

Compliance Plays Crucial, Sometimes Complicated Role in Credit Management

Poor compliance screening leaves a lot of room for costly errors in the credit department and often ones that could have been avoided.

“We want to make sure we're not doing business with terrorists or enemies of the United States,” said Chris Doxey, CAPP, CCSA, CICA, CPC, president and owner of Doxey, Inc., during a recent NACM and FCIB webinar, *Advanced Regulatory Compliance: Leveraging Internal Controls and Due Diligence for the Order to Cash Process*.

Compliance screening and due diligence is necessary to ensure your customers are trustworthy and to mitigate risk. But sometimes keeping up with the latest data can be a challenge. Compliance information is constantly updated, and no one specific governing body is in charge.

“So, you could do a compliance check on a new customer today, and guess what? They could show up on a watchlist tomorrow,” Doxey said. “With a manual process, you do not have the luxury of checking everything on a daily basis.”

One strategy to stay on top of mandatory government compliance requirements is by using the help of other departments in your company that may already be doing some screening.

“My philosophy over the years has been, let's not reinvent the wheel; let's not create silos; let's figure out a way to combine some of these internal controls and compliance efforts,” Doxey explained.

Leveraging compliance efforts and internal controls within your organization will help prevent risks from falling through the gaps and make sure your company is not duplicating efforts.

If caught doing business with noncompliant customers, your company could face fines and lose the trust of your other customers. Some common compliance regulations to track include anti-money laundering regulations.

The Financial Action Task Force describes trade-based money laundering as “one of the most complex and adaptive methods of money laundering” and noted it is “widely used by many illicit actors to disguise and move the proceeds of crime alongside legitimate trade transactions.”

In some cases, it may be beneficial to outsource compliance responsibilities if your company has a lack of in-house compliance skills. The cost of additional compliance training or help from a third party will likely outweigh the costs of fines, Doxey said.