal and compliance risk gaps and opportunities at a set cadence as well as sharing compliance program best practices. Perhaps most importantly, a compliance committee seeks out or designs mechanisms to track, measure and monitor metrics to increase the efficiency and effectiveness of company-wide compliance activities.

The purpose of this paper is to reveal key insight into how a compliance committee acts, what they do, how they measure compliance success and what common questions and issues arise within existing and developing compliance committees.

To achieve these goals, the pages to follow will seek firsthand insight on the real-world application on the subject.

- 1. First will be a series of interviews from an innovation, integrity and thought leader in the heavily regulated casino gaming industry, BMM Testlabs.**
- 2. Next will be examples from other industries including Amazon and Blockchains.**
- 3. Last, we'll examine some of the best practices, pitfalls and challenges faced by compliance committees today.**



## BMM TESTLABS

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BMM Testlabs' compliance committee was originally established to protect the integrity and reputation of the company in the highly regulated, privileged, licensed industry of gaming in which it operates.



**Travis Foley**, COO, BMM International, notes that, "The nature of the gaming-related business in which BMM is engaged requires a particular sensitivity to the potential dangers of unsuitable associations and non-

compliance with regulatory requirements. Diligence is required to avoid impropriety and the appearance of impropriety. BMM's compliance committee upholds and maintains the highest standards of compliance within regulatory requirements."



BMM Testlabs CEO **Martin Storm** set up the compliance committee at BMM in 2010. Commenting on this innovative step to establish trust in the industry, Storm stated, "BMM's compliance committee ensures that

BMM stays compliant in every single way and it is most certainly a business asset, but it's actually more than that."

Storm continued, "BMM's compliance committee helps ensure that we take care of our key stakeholders, including regulators, our staff and our customers, by committing to the highest standards of behavior, integrity and operating within stringent rules and guidelines. Anything that seems even a little bit out of the ordinary can be brought to the compliance committee for consideration and possible action."

"...THE COMPLIANCE COMMITTEE HELPS PROTECT BMM'S WORLDWIDE EMPLOYEES..."

Storm, citing BMM business cases, "There are many examples of our compliance commitment - BMM bids for government work with gaming regulators, so operating within the procurement rules in each location is critical to our integrity and reputation. Additionally, BMM invoices customers globally every month, so transparency and reasonableness of that billing is vitally important to our reputation and trust."

## BMM TESTLABS CONTINUED

Storm, "The compliance committee helps protect BMM's worldwide employees by making sure that they understand the Foreign Corrupt Practices Act (FCPA) as penalties for avoiding or violating FCPA rules can be large, both to the individual and to the business. The compliance committee recommended a training program, in multiple languages, with tests, to ensure that all staff comply with FCPA rules. The program has been successful and is embraced by BMM's staff as they appreciate the company is working to protect them."



**Frank Fahrenkopf**, founder of the American Gaming Association (AGA), the National Center for Responsible Gaming (NCRG) and current board member of BMM Testlabs International expanded further, "The

very idea of both the AGA and the NCRG was around one central tenet to casino gaming, the concept of trust. BMM's compliance committee ensures both adherence to best practices against legal, jurisdictional and business requirements, but also examines the culture and care that BMM has for our resources, clients and the industry."

"COLLECTIVELY, THE ENTIRE INDUSTRY NEEDS TO PAY MORE ATTENTION TO COMPLIANCE, ETHICS, INTEGRITY, TRANSPARENCY AND TRUST."

Fahrenkopf continued, "The casino gaming industry is past the days when the various silos and stakeholders can act as isolated competitors. Gaming is expanding but is constantly correcting the narrative that it's a corrosive element for communities. We, and by that, I mean operators, manufacturers, regulators, test laboratories and associated industries need to come together to ensure integrity in every aspect of gaming. Collectively, the entire industry needs to pay more attention to compliance, ethics, integrity, transparency and trust. What sets BMM Testlabs apart is that these attributes and values aren't only outward or business facing, but also apply to each and every employee across BMM's 14 global locations every day."



## BMM TESTLABS CONTINUED

Storm elaborated, "BMM views our place in the industry as an integral part of a whole. Our vision is responsible testing to protect the industry and the public. Our mission is to achieve zero defect testing, so we test to higher standards to bring more trust and integrity to the gaming experience. We have to train our employees accordingly and treat them with care based on our values. Why? Because we want people to be successful in their role, stay with BMM and grow both personally and professionally. If someone leaves for another part of the industry, we want them to take their BMM experience with them, and our ethics and integrity too. The BMM compliance committee is a central part of our cultural approach."

"OUR VISION IS  
RESPONSIBLE  
TESTING TO PROTECT  
THE INDUSTRY AND  
THE PUBLIC."



## OTHER EXAMPLES

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**AS TECHNOLOGY EVOLVES AND SPEEDS THE PACE OF PURCHASING AND VERIFYING INFORMATION, IT BECOMES ESSENTIAL FOR TRUST, ETHICS, INTEGRITY AND COMPLIANCE TO TAKE AN EVEN MORE PRONOUNCED ROLE IN BUSINESS.**

### **AMAZON:**

Think of Amazon as a prime example (forgive the pun). This company sped the way that people shopped and received goods. However, as the platform grew, so did mistrust in product providers. Scams included copied and fake products, horrific to non-existent customer service and reviews that were submitted by paid armies, bots or people who simply wanted to sow mistrust and discord into

First, they put more governance and oversight into product sources and services. Second, Amazon started verifying product quality with titles called, 'Amazon Top Rated' and 'Amazon's Choice' and as vetted reviews labeled, 'Amazon Verified Purchase Reviews'.

**Amazon's Choice**

### **AMAZON'S REACTION?**

### **A TWO-FOLD ASSAULT.**

the online giant. Amazon could have reacted through a whole host of possible measures from saying, 'hey, we're just the platform it's not our product, not our fault' to throwing money at the problem and hoping for the best.

Amazon's reaction? A two-fold assault on the trust differential that was emerging between the platform, prospects and customers.

Amazon examined and continues to examine their own governance and principles in order to continuously decide NOT to be an eBay or Craigslist or any other online source for products. Today, due to their inward look at compliance, Amazon isn't a simply a huge online retail company, more importantly, it's the world's most TRUSTED online retail company. They've almost erased any competitive price shopping and surpassed every single other source of purchasing goods online through the trust and integrity born from internal compliance.

## OTHER EXAMPLES CONTINUED

If you think that's a very limited look at Amazon as a trusted company, think of what Amazon Prime means to trusted and tracked delivery. Think of the unconscious level of trust you have that Prime Video won't deliver a pirated version of Pirates of the Caribbean to your phone or living room. Consider the Amazon Cloud and trusted online storage. The list goes on and on, yet in each example the differentiator isn't size, it isn't price, it isn't even the choice in products, it's the level of trust people have in the brand. That level of trust comes from inside of a company, from subject matter experts detailing, defining and refining not the business that a company does, but HOW it's done. That's compliance as a strategic asset.

### BLOCKCHAINS:

Blockchain technology can loosely be described as an open, distributed database or ledger that produces a record of transactions between two parties efficiently and in a verifiable and permanent way. These ledgers and transactions involve various currencies, goods, data, personal and company information. Where those elements come into play only the most compliance-grade, reputable, transparent, ethical companies survive. This is where an innovative company called Blockchains out of Reno, Nevada is changing the way business is done, and thriving.

How does Blockchains do compliance?

Dynamic governance, also known as

sociocracy. It's a different model than

what you might find in many

other companies, but as

earlier pointed out,

there is no rulebook

on exactly what a

compliance committee is,

or how it should carry out

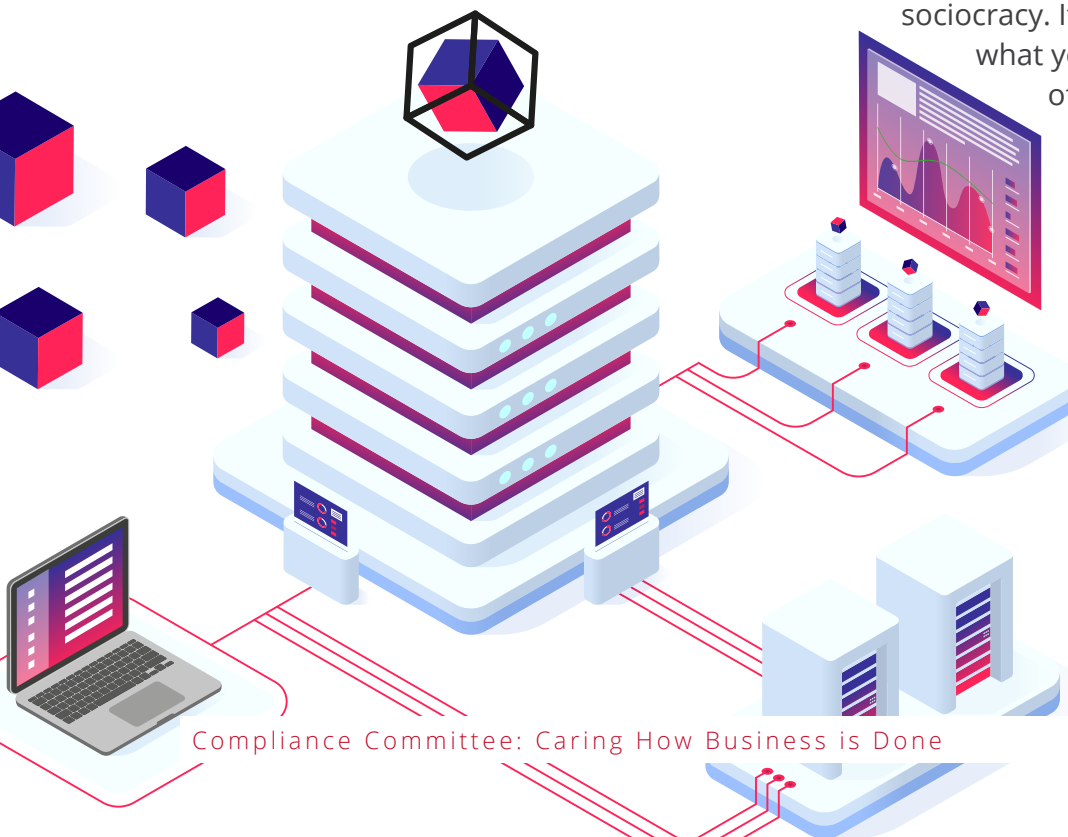
strategy. In this model,

everyone's individual

voice is considered,

and decisions are

determined by consent.



## OTHER EXAMPLES CONTINUED

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Quoting the Blockchains website, "Undergirding the sociocratic method is the idea that an entity will thrive and be more profitable when all its members are given ownership and a say." It might sound a little far-fetched on paper without full context and details, but the point is that compliance is a concept to be taken seriously at Blockchains. Executives thought deeply about what it means and how compliance would best function for clients, company resources and corporate mission. They studied models and took a conscientious, forward-looking approach to their compliance profile.



"TRUST IS WHAT ANCHORS AND INFLUENCES EVERYTHING WE DO."

Juston Berg, Vice President of Collaboration and Product Development at Blockchains stated, "Within the Blockchains.com site is a favorite sentence of mine, 'To change the world to a place where trust isn't implied – it's guaranteed.' This isn't just a tagline, it's the way we do everything at Blockchains from handling data to safeguarding digital assets to identity protection."

"...CHANGE THE WORLD TO A PLACE WHERE TRUST ISN'T IMPLIED – IT'S GUARANTEED."

Berg continued, "Blockchains is a solutions and partnership company. We owe much of our position in the market to the fact that we're setting the bar for compliance standards in our industry. It wouldn't have happened if we had based our metric for success around transactions. Yes, our innovation and products both get a lot of attention, but TRUST is what anchors and influences everything we do."

# BEST PRACTICES, PITFALLS AND CHALLENGES

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Best practices, pitfalls and challenges related to compliance committees are inextricably intertwined. If you don't have one or more of the below, you might get out a red pen and start to take note of your organization's opportunities to improve.

## ESSENTIAL STEPS TO AN EFFECTIVE COMPLIANCE COMMITTEE (CC):

- 1. Leadership:** A compliance committee should be led by a dedicated chief compliance officer, not a reallocated manager who governs compliance as a second role.
- 2. Composition:** A compliance committee should be made up of compliance and ethics professionals from various departments.
- 3. Communication and Education:** Members should be willing to educate each other and bring ideas to the table.
- 4. Independence:** A compliance committee should not be influenced by any other department or individual, including notorious players such as in-house general counsel, HR and executive leadership.
- 5. Buy-in and Support:** Senior management is either a part of the compliance committee or the loudest cheerleader in any room where compliance committee is mentioned.
- 6. Defined Objectives:** Compliance committees should have defined goals, objectives and responsibilities.
- 7. Consistent and Structured:** Regular meetings and thoughtful, set agendas.
- 8. Proactive and Diligent:** Compliance committees don't wait nor hope, for compliance to happen.
- 9. Measuring and Reporting:** An effective compliance committee should provide methods and systems for reporting and handling compliance violations.
- 10. Follow-Through:** Based on metrics and data, an effective compliance committee should also be involved in investigations, reviews and gap remediation plans.
- 11. Accessible and Transparent:** If you think a compliance committee works best being secretive, inaccessible and closed off to frontline input you'd be wrong.
- 12. Reevaluated:** Compliance committees should be reevaluated regularly to ensure they stay on track with working towards its goals and its charter - course corrections are healthy.

## BEST PRACTICES, PITFALLS AND CHALLENGES CONTINUED

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Circling back to Martin Storm of BMM Testlabs after our initial interview on his company's compliance committee, he opened up even further on BMM's compliance committee composition, vision and mission.

Without pause, Storm continued, "I consider it to be the most important single meeting at BMM and I give the findings, opinions and insights my highest priority. BMM is about trust and care, for our employees and the industry at large."

Storm, "BMM's compliance committee meets quarterly, and I'm not a member by design. Rather, it is made up of company representatives, external experts and its Chair, Frank Fahrenkopf, a long-time gaming expert and BMM's Non-Executive Director. The committee has a charter and hears reports on business from each of its global locations. Reports are specific in nature and request information on such matters as new executives/consultants/suppliers, new customers and an investigations log. This format ensures that any potential issues come to light quickly and can be dealt with by the experienced group of committee members."

Storm in closing, "Our company motto is, **GREAT PERFORMANCES EVERY DAY.** There will never be a day at BMM that I, nor any of my senior leadership stops asking what we can do better for our employees, clients and the industry as applied to integrity."

**For more on the topic of compliance committees or BMM Testlabs, reach out to Wendy Anderson [wendy.anderson@bmm.com](mailto:wendy.anderson@bmm.com), Chief of Staff, BMM International.**

Be sure to follow BMM Testlabs, the world's best gaming testing laboratory and technical consultancy for further insight, perspective and thought leadership across the casino gaming industry.

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#### **About the author:**



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