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A CONCEPTUAL AND ANALYTICAL STUDY ON MODERN COMPLIANCE REPORTING FOR CORPORATE PERFORMANCE MANAGEMENT ; A TECHNO-BUSINESS LEADERSHIP PERSPECTIVE

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Abstract: Protecting clean air and water, and ensuring communities are safe from pollution, is more complex today than ever. Pollution that's not apparent to the naked eye, nor is comprehensively studied by any organization, or is in the control at any point of time, requires accurate compliance for smooth handling, nevertheless the presence of un-certainty over its impact on the people and society at large. The sources of information on environment or climate collectively have a big impact on the environment. The new challenges in managing environment require innovation and improvement. The increased transparency and real time information with the support of electronic reporting and advanced monitoring will also allow us to experiment with innovative approaches for better results. Next Generation Compliance will assist the EPA (Environment Protection Act), states, and tribes to better address large regulated universes with approaches that go beyond traditional single facility inspections and enforcement. All of these approaches combined help us to better protect public health and the environment, assure a level playing field for businesses that play by the rules, engage communities, and reduce regulatory burdens

Keywords: Protection, Compliance, Ethics, Reporting, Leadership, Resources, Evaluation.

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Objectives;

(i) To understand the basics of modern Compliance system and its advancements.

(ii) To enhance knowledge on compliance management system and its advancements.

(iii) To evaluate the latest tools of Compliance Systems and Quality Checks.

(iv) To exemplify the importance of Protecting the resources of Society as part of compliance ethics.

(v) To learn the upcoming regulatory compliance in various countries in comparison to India

Methodology: Literature review of various systems of other countries

Data Used: Meta analytical data collected from various sources

Type of Data: Secondary

Review of Related Literature:

Fiksel et.al, (1999) found that SPM must be approached as a systematic business process into company strategic planning and day-to-day operations. It deals with the social, environmental and economic aspects (Elkington, 1998) of the companies in general, and of corporate sustainability performance in particular (Epstein, 2008; Schaltegger and Wagner, 2006; Epstein and Roy, 2003;

Friedman's (1970) found that argument against business responsibilities to other factors other than the responsibility to increase its profits was becoming part of globalization and the internationalization of markets, leading to the emergence of sustainability; distinct guidelines and standards to ease everyday life and comprehend the effects on society, the economy, and the environment (Elkington, 2001).

Carrol's (1991; 1979) view of CSR on businesses' intent to improve an important aspect of the society or relationships with communities.

Grant (1991) found CSR is mainly defined as concepts and strategies by which companies voluntarily integrate social and environmental concerns with their business operations and stakeholder interaction (Enquist et.al., 2006).

Enquist et.al (2006) drew manifestations of CSR based on Oliver (1991) typology. Even though, they argued that the explanation power in later case is weaker, especially when it comes to a specific institutional pressure. Therefore, Enquist et al. (2006) empower Oliver's (1991) typology with Roberts (2003) manifestations of CSR, in order to understand the management practices of sustainable organizations.

Schaltegger and Wagner (2006) argue that CSR definitions, based on Carroll, (1999; 1979); fail to consider the general economic relevance of corporate societal engagement. As well its activities may result in establishing a parallel organization in the company (e.g., environmental department and delegates, or employee relations) dealing with non-economic issues and measuring non-economic aspects of performance. This argument is one of the departure points for this paper towards assessing CSR and sustainability performance on organizations.

Vogel (2005) has utilised a broader concept of CSR when describing it as a "market for virtue". He investigates whether there is a business case for CSR. His answer seems to be yes, but with two constraints; although, as Vogel also says, no one has ever proven the opposite.

Xueming & Bhattacharya (2006) have tried to answer the question between CSR and profit based on secondary data where the relationship between CSR, Customer Satisfaction and Market Value is investigated.

Edvardsson and Enquist (2008) based on their past studies proved that CSR can be a proactive approach and business model for values based companies. Organizational change for Sustainability The concept of sustainability with regard to organizational change can be defined in various ways; as sustainability cannot be defined for a single corporation (organization) (Elkington, 1998).

Buchanan et.al. (2003) consider sustainability on a continuum of work methods, goal attainment and process of development. Maintaining work methods suggests a static view; as an evolving social, economic, technological and political context can render work methods and targets obsolete. A focus on ongoing development suggests a more dynamic or evolutionary perspective. They conclude that there is no 'one correct' generic definition of this term, which will acquire different meanings in different organizational contexts, at different times. This discussion considers sustainability a type of change involved in organizations upon top managements' decision and commitment.

Edvardsson and Enquist (2006) and **Enquist et.al, (2007)** found that their leadership commitment act as value-creators for their main stakeholders and in return to their stockholders. Creating Efficiency through its ability to integrate and adopt different systems and measurements.

Waddock and Bodwell, (2007) found responsible business practices and management determines organizational changes have been persistent in a given specific nature of the pattern of change under consideration in each organization.

Benn and Dunphy (2004) the principles of industrial ecology, of community, interconnectedness and cooperation, can be seen as a model for corporation wishing to move towards sustainability (Ehrenfeld 2000)

Bawaneh (2011) seeks to understand banking sector is affected by the Corporate Governance (CG) requirements released by Basel Committee on Banking Supervision (BCBS) and Organization for Economic Cooperation and Development (OECD). Therefore, CG continues to gain attention and importance from parties concerned steps need to be done in the future.

Al-Sa'eed (2012) has tested the relationship between the independent variables: Commitment to Corporate Governance, Functions of the Board of Directors, Board Committees, Control Environment, and Transparency and Disclosure codes, and the dependent variable: Reduction of the global financial crisis implications. It was found that independent variables are significantly able to explain the variance in reduction of the global financial crisis implications, and that Corporate Governance's Principles have reduced the implications of the global crises on the Jordanian Banking Sector.

Al-Sa'eed (2011) has found that the compliance with JSC requirements on audit committee has been evaluated as the most effective feature that influences the financial reporting in the Jordanian share-traded companies, audit quality, and internal control effectiveness. Understandings of AC’s functions are coming next respectively.

Bawaneh (2011) supported that banking sector of Jordan is complied with the (OECD) Principles of Corporate Governance. In addition to that, Abu Risheh and Al-Sa'eed (2012) found in their study that the banking sector of Jordan is complying with corporate governance and disclosure, and this is improving the quality of financial reporting.

Public Oversight Board (1993) defined corporate governance as “those oversight activities undertaken by the board of directors and audit committee to ensure the integrity of Compliance with the principles of corporate governance: different perspectives from Jordan Vol. 12, No. 4 559 the financial reporting process.“ However, a narrow view of corporate governance restricting it to only monitoring activities may potentially undervalue the role that corporate governance can play.

Buck (2003) discusses corporate governance in Russia from a historical perspective and the hostile attitude that is taken toward Western and outside investors. Johnson et al. (2000) presented evidence that the weakness of legal institutions for corporate governance had an important elect on the extent of depreciations and stock market declines in the Asian crisis.

Rezaee, et al. (2003) stated that good corporate governance promotes relationships of accountability among the primary corporate participants and this may enhance corporate performance as it holds management accountable to the board and the board accountable to the shareholders. On the other hand,

Filatotchev et al. (2003) suggested that excessive management control and ignorance of the governance process is causing problems that could be reduced by increasing the influence of outside directors. Several studies have been done on various aspects or components of corporate governance.

Principles Board (1970) recognized the general principle several decades ago. The Financial Accounting Standards Board (1980) recognized the importance of timeliness in one of its Concepts Statements. A code of best practice was published in December 1992 (The Cadbury Code) which included recommendations for companies to establish audit committees comprising independent non-executive directors (Power, 2002).

Gospel and Pendleton (2005) suggested that corporate governance essentially deals with the relationship between capital, management and labor, and that corporate governance is concerned with who controls the firm, in whose interest the firm is governed and the various ways whereby control is exercised.

Kay and Silberston (1997) suggested a trusteeship model of corporate governance that emphasizes the evolutionary development of the corporation around its core skills and activities. Corporate governance is about finance, about the relationship between employees, shareholders and management and about the evolutionary development of the core skills and activities of the corporation.

Berlin et al. (1991) and Wen and Shao (2012) examined the explanatory power of corporate governance mechanisms on the wealth effect of firms' new product strategies, they have shown that board size, board independence, audit committee independence, CEO equity-based pay, analyst following and shareholder rights are all of significance in explaining the variations in the wealth effect of new product introductions. The results reveal that the new product strategies announced by firms with better corporate governance mechanisms tend to receive higher stock market valuations than those of firms with poorer governance mechanisms.

Leung and Horwitz (2009) shown that Hong Kong firms with a more concentrated management (executive board) ownership displayed better capital market performance during the 13-month period of the Crisis. They also found that firms with more equity ownership by non-executive directors, in which the positions of CEO and board chairperson were occupied by the same individual, experienced a smaller stock price decline.

Jen et al. (2009) aimed to study the relationship between European convertible bond issues and corporate governance, the study has found that the larger the company's ECB issue size, the higher the premium at the time of the ECB issue, and the higher the company debt ratio, the lower the ECB issue premium. Finally, study found that the larger the company market value, the larger the size of the ECB issue.

Lawrence and Marcus (2009) found that the governance provisions recently mandated by the U.S. stock exchanges are less closely linked to firm operating performance than are those not so mandated. In their findings, Kin and Baruch (2008) added to the compensation literature a potentially important dimension: managerial pay dispersion - effective corporate governance, especially high board independence, strengthens the positive association between firm performance and pay dispersion.

John and Afshad (2008) examined the relation between corporate governance attributes and perceived information asymmetry, and found that board independence, size of the audit committee, and officer and director ownership mitigate the negative effect of the equity offering announcement on share prices.

Hsin-Hung (2008) confirmed that the accuracy of the logistic regression model for predicting corporate financial distress can be improved by incorporating the corporate governance measure. Moreover, the improvements of the correct rate for classification by incorporating the corporate governance measure increased as the prediction horizon were raised.

Kimberly et al. (2011) investigated the relation between corporate governance and returns to bidders and targets, they found that the cumulative abnormal returns for acquirers are Compliance with the principles of corporate governance, diversifying acquisitions, when conducted by firms with a higher percentage of outsiders on the board, improve returns. Furthermore, they found that corporate governance plays an important role in determining wealth creation for our sample of acquiring firms.

Mahmud et al. (2010) examined the effect of firm-level governance on the firm's choice of an external auditor. They test how the relation between corporate governance and auditor choice may be affected by the strength of legal environment. The results show that firm-level governance scores are positively related to the firm's auditor choice.

Arthur (1994), opined that ''in order to effectively carryout a compliance audit, compliance auditors must have the skills to research issues effectively using authoritative materials, understand how to apply the knowledge gained to the circumstances being tested, and be able to explain to the organization what compliance means in day-to-day operations''. Rules for compliance auditing can be carried out by employees of the organization, public accountant or anti-graft auditors assigned by a regulatory government agency. Compliance audit rules are often done by internal auditors in advance of an external compliance audit so that any potential problem can be detected and corrected in advance.

David (1999) opined that ''the person or organization requesting the compliance audit plays the key role in determining the objective, scope, and time period to be reviewed and who will do the work''. They may also control the audit process itself by outlining detailed procedures and prescribing method for judging results. Before beginning a particular compliance audit, the auditors must be properly qualified through education and experience to perform the work. Also the auditor must have a clear understanding of the laws, policies, or standards being evaluated, decide how to recognize when a deviation has occurred and how to evaluate evidence through audit tests.

David (1999), compliance auditing involves the adherence to rules and procedures which must be followed logically in the execution of an audit programme in an organization. It involves the means of carrying out audit in line with regulatory guidelines. Thus, to him, the components of compliance auditing are: Compliance Auditing Procedures, and Compliance Auditing Rules.

According to Osmond (2010), a compliance audit procedure involves the review of business functions to determine whether or not a company is meeting specific contractual, regulatory or predetermined requirements in its audit. Compliance audits can review a company's employees or departments. Organizations use compliance audits to conduct internal reviews that measure how well each department operates according to standard operating procedures. Contractual and regulatory compliance audits review how well a company follows written agreements or meets third party guidelines. Thus, each compliance audit follows the under listed universally accepted procedures.

Osmond (2010), Osmond (2010) compliance audits begin when auditors meet with the company management to initiate meeting. External auditors are usually responsible for conducting compliance audits. Auditors will discuss with management on the type of compliance audit and what business functions specifically need reviewing. The scope of the audit is another issue to discuss. Auditors and company management will determine the information, sample size or number of functions to review. Any appropriate manuals contracts or other paperwork to review during the compliance audit, are also discussed during this meeting. In addition, auditors will review each employee's performance to determine the level of individual compliance (Osmond, 2010).

Osmond (2010) employees are responsible for completing business functions in accordance with company standards and contractual or regulatory requirements. Auditors may also review the availability of operational managers who oversee employees. A lack of oversight can indicate employees have free rein in to complete business functions regardless of standard operating procedures or contractual obligations. Auditors will make notes regarding employee performance, especially any violations of contractual, regulatory or company standards.

Goodman (1994) individual department reviews are another procedure in compliance audits. Auditors commonly review operational work for each business department. This information provides auditors with a quantitative analysis of the department's performance. A department audit is usually where the information sample size comes into play. Auditors review the specific information sample discussed in the management meeting.

Goodman (1994) in the achievement a useful compliance audit procedure, auditors will have a final meeting with the company's management upon completing the compliance audit. Auditors will discuss the audit results and review any significant violations that were found. Company management can dispute the findings or provide additional insight into the employee or department performance. Auditors will issue a final report at the end of this meeting. The report will outline the violations found during the audit and how well the company maintains standards or contractual agreements. Outside organizations or regulatory agencies may require a copy of the auditor's official report. Auditor reports can give a positive or negative opinion on the company's compliance with contractual agreements (Goodman, 1994).

Arthur (1994) compliance auditing rules are basically the system of auditing that is carried out in line with known legislations, processes and criterion. An auditing rule involves the application of compliance testing by an auditor to determine audit evidence that is reliable (Arthur 1994).Compliance auditing are designed to obtain reasonable assurance that those internal controls on which audit reliance is to be placed are effective. The auditor needs to ensure that internal control exist and that the internal control is operating effectively and being operating continuously throughout the period under audit to ensure that they can be relied upon.

David (1999) opined that ''compliance auditing rule is a manner of furnishing reasonable assurance that internal accounting control procedures are being applied as prescribed so that the auditor is assured of the validity of underlying evidence based on laws regulating audit''. Thus, any exceptions to compliance must be noted. Underlying evidence comprises an examination of the accounts themselves including reviewing the journals, ledgers, and worksheets.

Messier (1997) the objective of compliance auditing is to determine whether the audit work of an organization is following prescribed laws, regulations, policies or procedures. The audits can be performed within a business organization for internal purposes or in response to requirements by outside groups, particularly government. Compliance audits can also be performed on individuals, for example, a compliance audit of an individual's tax return.

Richard (2009) corporate performance comprises the actual output or results of an organization as measured against its intended inputs or objectives. The process of compliance audit entails the ability of a firm to carryout audit work in accordance with audit rules and procedures that will enable a firm to achieve return on investment and profitability in a long run. Hence, compliance auditing serves as a factor that may enhance corporate performance.

Dye (1993) found auditing rules are the definitions for what is and what is not audited and it provides the means by which specified regulations are observed in the audit process to assess the performance requirements of a business organization.

Khan (1993) found return on investment is the profit generated by the money a business owner puts into the business. According to Baker (2000), return on investment is a performance measure used to evaluate the efficiency of an investment or to compare the efficiency of a number of different investments.

Parkash and Carol (1993) found auditing procedure involves the techniques of gathering audit evidence to substantiate the reliability of the accounting records. The process involves knowing whether the information presented is logical and reasonable and it is done by observing business assets, transactions and appraising management’s activities. Auditing procedures are the methods of verifying and ensuring the continued effectiveness of audit process (Simunic, 1984). Thus, it may be considered that auditing procedure can enhance return on investment. Based on this,

Introduction; Designing an effective compliance and ethics program requires implementing a detailed plan makes sure the business achieves their ethics objectives. There are five items which can have an impact on the success of the compliance and ethics program: the content of the company's code of ethics, the frequency of communication regarding the ethical code and program, the quality of communication, senior management's ability to successfully incorporate ethics into the organization, and local management's ability to do the same.

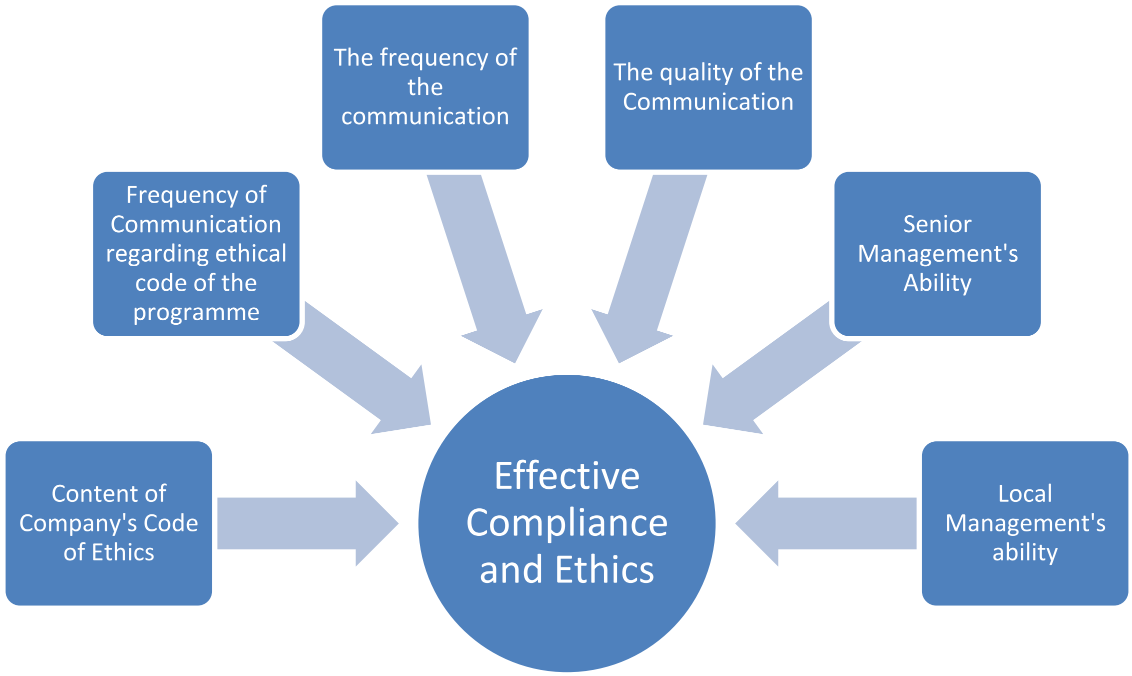

Fig: 1: Compliance and Ethics Programme Model: Graphical Representation : Prof Dr.C.Karthikeyan

Compliance and **ethics program** with regulatory requirements and the organization's own policies are a critical component of effective risk management. Monitoring and maintaining the compliance and ethics program is one of the most important ways for an organization to maintain its ethical health, support its long-term prosperity, and preserve and promote its values. A **compliance** and **ethics program** supports the organization's business objectives, identifies the boundaries of legal and ethical behavior, and establishes a system to alert management when the organization is getting close to (or crossing) a boundary or approaching an obstacle that prevents the achievement of a business objective. Management should continuously improve its **compliance** and **ethics program**. This will enable it to better prevent, detect, and respond to similar misfeasance and/or malfeasance in the future. The **compliance** and **ethics program** should strive to deliver tangible benefits and outcomes to the organization. Every organization is unique and has its own objectives. As such, several objectives of the compliance and ethics program will be unique as well. There are a few universal program outcomes/objectives that a compliance and ethics capability should deliver. These include an enhanced culture of trust, accountability and integrity; prevention of noncompliance, preparation for when (not "if") noncompliance occurs, protection (to the extent possible) from negative consequences, detection of noncompliance, response to noncompliance and improvement of the program to better prevent, protect, prepare, detect and respond to noncompliance. An important aspect of a high-performing program, and one that cannot be overstated, is enhancing an **ethical culture**. A strong ethical culture that provides important benefits would including a “safety net” for when formal controls are weak or absent, and an open environment of trust, ingredients that help drive overall workforce productivity. A well-designed compliance and ethics program is only half the picture. Critical to its success and its ability to meet the challenges of constant change, increasing complexity, rapidly evolving threats, the need for continuous improvement requires organizations to have the commitment of both senior management and the board, adequate authorization and funding, the appropriate tools to facilitate measurement and rolling-up information, comprehensive training on the measurement process and an early socialization of approach. **Compliance and ethics program:** Since about 1970, several major business and government excesses were seen in the United States to generate subsequent legal, public and political reaction. The Foreign Corrupt Practices Act is perhaps the legislation with the most significant impact and influence in the development of ethics and compliance programs; similar ideas are encoded in the Committee of Sponsoring Organizations, and the Federal Sentencing Guidelines.

Objective: I : to learn the basics of modern Compliace system and its advancements.

Effective program implementation; Implementation is often the most difficult aspect of any program. This is the juncture where most failure occurs. However, if executed well, it can represent the biggest opportunity for positive influence on the organization’s performance and culture. The engaged involvement of key stakeholders is critical to a successful implementation or major enhancement of a compliance and ethics program, i.e. the dialogue and agreement up front, by all the major parties, regarding the objectives, goals, and overall purpose of the program will be critical to the project’s eventual impact. By working together, compliance and ethics officers, executive management, and the board can help ensure a compliance and ethics program not only contributes to the improvement of the organization’s governance practices but the success of its company’s strategy as well. Integrate compliance and ethics - Address the “letter of the law” while promoting the “spirit of the law”. For some companies this means making a breach of company policy as serious as breaching laws, resulting in “internal” standards being as important as ‘mandatory’ standards. Embed compliance and ethics risk management processes into the business - Organizations must systematically assess and prioritize present and emerging compliance and ethics risks. Such analysis should take into account the organization’s culture, compliance and ethics history, as well as industry issues. Business processes should incorporate compliance and ethics program needs. Boards should routinely discuss these risks, and how they are addressed, with management. **Demonstrating leadership** ; The board ensures that senior management consistently communicates and models the organization’s values and behavioral expectations identified in the compliance and ethics program. Require accountability and ownership. In order to have the compliance and ethics program “make a difference”, it should foster a corporate culture that places responsibility on individuals for their actions and motivates everyone. The board and management should ensure employees have appropriate training and information and should participate in such training themselves. **Provide an open culture** - Issues and problems should be, and in some cases are, required by law to be investigated and proactively managed to resolution. Unethical or illegal behavior should be addressed promptly. Employees must be required to raise and resolve violations of compliance or ethics standards. To do so, they must feel confident that they can take action without fear of retaliation. Such fears have been reduced, but not eliminated, with the introduction of the “whistleblower” protections of the Sarbanes-Oxley Act and the Canadian equivalents. The board should inquire of management the steps they are taking to create this open culture. Measure performance and results - Compliance and ethics processes and results should be monitored and measured. Objective data should support evaluations that are more subjective. Evaluation results should provide the basis for continually improving the program.

Measuring program performance; By using accurate, timely data on the organization’s performance, managers know whether they are moving the entity closer to its objectives. Measuring compliance and ethics program performance help organizations gauge their improvement and learn whether the company's tactics are contributing to the success of the company's strategy. Keeping the board informed is a critical activity and robust performance reporting facilitates that important effort too. An organization’s compliance and ethics program should be measured like any other critical capability. There are numerous benefits and challenges to measuring the performance of a program. A well-known maxim is "what gets measured gets done.” The compliance and ethics program and capability is no different. The

Open Compliance and Ethics Group, OCEGTM, a non-profit organization that provides a performance framework for integrating governance, compliance, risk management and culture, has developed a Measurement and Metrics Guide (MMG) for assisting in measuring and reporting on the performance of compliance and ethics programs. This measurement platform advocates that program objectives be aligned with and contribute to the enterprise objectives in a tangible way. In order to achieve desired program outcomes, an organization should design processes and practices that effectively measure program dimensions on three key dimensions: effectiveness, efficiency and responsiveness.

Objective; ii: to explore the developments in the compliance management system in Advanced Economies in comparision with India.

Effectiveness describes the quality of a program along two dimensions: design effectiveness and operational effectiveness. Design effectiveness describes the degree to which a system or process is logically designed to meet legal and other defined requirements. Does the system or process contain all the necessary elements to thoroughly evaluate risk? Has it been designed for maximum effectiveness? If not, what features must be added to improve the system? Design effectiveness is very much a logical test that considers all requirements, risks and boundaries and determines if the system is appropriately designed. Operational effectiveness describes the degree to which a system or process operates as designed. If the system has been well designed, does it function correctly? Does it operate the way it was designed? If not, how must it be managed to elevate its level of operation? Operational effectiveness helps management understand if, given a strong design, the system is operating as it is intended. The concept of efficiency captures the cost of the process or system – not simply financial efficiency, the amount of money spent but also the cost of human capital expended. Financial efficiency describes the total amount of financial capital required to execute a process. Human capital efficiency describes the type and level of individual(s) required to participate in the process. While human capital costs can be partially captured in purely financial terms, intangible opportunity costs must also be captured. In other words, if the program relies too heavily on senior executive time and focus, it may represent more than just purely financial costs (salary, benefits, and other overhead). An organization must also recognize the intangible costs of the loss of executive time and focus on other strategic objectives such as growth, profitability, talent retention, and customer loyalty. Responsiveness should be looked at on two dimensions — the system's ability to operate quickly and flexibly in response to changing circumstances. Cycle time describes the amount of total hours and/or total duration that it takes to execute a process. Flexibility/adaptability describes the degree to which the system can integrate changes including new requirements (e.g. a new law, rule or regulation) and/or new business units (due to merger and acquisition activity.) These changes may be internal; as managers study the results of past performance evaluations and make needed alterations. Or they may be external. New regulatory environments, changing market conditions, or altered public perceptions and concerns require the organization to make adjustments. A responsive system adapts quickly to changes in the environment. It also develops a long-range perspective, foreseeing more distant changes and preparing for them. A solid measurement system and approach should be implemented that embodies these principles:Focused on Business Objectives,Outcome-Oriented and a Simple Measurement System. Key metrics and indicators should be specific/simple, measurable, actionable, relevant and timely. Balance of Leading and Lagging - Lagging indicators show how the company has already done (revenue growth in the past quarter; number of workplace accidents in the last year). Leading indicators are those that may predict future performance. Examples are on-time delivery rate, which can lead to higher customer satisfaction ratings and, in turn, more sales to existing customers. Indicators should provide visibility into both short-term and long-term objectives. Overemphasis on short-term objectives can stifle a company's long-term growth, by short-changing new product development. Emphasis on short-term financial results, such as quarterly profits, can lead to reduction in spending on research for new product development, or purchasing cheaper components to raise profit margins, leading to lower product quality, more product returns, complaints from customers, and loss of business. Focus on Internal Trends before External Benchmarks - Program metrics and measurement should help management understand internal trends. Once internal trends are understood, the use of external benchmarks will be more meaningful. Performance measurement system should be reviewed and improved on an ongoing basis. It is only by gaining experience measuring performance that the organization can really refine and improve the system.

Objective: iii: t**o examine the latest tools of Compliance Systems and Quality Checks**

Future outlook for ethics and compliance programs: Compliance risk is the current and prospective risk to earnings or capital arising from violations of, or nonconformance with, laws, rules, regulations, prescribed practices, internal policies, and procedures, or ethical standards. Compliance risk also arises in situations where the laws or rules governing certain bank products or activities of the Bank's clients may be ambiguous or untested. This risk exposes the institution to fines, civil money penalties, payment of damages, and the voiding of contracts. Compliance risk can lead to diminished reputation, reduced franchise value, limited business opportunities, reduced expansion potential, and an inability to enforce contracts. Governance, Risk Management, and Compliance (GRC) management capability is the solution to addressing increasing stakeholder expectations. Solid financial results are no longer sufficient. Stakeholders are demanding more. They want to know about non-financial results and the intangibles that will ensure financial growth. They want increased reporting and transparency and insight into an organization's strategy, risks, and operations along with an understanding of the manner in which business is conducted. As with the quality movement of the mid-1980s to early 1990s, these stakeholder demands are becoming baseline expectations. Compliance and ethics practices can no longer be viewed in isolation of the rest of the organization, as some function off to the side to keep an organization out of jail. It must become part of the overall business strategy and operations, pervasive throughout the entire organization. Ultimately, taking this integrated approach will lead to better overall performance and compliance will become less of a burden on the business. **Governance, risk management, and compliance** or **GRC** is the umbrella term covering an organization's approach across these three areas: Governance, risk management, and compliance. The GRC operations of major companies and institutions are monitored by high-tech computerized systems. Governance, Risk Management, and Compliance (GRC) are three related facets that help assuring that an organization meets its objectives. Governance is the combination of processes established and executed by the directors (or the board of directors) that are reflected in the organization's structure and how it is managed and led toward achieving goals. Risk management is predicting and managing risks that could hinder the organization to achieve its objectives. Compliance refers to adhering with the company's policies, procedures, laws and regulations. GRC is a discipline that aims to synchronize information and activity across governance, risk management and compliance in order to operate more efficiently, enable effective information sharing, more effectively report activities and avoid wasteful overlaps.

Although interpreted differently in various organizations, GRC typically encompasses activities such as corporate governance, enterprise risk management (ERM) and corporate compliance with applicable laws and regulations. Organizations reach a size where coordinated control over GRC activities is required to operate effectively. Each of these three disciplines creates information of value to the other two, and all three impact the same technologies, people, processes and information. Substantial duplication of tasks evolves when governance, risk management and compliance are managed independently. Overlapping and duplicated GRC activities negatively impact both operational costs and GRC matrices. For example, each internal service might be audited and assessed by multiple groups on an annual basis, creating enormous cost and disconnected results. A disconnected GRC approach will also prevent an organization from providing real-time GRC executive reports. Like a badly planned transport system, every individual route will operate, but the network will lack the qualities that allow them to work together effectively. If not integrated, if tackled in a traditional "silo" approach, most organizations must sustain unmanageable numbers of GRC-related requirements due to changes in technology, increasing data storage, market globalization and increased regulation. Governance describes the overall management approach through which senior executives direct and control the entire organization, using a combination of management information and hierarchical management control structures. Governance activities ensure that critical management information reaching the executive team is sufficiently complete, accurate and timely to enable appropriate management decision making, and provide the control mechanisms to ensure that strategies, directions and instructions from management are carried out systematically and effectively. Governance of risk management is the attention given to preventing excessive risk management by keeping in mind the organisation's appetite for risk. Sufficient countermeasures are required rather than excessive, unnecessary and pointless measures. The risk of risk management is that the good intentions become wasteful expenditure or impediments to growth, innovation and opportunity. Risk management is the set of processes through which management identifies, analyzes, and, where necessary, responds appropriately to risks that might adversely affect realization of the organization's business objectives. The response to risks typically depends on their perceived gravity, and involves controlling, avoiding, accepting or transferring them to a third party. Whereas organizations routinely manage a wide range of risks (e.g. technological risks, commercial/financial risks, information security risks etc.), external legal and regulatory compliance risks are arguably the key issue in GRC. Compliance means conforming with stated requirements. At an organizational level, it is achieved through management processes which identify the applicable requirements (defined for example in laws, regulations, contracts, strategies and policies), assess the state of compliance, assess the risks and potential costs of non-compliance against the projected expenses to achieve compliance, and hence prioritize, fund and initiate any corrective actions deemed necessary.

Objective; iv : To exemplify the importance of protecting the resources of society as part of compliance ethics

Conformance testing or **type testing** is testing to determine whether a product or system or just a medium complies with the requirements of a specification, contract orregulation. This may apply to various technical terms as well as to pure formal terms with respect to obligations of the contractors. **Conformity assessment**, also known as**compliance assessment**,[1][2][3] is any activity to determine, directly or indirectly, that a process, product, or service meets relevant technical standards and fulfills relevant requirements. Conformity assessment activities may include: Testing,Surveillance,Inspection,Auditing,Certification,Accreditation. Additionally, the World Trade Organisation (WTO) governs conformity assessment through the **Agreement on Mutual Recognition in Relation to Conformity Assessment**(Signed July 4, 2000).Testing is often either logical testing or physical testing. The test procedures may involve other criteria from mathematical testing or chemical testing. Beyond simple conformance other requirements for efficiency, interoperability or compliance may apply. To aid in the aim towards a conformance proof, various test procedures and test setups have been developed, either by the standard's maintainers or external auditing organizations, specifically for testing conformance to standards. Conformance testing is performed preferably by independent organizations, which may be the standards body itself, to give sound assurance of compliance. Products tested conformance may then become advertised as being certified by the testing organization as complying with the referred technical standard. Service providers, equipment manufacturers, and equipment suppliers rely on such qualified data to ensure Quality of Service (QoS) through this conformance process. Typical areas of application; Conformance testing is applied to various areas of application, as e.g.Biocompatibility proofing, Datacom protocol engineering, Document engineering, Electronic and electrical engineering, Medical procedure proofing, Pharmaceutics compatibility,Software engineering. In all such testing the subject of test is not just the formal conformance in aspects of e.g. completeness of filed proofs, validity of referred certificates, qualification of operating staff, but especially the aspects of e.g.operational conditions, physical conditions,applied test environments, Hence conformance testing leads to a vast set of documents and files that allow for re-iterating all performed tests.

Software engineering; In software testing, conformance testing verifies that a product performs according to its specified standards. Compilers, for instance, are extensively tested to determine whether they meet the recognized standard for that language. Electronic and electrical engineering; In electronic engineering and electrical engineering, some countries and business environments (such as telecommunication companies) require that an electronic product meet certain requirements before they can be sold. Standards for telecommunication products written by standards organizations such as ANSI, the FCC, and IEC, etc., have certain criteria that a product must meet before compliance is recognized. In countries such as Japan, China, Korea, and some parts of Europe, products cannot be sold unless they are known to meet those requirements specified in the standards. Usually, manufacturers set their own requirements to ensure product quality, sometimes with levels much higher than what the governing bodies require. Compliance is realized after a product passes a series of tests without occurring some specified mode of failure. Failure levels are usually set depending on what environment the product will be sold in. For instance, test on a product for used in an industrial environment will not be as stringent as a product used in a residential area. A failure can include data corruption, loss of communication, and irregular behavior. Compliance test for electronic devices include emissions tests, immunity tests, and safety tests. Emissions tests ensure that a product will not emit harmful electromagnetic interference in communication and power lines. Immunity tests ensure that a product is immune to common electrical signals and Electromagnetic interference (EMI) that will be found in its operating environment, such as electromagnetic radiation from a local radio station or interference from nearby products. Safety tests ensure that a product will not create a safety risk from situations such as a failed or shorted power supply, blocked cooling vent, and powerline voltage spikes and dips. For example, the telecommunications research and development company Telcordia Technologies publishes conformance standards for telecommunication equipment to pass the following tests:

Radiated immunity; An antenna is used to subject the device to electromagnetic waves, covering a large frequency range (usually from 30 MHz to 2.9 GHz). **Radiated emissions ;** One or more antennas are used to measure the amplitude of the electromagnetic waves that a device emits. The amplitude must be under a set limit, with the limit depending on the device's classification.**Conducted immunity;** Low frequency signals (usually 10 kHz to 80 MHz) are injected onto the data and power lines of a device. This test is used to simulate the coupling of low frequency signals onto the power and data lines, such as from a local AM radio station.

Conducted emissions; Similar to radiated emissions, except the signals are measured at the power lines with a filter device.**Electrostatic discharge (ESD) immunity;** Electrostatic discharges with various properties (rise time, peak voltage, fall time, and half time) are applied to the areas on the device that are likely to be discharged too, such as the faces, near user accessible buttons, etc. Discharges are also applied to a vertical and horizontal ground plane to simulate an ESD event on a nearby surface. Voltages are usually from 2 kV to 15 kV, but commonly go as high as 25 kV or more.**Burst immunity ;**Bursts of high voltage pulses are applied to the powerlines to simulate events such as repeating voltage spikes from a motor. **Powerline dip immunity;** The line voltage is slowly dropped down then brought back up.

Objective:v: Developing Regulatory compliance in various countries in comparision to India

In general, **compliance** means conforming to a rule, such as a specification, policy, standard or law. **Regulatory compliance** describes the goal that organisations aspire to achieve in their efforts to ensure that they are aware of and take steps to comply with relevant laws, polices, and regulations. Due to the increasing number of regulations and need for operational transparency, organizations are increasingly adopting the use of consolidated and harmonized sets of compliance controls. This approach is used to ensure that all necessary governance requirements can be met without the unnecessary duplication of effort and activity from resources.The International Organization for Standardisation (ISO) produces international standards such as ISO/IEC 27002. The International Electrotechnical Commission (IEC) produces international standards in the electrotechnology area. The ISO 19600:2014 standard provides a reminder of how compliance and risk should operate together, as “colleagues” sharing a common framework with some nuances to account for their differences. Some local or international specialized organizations such as the American Society of Mechanical Engineers (ASME) also develop standards and regulation codes. They thereby provide a wide range of rules and directives to ensure compliance of the products to safety, security or design standards. There are a number of other regulations which apply in different fields, such as PCI-DSS, GLBA, FISMA, Joint Commission and HIPAA. In some cases other compliance frameworks (such as COBIT) or standards (NIST) inform on how to comply with the regulations.

USA; The Office of Foreign Assets Control (OFAC) is an agency of the United States Department of the Treasury under the auspices of the Under Secretary of the Treasury for Terrorism and Financial Intelligence. OFAC administers and enforces economic and trade sanctions based on U.S. foreign policy and national security goals against targeted foreign states, organizations, and individuals.Compliance in the USA generally means compliancy with laws and regulations. These laws can have criminal or civil penalties or can be regulations. The definition of what constitutes an effective compliance plan has been elusive.

UK; There is considerable regulation in the UK, some of which is from EU legislation. Various areas are policed by different bodies, such as the FCA (Financial Conduct Authority),Environment Agency and Scottish Environment Protection Agency, Information Commissioner's Office, CQC and others. Important compliance issues for all organisations large and small include the Data Protection Act 1998 and, for the public sector, Freedom of Information Act 2000.The UK Corporate Governance Code (formerly the Combined Code) is issued by the Financial Reporting Council (FRC) and sets out standards of good practice in relation to board leadership and effectiveness, remuneration, accountability and relations with shareholders. All companies with a Premium Listing of equity shares in the UK are required under the Listing Rules to report on how they have applied the Combined Code in their annual report and accounts (The Codes are therefore most similar to the US' Sarbanes-Oxley Act).

Australia; Standards Australia revised the standard titled "AS 3806 - Compliance Programs". While many aspects of the original standard produced in 1998 standard appear in the 2006 version there are additional principles covered. The regulators in Australia continue to endorse and encourage (by regulation) the use of the standard when establishing a compliance framework. The regulators are the Australian Securities and Investment Commission, AUSTRAC (for AML), ATO (for FATCA and CRS) and the Australian Prudential Regulation Authority(APRA). Compliance demands in the superannuation industry continue to increase due to the new licensing regime implemented by APRA. The new licensing regime requires trustees of superannuation funds to demonstrate to APRA that they have adequate resources (human, technology and financial), risk management systems and appropriate skills and expertise to manage the superannuation fund. The licensing regime has lifted the bar for superannuation trustees with a significant number of small to medium size superannuation funds exiting the Industry due to the increasing risk and compliance demands. The 19600 standard on "Compliance Management Systems" reflects largely the existing AS 3806-2006 standard, which it will replace.

Findings and Conclusion;

From the above we can now conclude the reasons for the upcoming Compliance issues in Indian situations. In India, compliance regulation takes place across three strata: Central, State, and Local regulation. India follows the central regulation, especially of financial organizations and foreign funds. Compliance regulations vary based on the industry segment in addition to the geographical mix. Most regulation comes in the following broad categories: economic regulation, regulation in the public interest, and environmental regulation. India has also been characterized by poor compliance - reports suggest that only around 65% of companies are fully compliant to norms. Software packages are now available to handle routine regulatory filings and manage compliance. **Challenges;** Data retention is a part of regulatory compliance that is proving to be a challenge in many instances. The security that comes from compliance with industry regulations can seem contrary to maintaining user privacy. Data retention laws and regulations ask data owners and other service providers to retain extensive records of user activity beyond the time necessary for normal business operations. These requirements have been called into question by privacy rights advocates. Compliance in this area is becoming very difficult. Laws like the CAN-SPAM Act and Fair Credit Reporting Act in the U.S. require that businesses give people the "right to be forgotten." In other words, they must remove individuals from marketing lists if it is requested, tell them when and why they might share personal information with a third party, or at least ask permission before sharing that data. Now, with new laws coming out that demand longer data retention despite the individual's desires, it can create some real difficulties. **Legal Governance, Risk Management, and Compliance or "LGRC"**, refers to the complex set of processes, rules, tools and systems used by corporate legal departments to adopt, implement and monitor an integrated approach to business problems. While Governance, Risk Management, and Compliance refers to a generalized set of tools for managing a corporation or company, Legal GRC, or LGRC, refers to a specialized – but similar – set of tools utilized by attorneys, corporate legal departments, general counsel and law firms to govern themselves and their corporations, especially but not exclusively in relation to the law. Other specializations within the realm of governance, risk management and compliance include IT GRC and financial GRC. Within these three realms, there is a great deal of overlap, particularly in large corporations that have legal and IT departments, as well as financial departments.Legal governance: Legal governance refers to the establishment, execution and interpretation of processes and rules put in place by corporate legal departments in order to ensure a smoothly-run legal department and corporation. Legal risk management refers to the process of evaluating alternative regulatory and non-regulatory responses to risk and selecting among them. Even with the legal realm, this process requires knowledge of the legal, economic and social factors, as well as knowledge of the business world in which legal teams operate.[3] In an organizational setting, risk management refers to the process by which an organization sets the risk tolerance, identifies potential risks and prioritizes the tolerance for risk based on the organization's business objectives, and manages and mitigates risks throughout the organization.Legal compliance is the process or procedure to ensure that an organization follows relevant laws, regulations and business rules. The definition of legal compliance, especially in the context of corporate legal departments, has recently been expanded to include understanding and adhering to ethical codes within entire professions, as well. There are two requirements for an enterprise to be compliant with the law, first its policies need to be consistent with the law. Second, its policies need to be complete with respect to the law. The role of legal compliance has also been expanded to include self-monitoring the non-governed behavior with industries and corporations that could lead to workplace indiscretions. Within the LGRC realm, it is important to keep in mind that if a strong legal governance component is in place, risk can be accurately assessed and the monitoring of legal compliance be carried out efficiently. It is also important to realize that within the LGRC framework, legal teams work closely with executive teams and other business departments to align their goals and ensure proper communication. Legal Consistency is a property that declares enterprise policies to be free of contradictions with the law. Legal Consistency has been defined as not having multiple verdicts for the same case . The antonym Legal Inconsistency is defined as having two rule that contradict each other. Other common definitions of consistency refer to “treating similar cases alike”.[8] In the enterprise context, legal consistency refers to “obedience to the law”. In the context of legal requirements validation, legal consistency is defined as, " Enterprise requirements are legally consistent if they adhere to the legal requirements and include no contradictions.".Legal Completeness is a property that declares enterprise policies to cover all scenarios included or suggested by the law. Completeness suggests that there are no scenarios covered by the law that cannot be implemented in the enterprise. In addition, it implies that all scenarios not allowed by the law are not allowed by the enterprise. Enterprise policies are said to be legally complete if they contain no gaps in the legal sense. Completeness can be thought of in two ways: Some scholars make use of a concept of ‘obligational’ completeness such as Ayres and Gertner. According to this usage, a system or a contract is ‘obligationally’ complete if it specifies what each party is to do in every situation, even if this is not the optimal action to take under some circumstances. Others discuss ‘enforceability’ completeness in the sense that failing to specify key terms can lead a court to characterize a system as being too uncertain to enforce (May & Butcher v the King 1934), and hence a system may be complete with respect to enforceability. This leads to the following definition: enterprise regulations or requirements are legally complete if it specifies what each party is to do in each situation while covering all gaps in the legal sense.

Legal GRC Center for Innovation. The Legal GRC Center for Innovation is a nonprofit institute for the advancement of the concepts and applications of Legal GRC. The LGRC Center for Innovation serves as a forum for legal industry leaders to discuss and determine ways to systematize and streamline within the legal industry. The membership of the LGRC-CFI is made up of a group of [thought leaders] in the legal, business, IT, and RIM fields. They meet in online forums and at periodic conventions and summits to determine best practices for Legal GRC. The LGRC-CFI also publishes a blog and several industry-specific white papers regularly. The LGRC Center for Innovation addresses legal governance, risk management, and compliance exclusively. Institute on Governance. The Institute on Governance (IOG), although it does not address LGRC exclusively, is a useful resource for knowledge on governance in general, and has collected some significant basics about legal governance online. The IOG is an independent, Canadian, nonprofit [think tank] founded in 1990 to promote better governance for public benefit. Through our research and services we help public organizations and societies realize their objectives by putting good governance into practice.

Association of Corporate Counsel; The Association of Corporate Counsel ("ACC"), formerly the American Corporate Counsel Association ("ACCA"), is an association of in-house counsel, attorneys who work forcorporations. The association publishes the magazine ACC Docket and arranges one of the United States' largest annual meetings for in-house attorneys. ACC was founded in 1982. It currently has more than 24,000 members from over 10,500 corporations in 77 countries. The ACC does not address LGRC exclusively, but can be credited with laying some foundations for corporations – the original practitioners of governance, risk management, and compliance – and legal departments to begin to work together on overarching issues of governance, risk management, and compliance.The Society of Corporate Compliance and Ethics (SCCE) is a nonprofit, individual membership association which provides resources for ethics and compliance professionals from various industries. It serves over 5,500 members through publications, education programs, conferences and professional networking, including an online social network called SCCEnet, which has over 14,000 registered users. SCCE also helps individuals become Certified Compliance and Ethics Professionals.

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