

Compliance officers key to future of European companies' success, new research says

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Corporate compliance officers are crucial in helping European companies avoid the huge fines they are racking up by trading in US sanctioned countries, says Matteo Winkler, assistant professor of law at HEC Paris business school.

Because most bank transactions must be processed through clearing houses based in the US, payments from and to sanctioned countries are considered as made through the US market, and therefore in full violation of US embargo measures.

A lack of understanding of this, or assumption that such transactions will not be caught, are contributing to companies' blasé approach to transnational compliance.

Experienced lawyers, Winkler and David Restrepo Amariles, also assistant professor of law and tax at HEC Paris, examined cases of European firms paying considerable amounts to the US Department of Justice for these offenses, and the resultant changes to corporate compliance policies.

Winkler says: "A particularly interesting example of a business caught out for embargo violations was back in 2014, when BNP Paribas had to pay a colossal \$8.9 billion to the US Department of Justice for trading in US sanctioned countries such as Sudan, Iran and Cuba. In perspective, this amount is equal to the GDP of Haiti. This is an unmanageable expense, especially when it can be avoided by keeping corporate compliance policy watertight – a lesson too often learned the hard way by businesses."

Future European corporate structure must include compliance officers in the C-Suite to advise on transnational business regulation, particularly the complications of US economic regulations.

Winkler says: "Companies can lack a clear understanding of the way US laws apply to them, either ignoring regulations or wrongly assuming that they will not be applicable to their own transactions. Boards need the expertise to oversee this kind of misdemeanour – or mistake – to ensure that cases such as BP Paribas are not repeated, drastically damaging the business' reputation and profitability. Company corporate culture must change to accommodate these laws, and to avoid future disasters. We are surely about to witness the rise of the corporate compliance officer."

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HEC Paris was ranked second business school in Europe by the Financial Times' overall business school ranking in December 2015.

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For more information, a copy of the study, or to speak to Professor Winkler, contact Natalie Bishop at BlueSky PR on natalie@bluesky-pr.com or call +44 (0)1582 790 709.