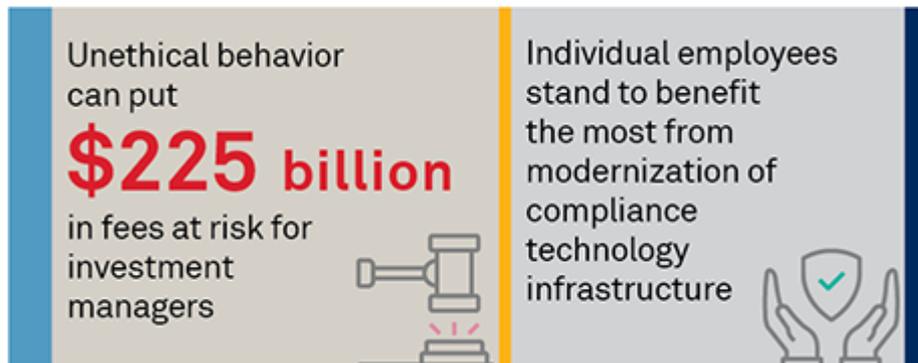


Conduct and Compliance: A Collective Approach to Ethics and Accountability

October 5, 2021

Executive Summary:



The global financial crisis of 2008 drove a massive reexamination of how the market and its participants operate. The more recent focus on environmental, social and governance (ESG) metrics by investors and their counterparties has accelerated efforts to ensure financial firms operate not only profitably, but also in a manner that conveys commitment to remaining compliant both in practice and spirit.

The explicit and implicit costs of failing to build a compliance program that supports both the firm and employees in meeting regulatory standards can be dire, and awareness of reputational risk has shifted into prominent focus in recent years. Financial firms have stepped up their adoption of compliance processes and technology, but many still operate on a web of disparate legacy systems, thus increasing the possibility of avoidable missteps. The siloed nature of compliance has made it harder for some firms to upgrade their technology even when the interest is there. The rise in remote working, which is likely here to stay in the post-pandemic era, is compounding this problem.

Coalition Greenwich estimates that the potential loss of assets from ethical missteps by investment managers could translate to upwards of \$225 billion in fees going to competitors. And this does not include the risk of hard dollar fines levied on both firms and individuals or the increasing personal liability placed on senior management, evidenced by the incarceration of some resulting from recent market scandals.

Worse, failure to upgrade systems that educate and support employees in upholding even some basic requirements can lead to disproportionate levels of individual risk. In absolute terms, consequences for individuals appear small compared to those for firms, but they are much higher in relative impact. The most devastating effects of compliance failures are often borne by employees, not firms, and stem from cases rarely publicized in the media.

This report examines how financial services firms are working today to encourage an ethical culture, and the

steps being taken to overcome challenges in improving legacy approaches.

Methodology:

In the second quarter of 2021, Coalition Greenwich conducted in-depth interviews with more than a dozen financial markets professionals to discuss their current attitudes and approaches toward compliance management—its importance to the business over all, how processes are changing and the technology needed to succeed going forward. Topics included current and future spending, hiring trends, concerns with existing processes and technology solutions, and expectations for compliance management needs going forward. Coalition Greenwich data based on broad market outreach with the buy and sell side examining marketwide spending and system usage trends was also used in this analysis.



www.greenwich.com | ContactUs@greenwich.com

Coalition Greenwich, a division of CRISIL, an S&P Global Company, is a leading global provider of strategic benchmarking, analytics and insights to the financial services industry.

We specialize in providing unique, high-value and actionable information to help our clients improve their business performance.

Our suite of analytics and insights encompass all key performance metrics and drivers: market share, revenue performance, client relationship share and quality, operational excellence, return on equity, behavioral drivers, and industry evolution.

About CRISIL

CRISIL is a leading, agile and innovative global analytics company driven by its mission of making markets function better. It is majority owned by S&P Global Inc., a leading provider of transparent and independent ratings, benchmarks, analytics, and data to the capital and commodity markets worldwide.

CRISIL is India's foremost provider of ratings, data, research, analytics, and solutions with a strong record of growth, culture of innovation, and global footprint.

It has delivered independent opinions, actionable insights and efficient solutions to over 100,000 customers through businesses that operate from India, the U.S., the U.K., Argentina, Poland, China, Hong Kong, and Singapore.

For more information, visit www.crisil.com

Disclaimer and Copyright

This Document is prepared by Crisil Coalition Greenwich, which is a part of Crisil Ltd, a company of S&P Global. All rights reserved. This Document may contain analysis of commercial data relating to revenues,

productivity and headcount of financial services organisations (together with any other commercial information set out in the Document). The Document may also include statements, estimates and projections with respect to the anticipated future performance of certain companies and as to the market for those companies' products and services.

The Document does not constitute (or purport to constitute) an accurate or complete representation of past or future activities of the businesses or companies considered in it but rather is designed to only highlight the trends. This Document is not (and does not purport to be) a comprehensive Document on the financial state of any business or company. The Document represents the views of Crisil Coalition Greenwich as on the date of the Document and Crisil Coalition Greenwich has no obligation to update or change it in the light of new or additional information or changed circumstances after submission of the Document.

This Document is not (and does not purport to be) a credit assessment or investment advice and should not form basis of any lending, investment or credit decision. This Document does not constitute nor form part of an offer or invitation to subscribe for, underwrite or purchase securities in any company. Nor should this Document, or any part of it, form the basis to be relied upon in any way in connection with any contract relating to any securities. The Document is not an investment analysis or research and is not subject to regulatory or legal obligations on the production of, or content of, investment analysis or research.

The data contained in the Document is based upon a particular bank's scope, which reflects a bank's data submission, business structure, and sales revenue Reporting methodology. As a result, any data contained in the Document may not be directly comparable to data presented to another bank. For franchise benchmarking, Crisil Coalition Greenwich has implemented equal ranking logic on aggregate results i.e., when sales revenues are within 5% of at least one competitor ahead, a tie is shown and designated by = (where actual ranks are shown). Entity level data has no equal ranking logic implemented and therefore, on occasion, the differences between rank bands can be very close mathematically.

The data in this Document may reflect the views reported to Crisil Coalition Greenwich by the research participants. Interviewees may be asked about their use of and demand for financial products and services and about investment practices in relevant financial markets. Crisil Coalition Greenwich compiles the data received, conducts statistical analysis and reviews for presentation purposes to produce the final results.

THE DOCUMENT IS COMPILED FROM SOURCES CRISIL COALITION GREENWICH BELIEVES TO BE RELIABLE. CRISIL COALITION GREENWICH DISCLAIMS ALL REPRESENTATIONS OR WARRANTIES, EXPRESSED OR IMPLIED, WITH RESPECT TO THIS DOCUMENT, INCLUDING AS TO THE VALIDITY, ACCURACY, REASONABLENESS OR COMPLETENESS OF THE INFORMATION, STATEMENTS, ASSESSMENTS, ESTIMATES AND PROJECTIONS, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE ARISING OUT OF THE USE OF ALL OR ANY OF THIS DOCUMENT. CRISIL COALITION GREENWICH ACCEPTS NO LIABILITY WHATSOEVER FOR ANY DIRECT, INDIRECT OR CONSEQUENTIAL LOSS OR DAMAGE OF ANY KIND ARISING OUT OF THE USE OF ALL OR ANY OF THIS DOCUMENT.

Crisil Coalition Greenwich is a part of Crisil Ltd., an S&P Global company. ©2026 Crisil Ltd. All rights reserved.