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How to Build a Holistic Corporate Compliance Program in 2024

A comprehensive plan for business compliance and entity management is an investment in defense against interruptions that can range from irritating to catastrophic

In a rapidly changing business environment, a corporate compliance program is more than a precautionary step. It can be the difference between "according to plan" and rolling the dice.

An annual **survey of risk management experts** shows that, in 2023, business interruption was seen as a leading risk to businesses worldwide – second only to cyber incidents. Like cyber incidents, business interruption can strike organizations with little warning. Luckily, just as safeguards may be put in place to reduce the likelihood of a cyber attack, steps can also be taken to mitigate risks that threaten to interrupt the normal course of business.

The easiest way to mitigate those risks? A holistic corporate compliance program.

A properly run compliance program can protect your businesses from foreseeable (and oftentimes avoidable) incidents that may set you back. And, better yet, a comprehensive and transparent system of corporate compliance can do more than just prevent problems – it can also leave your business better positioned to take advantage of opportunities that go overlooked when processes are haphazard and poorly defined.

An effective entity management process should be central to any corporate compliance program: when legal entities are well managed, your organization can easily avoid fines and fees, and reclaim time that can (and should) be spent focusing on work that is productive and profitable.

Here's an overview of what a well-designed corporate compliance program – with entity management at its core – looks like, and a breakdown of how it can help your organization minimize business interruptions.

Rethinking Your Corporate Compliance Program

Keeping up with the onslaught of regulatory changes that occur across jurisdictions each day is a complex exercise. These regulations and their amendments safeguard against a range of threats, including money laundering and fraud.

While the goals of federal money laundering statutes may be vastly different than those of the state division of corporations where business entities are registered, compliance always begins with a reliable entity management process.

Examples of federal entity disclosure and reporting requirements include:

The **Corporate Transparency Act (CTA)**, which took effect on January 1, 2024, requires some businesses to report information about their ownership to the Financial Crimes Enforcement Network (FinCEN) of the U.S. Treasury Department. The Act applies to corporations, limited liability companies and other entities registered to do business in the U.S. but not already subject to federal oversight like publicly traded companies or financial institutions. Businesses subject to CTA provisions must ensure they have accurate and up-to-date information about their beneficial owners, and report that information to FinCEN in a timely manner. Check **here** to see if your organization needs to report.

The Securities and Exchange Commission (SEC) has regulatory authority over certain types of entities, similar to CTA, that includes publicly traded companies, investment funds and investment advisors.

The Internal Revenue Service (IRS) and the Department of Labor (DOL), also have regulations that may impact entity management. For example, the IRS has rules regarding tax filings and reporting requirements for certain types of entities, while the DOL has regulations related to employee benefit plans and fiduciary responsibilities.

Complying with such disclosure and reporting requirements may require your company to implement new processes and procedures for collecting and verifying ownership information, and ensuring the information is maintained and updated on an ongoing basis.

Poor compliance policies can erode the trust of stakeholders and result in investor withdrawal, reduced employee productivity, and lost business opportunities. But, when a compliance plan that includes a reliable system of entity management is in place, your business will no longer need to worry about falling into non-compliance – or waste time dealing with the fallout when things do go wrong.

Not sure where to begin? Here's how to get started.

7 Elements of an Effective Corporate Compliance Program

When your business invests in a robust compliance program, it's investing in its long-term success. Proper compliance oversight minimizes legal risks and will help sustain your company's reputation by ensuring it meets its regulatory obligations. It will also allow you to avoid costly penalties and identify and manage data privacy fraud and corruption risks. Moreover, compliance programs improve engagement among employees so they can understand and act in accordance with your company's rules. Ultimately, a corporate compliance program can assist your organization in defining its risk tolerance in pursuit of its objectives.

Here are seven components of an effective program:

1 Standards & Procedures

Begin with written policies and procedures describing the legal and ethical standards to be adhered to, including identified compliance standards and the consequences of failing to meet them.

2 Governance & Oversight

Establish a compliance committee and assign someone to oversee the implementation of a compliance program. Company leaders, including the board of directors and senior personnel, must share responsibility for maintaining and enforcing the program across the organization.

3 Education & Training

Provide education and regular training to employees to make them aware of your organization's expectations and requirements. Implement a compliance training program, including an annual session to review changes and remind employees of your business's ethical code of conduct.

4 Monitoring & Auditing

Establish an internal and external monitoring system and conduct regular audits. Assess areas of weakness and identify potential non-compliance risks in your organization.

5 Reporting

Establish procedures for reporting and investigating regulatory violations, including a process for employees to report concerns anonymously.

6 Internal Enforcement & Discipline

Ensure processes for prompt correction of violations, including employee disciplinary actions.

7 Response & Prevention

Establish response and prevention protocols to evaluate and improve compliance based on your employees' responses, stakeholders' experiences, and changes in regulations.

How To Create a Corporate Compliance Program

Creating a successful compliance program for your business requires a systematic approach. Here's how you can build effective regulatory compliance policies for your business:

Involve All Necessary Parties

The first step to building an effective regulatory plan is to involve all necessary parties, including senior management. Your board must be on the same page regarding the program and should support staffing, resources and the budget needed to build regulatory policies.

Next, create a compliance team that includes representatives from your legal, HR, finance and operations departments. This team should be responsible for developing, implementing, monitoring and maintaining compliance policies across the organization.

Gather input from all involved parties to identify potential risks, write policies to address them, and outline directives that employees are expected to follow. Your compliance team should seek feedback from all parties to ensure the regulatory program meets their needs.

Once policies and procedures are established, share them with employees and ensure they understand their role and responsibilities in maintaining compliance.

Assess Current Risk & Increase Transparency

Assessing risk and increasing transparency are crucial components of creating an effective compliance program. Increased transparency will help your company adhere to existing laws and regulations and mitigate risks like penalties, reputational damage, and other negative consequences.

Start by determining the regulatory requirements that apply to your organization. These requirements may include industry standards or regulations that affect your company's operations.

Your compliance team should be able to assess your company's current legal status by reviewing policies, training materials and procedures. This is necessary to ensure your business meets all regulatory requirements. Make sure there are processes in place that allow full visibility on all compliance-related tasks.

Increased transparency will help your company adhere to existing laws and regulations and mitigate risks like penalties, reputational damage, and other negative consequences.

In addition, the team should conduct a risk analysis. This includes assessing your organization's operations, supply chains, customer interactions, and partnerships to identify non-compliance issues.

Based on the potential risks, the compliance team should be able to develop strategies like internal monitoring and training programs. Periodic risk assessments can also help establish procedures to determine new compliance risks and visibility issues and mitigate them on time.

Establish Guidance Across Departments

Establishing guidance across departments can help you identify areas of non-compliance you may miss if only one department is involved. This also means all the stakeholders in your organization are held to the same regulatory standards.

Your compliance team should be able to review past incidents and consult with departmental managers and stakeholders to recognize potential risks each department faces.

Next, they should develop standards and controls tailored to each department's specific needs and align them with the overall compliance objective of your company. The team should also establish channels of communication for sharing compliance concerns across departments. Communication can include regular meetings, collaboration on compliance initiatives, and reporting channels like a hotline or email address.

Furthermore, your compliance team should assign clear responsibilities to each department and establish accountability at appropriate levels so employees can report without fear of reprisal. Also, the team should regularly review or establish a cadence to update legal controls based on changes in regulatory environments.

Launch New Guidelines

Launching new guidelines is a critical aspect of a business compliance plan. It ensures that all regulatory updates are communicated, accepted and adopted by the stakeholders. Your compliance team must develop the new guidelines by consulting with subject matter experts and reviewing existing legal procedures.

Once the new policies are developed, they should be disseminated to all stakeholders via mail, your company's website, or through meetings and training. Make everyone aware of the new requirements.

Your team should also incorporate feedback from all senior management, department heads, and front-line employees to adjust the new guidelines accordingly.

Continuously Monitor & Adjust

Last but not least, you must monitor and adjust your compliance program continuously. Your compliance team should set up a monitoring plan that identifies key performance indicators (KPIs) to track incident reporting, training completion rates, and audit results.

The data collected from the monitoring plan should be used to recognize key compliance trends and areas of improvement. Continuously reviewing your legal policies will also help your company to ensure consistent adherence to **regulatory requirements**.

Additionally, your legal compliance team should use the data analysis to make informed decisions like modifying policies and procedures and providing additional training to employees.

Maintaining a Corporate Compliance Program

Maintaining a corporate compliance program can be difficult, as it includes a complex set of policies, employee training, investigation mechanisms, and reporting. Manually managing regulatory policies is nearly always impossible, especially for large enterprises, as the legal procedures require a high level of transparency.

Therefore, you will likely need compliance management software to streamline and automate your compliance program. An **Allied Market Research report** forecasted the global market for compliance management software will grow at a 15.7% compound annual growth rate (CAGR) to reach $3.06 billion by 2027.

As a first course of action, look for a software solution that takes the guesswork out of entity management. Look for a solution that is:

Corporate Compliance Software Checklist

- ☑ **Automated**
- ☑ **Transparent**
- ☑ **Collaborative**
- ☑ **Scalable**

Automated

When entities are managed automatically, there is far less room for error – and it is far easier to remain compliant. While entity management may be a frequently overlooked aspect of compliance programs, it is a vital one – and one that can garner a quick win for a new corporate compliance program. The right software will help you automatically maintain regulatory consistency and accuracy across your organization surrounding its legal entities.

Transparent

The costs associated with non-compliance are hefty. Further, any time spent writing checks for fines, penalties, back taxes and legal entanglements is time that could be better spent doing more valuable work. When an entity falls out of compliance or has been administratively dissolved due to non-compliance, the financial and time-lost costs can be steep.

Look for a software solution that provides real-time reporting on the performance of compliance measures as it relates to entity management, ensuring timely identification of potential violations. This can help save your organization from reputation damage, legal penalties and potential liabilities and lawsuits.

Collaborative

The right entity management software will facilitate collaboration between stakeholders, senior management, employees, and departments. You should be able to manage and document accountability with ease and transparency and assign specific entities to designated people or departments. This ensures everyone is on the same page and can work effectively for the success of regulatory policies. It also promotes crucial cross-company visibility and communication, while ensuring that nothing falls through the cracks.

Scalable

Whether you have a small business or a large enterprise, compliance changes can be challenging to adopt. Keeping up with federal, state and local requirements can be daunting. The right solution will be comprehensive and flexible and allow you to adjust to the regulatory requirements and needs of your company as it scales.

Achieve Foolproof Compliance with Filejet

Filejet is an entity management solution that combines automated software with concierge-level service. It's the entity management solution you don't need to think about – unless you want to.

Any organization looking to establish a corporate compliance program should start with an easy win that cost-effectively mitigates risk. Filejet is that easy win.

Filejet automates U.S. and international annual reports, business license and DBA filings, and more. Filejet also supports international entities on the platform and through other support services. Anything that can't be automated is handled by our team of responsive experts who does what it takes to ensure clients never fall out of compliance.

Our unique blend of software and service has helped countless **in-house legal teams**, **general counsels**, **corporate paralegals**, corporate secretaries, **managing directors**, CFOs and others achieve compliance piece of mind. While we aren't handing out superhero capes, Filejet can help maintain your organization's credibility, reduce legal inefficiencies, and notify you when your filing date is due. Who's the hero now?

For more information about how Filejet can make stress over legal compliance a thing of the past, take a look at the **services** we offer.

Still have questions? Email one of our entity management experts at **hello@filejet.com**.

Learn how to mitigate risk with Filejet