

Compliance – from regulatory publishing to risk management solutions

An  Focus Report

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“New technology streams are going to be important drivers for creating new solutions and tools”

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Executive Summary

Introduction

Regulatory publishing used to mean rulebooks of Government-derived regulations published in loose-leaf format, with added-value commentaries provided by skilled editorial staff in the legal, tax and regulatory (LTR) publishing houses that grew to dominate this market.

Over the years these services have expanded - news alerts and newsletters are now delivered online, and some regulatory publishers provide outsourced helpline and consultancy services where they underpin the risks to their clients of potentially failing to comply with regulations.

The purpose of this report is to survey trends and developments in the area of regulatory publishing as they relate to the growing discipline of compliance risk management. The report starts by looking at the traditional regulatory publishing framework, and progresses to the growing focus on compliance risk management.

Official regulatory services

As the regulatory environment has grown more complex, political pressures to relieve some of the burdens, particularly for small and medium-sized enterprises (SMEs), have grown. Governments are under some pressure to enhance their services to the citizen, to simplify, to communicate more effectively and to reduce their own costs of regulation. Governments have responded to this in two ways; by launching "better regulation" initiatives, and by providing their own regulation services.

While publishers are often cynical about the efforts of regulators to provide good regulation services, this report argues that the drive toward better regulation and the advances in publishing technologies are resulting in vastly improved government services. This in turn provides further incentive for regulatory publishers to move up the value chain.

Case studies in this section of the report include:

- Net Regs;
- Financial Services Authority Handbook;
- Business Link;
- Occupational Health and Safety Association;
- National Association of Securities Dealers (NASD).

Traditional regulatory services

Publishers and other service providers have always distinguished themselves by the value they add. For several years, the best of them have been providing steadily enhanced regulatory services. In this section we look at the natural evolution of regulatory publishing from looseleaf rulebooks to a

wider variety of services. As well as traditional publishers, we look at some examples of outsourced client solutions.

Case studies in this section of the report include:

- JJ Keller and Associates;
- GEE;
- Croner;
- National Britannia.

Compliance Risk Management Services

Managing the risks for customers in an increasingly regulated environment has resulted in the development of a much more complex series of services. This section of the report looks at some of the crucial components of developing compliance solutions.

The first of these is the need to control process and documentation within a business – hence our focus on electronic document and record management (EDRMS) solutions to compliance issues.

Related to this are the crucially important developments around “rules engines” which seek to automate, insofar as is possible, the processes within compliance relating to regulations and rulesets.

“Governance” too is becoming a totemic word in the compliance field (or “ethics”), hence the rise of the term Governance and Risk Compliance Management (GRCM). This reflects the need for companies to encourage best practice and learning. As a natural outcrop of this, there is a strong focus on the development of e-learning tools.

Case studies in this section of the report include:

- Logical Apps;
- Ruleburst;
- Compliance 360;
- Compliance University;
- Lipient Regulatory Solutions;
- Complinet.

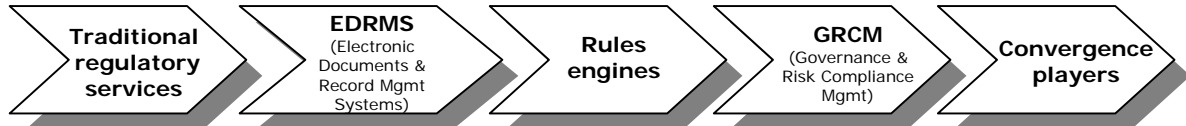
Conclusions

Regulatory publishers have become more sophisticated in their approach to providing compliance solutions around their respective areas of vertical competence. Governments too have moved up the value chain to provide improved services.

But compliance for the modern business and executive has become very complex and subject to many types of liabilities. Workflow systems and technology are fundamental to the disciplines of compliance management. Companies will either provide compliance-related solutions internally suited to their needs, or they will turn to outsourced provision of compliance risk management services.

In either case, those companies which aspire to maintaining their positions and increasing their share of an expanding compliance market, will need to develop more complex solutions for their customers.

This report shows how this market development process is underway, and how a new value chain is evolving (see full value chain model at end of report).



Expert Interviews

- Rick Russell, Head of Business Solutions, Complanet
- Darrell Huntsman, Vice President and Managing Director of LexisNexis USA
- Tim Wahlberg, Vice President of Corporate, Thomson West
- Milan Taylor, Regulatory Business Unit Director, Sweet and Maxwell

1. Introduction

The purpose of this report is to survey trends and developments in the area of regulatory publishing as they relate to the growing discipline of compliance risk management.

Regulatory publishing used to mean rulebooks of Government-derived regulations published in loose-leaf format, with added-value commentaries provided by skilled editorial staff in the legal, tax and regulatory (LTR) publishing houses that grew to dominate this market.

Over the years these services have expanded - news alerts and newsletters are now delivered online, and some regulatory publishers provide outsourced services where they underpin the risks to their clients of potentially failing to comply with regulations.

The last twenty years in particular has seen an enormous growth both in the quantity and complexity of regulations and the risks of failing to comply. A new focus is emerging around “compliance” or “compliance risk management”.

The report explores this emerging market, one that is not yet integrated into designated professional disciplines across enterprises. Compliance as a discipline in its own right is relatively new and is not (yet) chartered as a specific profession – though the growth in the number of compliance training courses and the number of Compliance Officer job positions illustrates how important this function is becoming to businesses.

Compliance here can be defined as the need to adhere to a set of disciplines imposed by governments, corporations or other bodies to a series of legal or best practice requirements. Internal (i.e. corporate-specific) rule sets need to be adhered to as much as external regulations from governments and other legal entities. Indeed, the integration of the two is one of the main motifs of the compliance market.

“Compliance”, as opposed to “regulatory”, which centres on the rules being pushed out, is wholly focussed on the customer experience and what customers need to do to avoid penalties and pain. This movement, away from regulatory product focus to customer solution focus is another motif.

The focus in this report is on government-derived regulations, how the traditional regulatory publishers are evolving their own services, and the market is expanding market by the arrival of new entrants with different capabilities and mindsets.

It focuses on the principle streams of compliance activity as they appear to the author. These are:

- the activities of the regulators themselves;
- traditional regulatory publishing and other services;
- developments in compliance related technologies;
- convergence into new compliance related services.

The report is based on a series of interviews with players in related sectors, and upon the work of the EPS team who, through the *EPS Market Monitor: Legal, Tax and Regulatory Information* regularly survey trends in this area.

However, opinions and mistakes are those of the author and not EPS nor any of the participating government officials, publishers, analysts and software providers who – acknowledged and unacknowledged - were the subject of the research and interviews.

Shane O'Neill
April 2006

2. Official regulatory services

The rising tide of regulation

The perception of increasing government regulation has been a characteristic threnody of the business classes since before and after the time that Gladstone first raised income tax in the UK or Teddy Roosevelt introduced trust-busting legislation in the US.

The need to build the infrastructure of the modern state (public works, health provision, transportation, military capability etc) vastly increased the role and size of the public bureaucracy in the nineteenth century. Harnessing the resources of these societies to enable the conduct of war during the twentieth century developed the role of the state into the predominant economic driver and influence which it has become.

During the past twenty years, the thicket of government regulation has grown even denser, not just in the perception of those who are regulated, but measurably in the torrent of legislation from governments. The chief reasons behind this increase in regulatory activity include developing concerns surrounding:

- the environment;
- public health and safety;
- data protection;
- company social responsibility and financial regularity.

Given the development of supra-national regimes such as the European Community as well as multi-national corporations, this is a trend which is felt throughout the developed world.

The United States

The United States, despite a *laissez faire* business ethos, has always had a rich tradition of state and federal lawmaking. 4,500 new federal regulations are issued on average each year, and in addition there are fifty states issuing their own sets of laws and regulations. In the late 1990s and early 2000s a raft of new compliance regulations came into force, some driven by the unforeseen consequences of modern technology, others driven by the financial scandals of the late 1990s (Enron, for example).

Data security became a huge issue, especially after the merger of very large corporations with customer databases across several sectors. In one infamous example, a citizen's liquor store payment records were used to influence a decision as whether or not he was granted health insurance. What the corporation viewed as an imaginative business use of CRM was not seen as such by the US courts. This and other cases led to the introduction of Health Insurance Portability and Accountability and other regulations such as the Gramm-Leach Billey Act (enforcing protection of bank customer records). Government itself, being the largest organisation and biggest employer, also recognised the need to regulate itself, and passed the Federal Information Security Management Act.

The Sarbanes-Oxley Act of 2002 is without doubt the most significant piece of legislation affecting corporate governance

since Franklin Roosevelt sent Joseph Kennedy in to clean up the SEC in the 1930s. Passed in the wake of the Enron Corporation scandal in 2001, it was the broadest revision to US securities law in seven decades. The principle of Director responsibility and culpability under law has had a devastating effect upon executives' attitude to compliance. And – importantly for this report – it has helped to transform their support for systems and information to help monitor and improve compliance within their organisations.

The political response in the US to 9/11 also had its impact. For example, the US Patriot Act contained provisions to combat money laundering. These regulations were quickly replicated across the G7. Sarbanes-Oxley-type provisions have also been incorporated into European legislation, albeit with local variations, via for example the new UK Companies (Audit, Investigations and Community Enterprise) Act of 2004. The impact of the combination of Sarbanes-Oxley, the Basel Committee on Banking Supervision ("Basel II") and the development of the International Financial Reporting Standards (IFRS) has meant that all substantial businesses are having to comply with new and ever more complex regulations. Significantly, they also have to show that they comply. Furthermore, the potentiality for criminal culpability that now lies upon individual Directors has vastly enhanced the seriousness with which these issues are taken in boardrooms.

The United Kingdom

In the UK, one measure of the rising tide of regulations has been the growth of secondary legislation since the late 1980s. For example, the number of secondary legislation Statutory Instruments (SIs, the principle means of promulgating particular applications of European Directives or Acts of Parliament) has steadily increased from the 2000-2200 per annum figure of the mid-1980s to a consistent 3500+ figure in recent years. This is not the result of New Labour "statism" – the rise in SIs is clearly visible and traceable to the late 1980s and early 1990s. It could be argued that some SIs have become more substantive in their influence as the need to convert and apply generic EC Directives into UK legislation is sometimes borne by the secondary process.

Given the global response, but also the deep and intricate linkages between the world's finance centres, and the multi-national corporations whose shares are traded there, it was inevitable that the growth of regulations in the financial and securities area should be a worldwide phenomenon. A good example is the money laundering provisions enshrined in the UK's Proceeds of Crime Act which implements the EC Directive which followed on from the US Patriot Act.

Rest of the World

We must not be solely occidental in our view within a global economy. Japanese regulations on information security are more onerous than US or European, so Japanese banks in New York and London have adopted BS7799 (a best of breed international standard) because of the requirements of their head offices. Nor must we assume that outside of the regulatory environment of the US and Europe, the duties of

companies might remain less onerous. One finance minister in a country anxious for overseas investment said:

- “Our international regulatory reputation is fast becoming a key factor in the minds of US and other international conglomerates looking to establish business here ... Many of these companies face increased scrutiny at home in respect of their worldwide subsidiaries (e.g. in the US under Sarbanes-Oxley laws) ... Should capital begin to leave due to negative perceptions held by foreign investors, tens of thousands of jobs and our economy are at risk.”

This captures an important theme in the word “reputation”, which will echo throughout this report. Regulations force companies to comply, but also to be seen and to prove that they have complied. Inculcating best practice has an economic imperative – compliance can be expensive – but it also has an ethical and moral dimension. In an era where there is growing recognition of the importance of Corporate and Social Responsibility (CSR), compliance becomes part of the fabric of corporate governance.

The drive to “Better Regulation”

As the regulatory environment has grown more complex, political pressures to relieve some of the burdens, particularly for small and medium-sized enterprises (SMEs), have grown. Governments are under some pressure to enhance their service to the citizen, to simplify, to communicate more effectively and to reduce their own costs of regulation. In Europe in particular, this impetus forms a natural coalescence to the drive to greater harmonisation. In the UK, it also is part of a “transformation of government” agenda by which the Labour Government wishes to harness the power of technology to achieve greater communication between government, businesses, and citizens. In the US, the drivers include a freedom of information culture, combined with the communications benefits of new technologies, which together are enhancing the quality of advice and information served up by the regulators themselves for the organisations being regulated. Whatever the individual political agendas, the result is a qualitative rise in the sophistication of government-derived regulatory services.

Better regulation - The European Union

The regulatory framework in which businesses operate is a key factor of their competitiveness, growth and employment performance. A key objective of the European Union's Enterprise policy is therefore to ensure that the regulatory environment is simple and of high quality. This is why “[better regulation](#)” (the adoptive phrase of the bureaucrats) is a centrepiece of the European Commission's “Partnership for Growth and Jobs” - the renewed ‘Lisbon Strategy’ launched in Spring 2005. The European Commission has taken another step to deliver on its commitment to cut unnecessary red tape and over-regulation - it has presented a three-year programme to simplify the existing thousands of pages of EU legislation adopted since 1957.

Following a broad consultation of Member States and stakeholders, the Commission proposes to repeal, codify, recast or modify 222 basic legislations and over 1,400 related

legal acts in the next three years. The programme, which kicks off with the most heavily regulated sectors, such as cars, waste and construction will be regularly updated. Other sectors such as foodstuffs, cosmetics, pharmaceuticals or services will follow. The Commission also intends to tackle administrative burden, especially for small businesses, by simplifying cumbersome statistics and form filling or by modernizing the customs code to facilitate electronic exchange of information.

The Commission goes out of its way to make it clear however that “better regulation is however not de-regulation” – the intentions are to simplify, harmonise and make regulations easier to understand, particularly through the use of information technology.

Like all such government initiatives, the drive for “better regulation” is a manifestation as much of bottom-up pressure as top-down. Businesses have been complaining about the burden, and regulators are responding to the need to become more efficient regulators.

Better regulation - The UK

In the UK, Government's responses to dealing with the increasing flow of regulations may best be looked at from a central viewpoint and from the perspective of individual regulatory agencies.

Central Government's response is based around two principal and related drivers:

- the need to reduce the administrative burden on business;
- the political imperative to transform the relationship between business and the citizen and government into one of direct and simpler communication (utilising technology).

In 2005 the Government articulated its intentions and committed itself to objectives in both these areas.

Reducing the burden of regulation was the objective set out during 2005 by the [Hampton Report](#). This was commissioned by Chancellor Gordon Brown in the Budget Of 2004 and reported in on Budget day March 2005. Based on the deliberations of the Government's Better Regulation Taskforce, the main thrust of the report is summed up in its full title: “Reducing Administrative Burdens: effective inspection and enforcement”. The new Legislative & Regulatory Reform Bill presently making its way through the UK Parliament is carrying the bulk of its recommendations into law.

The report originates from the concerns at the red tape that hinders the development of small businesses, and the overlapping responsibilities and growing confusion of the various regulatory regimes.

- "...the most worrying aspect of research on the burden of regulation is the extent to which burdens are felt disproportionately in smaller businesses. This is a key concern for Government, as the creation and continuance of smaller businesses is an essential part of productivity growth. Businesses should be able to find out quickly: what regulations apply to them; what those regulations require; and how they can improve compliance beyond minimum standards..."

Hampton Report, 2005

Enshrined in the new Hampton-derived bill is a major re-organisation of the regulatory bodies within the UK Government. But germane to the themes of this report are Hampton's recommendations about regulators' information agenda. Government regulators are to become better at producing clear information about their regulations, often personalised to company or sectoral use, and widely disseminated through leaflets, websites, trade associations and professional advisors. Major IT initiatives are expected around forms – normalising and automating the degree to which business has to fill in myriad and duplicating forms – and there is an aspiration towards a single regulatory database.

These are not just aspirations – the culture of many of the regulatory bodies is a proactive and missionary one. The slogan of the UK's [Healthcare Commission](#) is "to inspect, to inform, to improve", indicating a desire to move well beyond the role of regulator, and using information as a central part of its drive to improve the state of the nation's health. The case studies at the end of this chapter indicate how some regulators are beginning to respond by building more sophisticated regulatory information systems as an aid to better compliance.

Better regulation - The US

The response of the US Federal Government and Agencies to the growth of regulatory burdens has been similar to those seen in the UK and Europe – compounded in the US by size and diversity and the characteristic energy with which the web has been seized as a communications channel. The Federal Government and the SEC are as concerned as the UK Government at the impact of regulation on private enterprise and business. However, US Agencies and their web sites, while active and informative, have perhaps not gone as far as the DTI's Small Business Unit in the UK in providing rules-engine-based services for the SMEs.

The business communities being regulated are unambiguous in their views on the increasing burden of regulations. Quoted companies have had to reconcile themselves to the burdens of the post-Sarbanes-Oxley world while 67% of unquoted companies report that regulatory concerns could derail any plans they have to go public, or merge with any public company (PriceWaterhouseCoopers, January 2006).

In the US, the continued threnody of complaint from businesses post-Sarbanes-Oxley continues apace. PriceWaterhouseCoopers reported in January 2006 that, "CEOs of fast-growing privately held businesses often see regulations as an impediment to profitable growth and view companies that are not subject to certain regulations as having a

competitive advantage over those companies that must comply”.

[The Small Business Paperwork Relief Act of 2002](#) is just one example of legislation as the instrument of easier regulation – in this case, requiring Government itself to make regulation more comprehensible. It requires each government body to publish resources for small businesses on their web sites and to maintain single points of contact and advice lines.

In a Freedom of Information culture and with huge investment in government web systems, there is no shortage of advice and regulatory information. The official Government gateway sites (www.firstgov.gov and www.business.gov) lead users into the world of US regulations. Predominantly information- and forms-based, there is comprehensive listing of regulations by industry subject, by state and (depending on the pro-activity of the particular regulatory agency) there are videos, presentations, indexes and search strategies to find out what applies to your business.

What are regulators doing online?

In the beginning there were the rulebooks – the standard (usually loose-leaf as regulatory change gathered apace) handbooks that guided users through the regulations issued by a particular authority. Sometimes these were published directly by the authority or by the [Government Printing Office](#) in the US or [TSO \(The Stationery Office\)](#) in the UK or by contract with private sector publishers. Government organisations are naturally reticent in adding commentary or advice. Their function has traditionally been to disseminate the regulations, perhaps provided greater access through indexing and latterly through electronic dissemination, but not to go beyond that basic function.

Publishers are often fairly cynical about the efforts of regulators to provide good regulation services. It is the publishers' function to add the value. Regulators after all are responsible only for their own regulatory territory, and government is not always organised in a way that seems logical from a citizen's point of view. Customers need more than what the regulator is obligated to give. Nevertheless, there are signs that this situation is changing, such as the Healthcare Commission's motto (“to inspect, to inform, to improve”) and the drive behind the “better regulation” initiative.

Government information initiatives usually get their funding in spurts – a web site might lie fallow for some years until there is a new political imperative and/or funding (the two do not necessarily always go together). When they do, they are able to take advantage of what to publishers seem like very large amount of funding, in addition to access to the latest technologies. On top of this, regulators and government agencies are unencumbered by the necessity to measure success on a profit and loss basis.

Latterly, some regulators have begun to provide value-added services: expertly-edited content rendered into rules-based systems, with no economic imperative to make a return on sales, and provided free to the end user. The UK Government's [Business Link](#) service may be the most ambitious

manifestation of this impulse. By comparison, in the US the [official government site](#) very quickly takes the user into the individual regulatory body sites. It does it well and interestingly, but there is not the same ambitious attempt to see the world of regulation holistically from the point of the view of the business, to establish a direct communication with them, and, ultimately, to integrate and simplify form-filling, data collection and input, and compliance simplicity from the business and citizen point of view.

Later in this report, we shall hear much about the importance of the latest rules engine technologies in rendering regulations easier to understand (and thus compliance easier). Is this deployed on regulatory publishers' web sites or on those of the regulators? One interesting example is the [Employment Status Indicator tool](#) on the UK's HM Revenues & Customs new web site - behind that lies rules technology which not only parses the regulations in natural language, but uses an inferencing tool to deduce advice from a repository of regulatory information which is 80% case law as well as 20% legislation.

Provided free-of-charge, well-funded, and driven by policy agendas as described above, the best of these regulatory body web sites may be powerful dislocational factors in the economies of the traditional regulatory publisher.

Case Studies

The following case studies represent the first post-dot.com wave of Government investment in web sites for business and the citizen, and were built between 2001 and 2005.

NetRegs

The three environmental regulators of England & Wales, Scotland and Northern Ireland provide the NetRegs service. It is designed "...to provide, for businesses across the UK, the one universally recognised and trusted source of guidance on compliance with UK environmental legislation, in order to improve their environmental behaviour."

NetRegs' particular focus has been SMEs who are generally unaware of the regulations that affect them and yet who between them are responsible for a significant proportion of the UK's pollution. Over 95% of businesses are not directly inspected, and are generally ignorant of the environmental legislation that applies to them. A specially commissioned survey of SMEs in 2003 found that:

- 94% were unaware of the impact they have on the environment;
- 82% could not name any environmental legislation;
- 69% did not have an environmental policy; and
- 33% cited the web as their preferred way to receive further information on the environment.

Compliance Support

NetRegs is designed for SMEs. However, in reality all sizes of businesses use the service. The content is relevant for larger businesses, and many large businesses' activities are divided among smaller sites that effectively operate as SMEs. The modern day manager in all sizes of business is too busy and welcomes clear, concise and reliable advice delivered swiftly from an authoritative source they can trust. The regulations are heavily edited in-house, and guidelines are produced in easy-to-understand non-legal language, accessible by specific categories and supplemented by glossaries. Guideline information, direct access to the regulations and legislation, news and alerts are all part of the service.

NetRegs cont.

Commentary:

NetRegs is an early example of the move within the UK Government to add more value rather than simply making the regulations available. If regulations are not understood, then there is little chance of widespread best practice, and the regulator only has recourse to the big stick of regulatory penalty. Already a useful tool, a next generation of NetRegs is in preparation, which will include powerful personalisation and rules-engine-based tools. It will become a prime source of environment related regulatory advice and reference at the expense of established paid-for services.

Financial Services Authority Handbook

The FSA is the UK's principle regulator of financial institutions and fulfils the same function as the NASD in the US. It provides an 8,500 page Handbook published in loose-leaf format plus CD-ROM and online. Two years ago the FSA replaced its editorial management system with a new generation system to provide more flexibility, and the scalability and accessibility that was needed. This system would become the base of the production and maintenance of its regulatory database for the next generation and a fundamental part of its compliance services support to members.

Compliance Services:

In particular, the FSA was concerned that members were being buried in the detail of the compliance information they provided and were unable to react quickly enough both to existing regulations and to regulations coming further down the line, but which presented a great deal of exposure to them. They were determined to see what best practice was and to implement a new system. Top of the priority list in terms of new features was the ability of members to personalise the service to their own particular industry requirements, and the ability to travel back and forwards in time to enable members to properly plan their compliance.

Thomson's GEE won the ITT and arranged for the complete transformation of the XML feed from their in-house system, its re-keying in India and the development of the information architecture, tagging tools, classification and style sheets. GEE now provides a complete hosting and software production services, using tools and technologies which they have developed for their compliance business and have adapted to the needs of the FSA.

One key feature of the new Handbook is the ability of the user to be able to tailor the regulations to their own bespoke industry needs, even to their own company needs over time. The ability to timetable forwards and spot what's coming, and to keep a watch on what's relevant through e-mails alerts means that the FSA feels confident that there is little excuse for companies failing to plan their compliance in the light of new forthcoming regulations.

Commentary:

This example demonstrates the determination of a modern regulator to use best-of-breed technology and experience from outside to produce what they hope is a state-of-the-art means of accessing complex regulation and alerting members to the impact of future regulations. A regulator is not in a position to develop a full range of value-added commercial tools, but as an improved guide to the regulations, with access and proactive alerting tools, the FSA site is symptomatic of the improvement of regulatory web sites as they implement the spirit of "Better Regulation" with improved tools.

Business Link

Business Link, which began under the Department of Trade and Industry's Small Business Unit, is central both to better regulation and the transformation of UK Government. Predating Hampton and Transformational Government policy announcements by some years, Business Link was the first portal to attempt to provide useful business information, particularly to SMEs, without the requirement of understanding how Government is organised. It is a flagship initiative of the "better regulation" policy and of the UK Government's "transformation" project to communicate more clearly with citizen and business.

Compliance Services

In the first place, Business Link integrates information across Government departmental boundaries. It has in fact the only integrated licensing and permitting database in central government. To date, Business Link contains 5000 pages of flat information and 10-13,000 pages of directory information (such as grants and local addresses for contact). Its information is subject to rigorous twice-yearly updating processes, and it employs editorial experts at a commercial regulatory publisher to edit and provide copy as overspill sub-contractors. The editorial added value stops short of risk judgements or consideration of legal precedent, but it is reliable, accurate and up to date.

The Business Link service aims to cover over 450 different business sectors, and while originally focussed on SMEs has found that usage is across the board in industry. Any organisation can access the site, and easily find out what is relevant to their industry and their company size via a user-friendly front-end. Sophisticated rules-engine technology takes users through a series of binary questions to yield unambiguous results and then links to relevant forms and authorisations processes. The information is derived from regulatory repositories parsed by rules engines whose inference tools can interpolate case law as well as legislation.

Commentary

The Business Link service is a fairly unique example of government seeing regulations from the point of the user, rather than from the point of the regulatory body (few businesses know the precise differences between the remits of different Government Agencies). Commercial organisations will also be envious of the budgets attached to such an ambitious project without any commercial measurement of return. The ambition of the project, its use of leading rules engine software to parse the regulations and render them easy to understand (and easy to update) represents a significant advance in government's efforts to present regulatory information to business users. Business Link offers its services across government in the UK, and there are indications that several of the new wave regulation information services will leverage their investment and skills.

Occupational Safety & Health Administration (OSHA)

OSHA, part of the US Department of Labor, aims to assure the safety and health of America's workers by:

- setting and enforcing standards;
- providing training, outreach, and education;
- establishing partnerships;
- and encouraging continual improvement in workplace safety and health.

Compliance Services

OSHA provides the regulations, standards, guideline advice, forms and other reference material. Its regulations (849 "dockets" or master sets) are organised in easy-to-view folders with indexes by topic and industry sub-segment. Forms are provided in addition to contextualised e-tools that allow users access to very direct and granular points of interest and concern using point-and-click drill-down menus. Presented graphically, these are a step up from the command and words based turgidity of many government sites.

OSHA cont.

Stand-alone, interactive, web-based training tools on occupational safety and health topics are also on offer. They are highly illustrated and utilize graphical menus. Some also use expert system modules, which enable the user to answer questions, and receive reliable advice on how OSHA regulations apply to their work site. Further expert system modules are available for download.

Commentary

Like the overall [US Government site](#), the OSHA site reflects the freedom of information culture: masses of information, well indexed by department, with information available for those prepared to drill down hard enough. Its expert systems are an advance on many other departments, though they are really training and information videos backed up with reference material and further links. Like the UK however, all of these US Government sites will achieve new wave investment over time and their help to business regulatory compliance will get more sophisticated.

National Association of Securities Dealers (NASD)

Licensed by the Federal Government to supervise the activities of almost every securities firm in the USA, NASD is one of the largest and most technologically sophisticated providers of regulatory services in the world. NASD licenses individuals and admits firms to the industry, writes rules to govern their behaviour, examines them for regulatory compliance and disciplines those who fail to comply. It oversees and regulates trading in equities, corporate bonds, securities futures and options, and provides education and qualification examinations to industry professionals while supporting securities firms in their compliance activities. NASD also operates the largest securities dispute resolution forum in the world, processing over 8,000 arbitrations and 1,000 mediations each year. In the areas of financial compliance, particularly around the sensitive areas of money laundering, the responsibility for providing compliance advice rests with the NASD.

Compliance Services

NASD provides news and investor alerts, a miscellany of regulatory reference materials and of course its growing handbook of regulations. Like the FSA in the UK, NASD has used the technology platform and compliance publishing skills of a regulatory publisher (in this case Complinet) for its new handbook of rules and regulations. This is a good example of a regulator attempting to render regulations more transparent, and provide tools and access to rapidly changing regulations. Another agreement, perhaps not coincidentally with the same provider, will extend its client screening directory information internationally. A select programme of continuing education courses plus a full programme of web cast seminars on subject of critical interest are part of the support mix.

Commentary

Though perhaps not as ambitious as its UK counterpart in terms of a dynamic (e.g. forward time tunnelling) handbook, NASD's developments along the lines of client screening support illustrate a growth in the value-add to their members.

3. Traditional regulatory services

Compliance information publishing has its roots in rulebook provision and guides to the regulations. Publishers have always defined themselves by the value that they add. While many have been glad over the years to be the regulators' publisher, the experience of the converted Government printers such as TSO has shown how difficult it is to add publishing value when you are restricted so much by the obligations and culture of acting on behalf of the regulators themselves. Publishing has therefore had to develop its own service values and a traditional mix of rulebooks with expert annotations, newsletters with added value advice, forms and best practice advice are the result of this.

The very large regulatory publishers tend to use the term "regulatory" to describe their portfolios outside of the large legal and tax markets. Regulations cover more than legislation – in fact, as we shall discover, regulations cover not just primary and secondary legislation, but tertiary mandates from professional bodies and, in its widest sense, the internal rule sets of corporation and best practice in industries. But in the sense of regulatory publishing, we use it here in the way it is understood by the legal, tax and regulatory ("LTR") publishing community.

The UK regulatory publishing market

The UK information market is dominated by three players in the principal legal areas of risk exposure (health & safety, employment law etc):

- [Croner](#) (Wolters Kluwer)
- [GEE](#) (Thomson)
- [LexisNexis](#) (Reed Elsevier).

[Pendragon](#) (Wilmington PLC) is dominant in the specialist pensions area while [Barbour Index](#) (United Business Media), [IHS](#) and [PJB Publications](#) (Informa) extend their information services provision into compliance services in specialist areas including construction, engineering and pharmaceuticals. The UK regulatory information market, if you total the regulatory publishing revenues of these companies, can therefore be valued at around £150m p.a.

The US regulatory publishing market

In the US, [LexisNexis](#) and [Thomson Legal & Regulatory](#), the largest legal publishers, have huge research database and practice management businesses, and specialist regulatory activity is less proportionately of their activities. [Wolters Kluwer](#) through its CCH and Aspen brands (now combined, along with Loislaw and Kluwer Law International, into Wolters Kluwer Law & Business) has a rich tradition of regulatory publishing. However, the purview of this report should not be confined to legal, tax and regulatory offerings: perspective. [Thomson Scientific](#) has large regulatory holdings in the life sciences (Liquent Regulatory Solutions has revenues of more than \$130m). There are also vertical specialists in the transportation and health and safety areas - [JJ Keller](#), for example, has revenues of well over \$100m. Add other vertical

specialists plus outsourcing services and the market size climbs dramatically.

To this we must add the explosion of compliance information portals that have grown up on the web as a result of the financial and securities markets' compliance growth. This report does not seek to enumerate all of these. One example in the UK is Complianceonline.co.uk, which is a portal for the financial services industry. It provides a typical mix of news and alerts, regulatory information from the FSA Handbook and other sources, and training, consultancy and outsourcing options through key strategic partnerships. Another is Complinet, whom we shall profile (because of its success and scale) in the penultimate section of this report as the exemplification of one of our key themes.

Looking ahead

The major legal publishers, when they entered these markets (usually by acquisition of strong regulatory brands) were able to add their access to deeper legal repositories that they make much of in their literature. Regulatory publishing, however, has never been about legal complexity, but has focused instead on practical advice, hence the importance of the rules engine approach and the importance of outsourcing solutions – especially for smaller enterprises without recourse to experts in-house or on the corporate payroll. These require sound regulatory advice and practical input into how they apply their procedures within their daily workflow.

Seen with a wider lens, the compliance information and services market is much bigger than the above quoted size of the information providers. Other players have emerged in the 1980s and 1990s to provide holistic risk management services not only for SMEs but for quoted companies as well. What was once the feeding ground of the insurance companies and law firms, is ground now populated by focussed outsource providers who manage the risk on behalf of their clients. The following case studies of publishers' developments show how they are heading in that direction.

Case Studies

These case studies look at how traditional players have approached regulatory and compliance support. The first of our case study companies has as its mission statement:

- "JJ Keller delivers cost-effective, experienced-based solutions that help companies manage risk and liability, stay on top of government regulations, and implement best practice".

It is a good definition of the modern compliance publisher.

JJ Keller & Associates

US-based JJ Keller & Associates has been a leader in the transportation and construction industries for decades. Founded in 1953 and now with turnover of well over \$100m, JJ Keller has expanded from its original base to cover large areas of compliance management such as Health & Safety, Food Management and Human Resources. The mix of products and services is very typical of the modern compliance publisher.

Compliance Services

Regulations are monitored and kept up to date by specialist staff with connections into the US government agencies responsible for regulations. News and information databases are developed that both keep clients up to date and act as resource banks for more difficult areas of regulatory interpretation and advice. Electronic access is provided to all material, vastly enhanced by the company's investment in its information architecture. A natural corollary is the provision of all the relevant forms required to comply with specific regulations, and checklist tools to ensure that clients have confidence that they are following compliance approved pathways.

Good compliance requires good record keeping, and therefore a specialist records management competency is integral to the modern compliance publisher. Training is therefore a logical development and JJ Keller provides a full range of video, software and online compliance training tools. One of the most recent products launches is of a set of expert software tools designed to automate the processes of compliance review and risk assessment. Consultancy and selective outsourcing compliance services are also natural extensions of the service offering. Parts of the regulatory related activities are offered as productised outsourcing services e.g. driver qualification file management services, fuel tax management and reporting, title registration management service, drug and alcohol testing programmes.

Commentary

In a sense, JJ Keller represents the full cycle of the growth of the compliance publisher – from its beginnings in 1953, providing regulatory rules advice to motor transportation industry, to today, as it provides a wide variety of compliance-related services to an expanded number of related vertical markets. The company's range of services represents a natural pathway for a committed market-focussed compliance player.

GEE

GEE, which Thomson's Sweet & Maxwell acquired in 2001, has been in the business of providing regulatory information for over a century. It provides services in its core areas of human resources, health & safety, environment, payroll, tax and accounting to over 10,000 customers in the UK. Its vertical markets are wide but they have a particular focus (not unnatural for a compliance publisher) on public sector bodies (police, local government, National Health Service).

Compliance Services

GEE's basic service offerings include guides to the legislation (case law) and regulations, best practice advice, and personalised news alerts. These have been extended to providing forms and document building facilities, compliance auditing on request, consultancy and tailored training, and a 24X7 online and telephone advice line, underpinned by (carefully circumscribed) indemnities and insurance. A recently announced (2005) strategic partnership with Microsoft to integrate GEE's data and forms into the Microsoft Research Library (right click on a word to access contextualised information and/or a relevant form) is an indication of where the company is heading with its toolsets. Further evidence of growing technical ability, achieved through the integration into a corporation such as Thomson, is demonstrated by GEE winning the 2004 contract to build the new FSA rules handbook on the web, with its time-tunnel forward and other facilities. However, this ought to be seen not just as evidence of technical ability but of a cultural ability to engage with government, to win tenders and to manage clients - the Small Business service also uses GEE for a significant proportion of its overspill editorial services.

GEE cont.

Commentary

Here we can see a regulatory and compliance publisher on its way up the value chain in the same way as JJ Keller in the US. There is vertical concentration on larger public sector accounts along with an unusual ability for a publisher to engage successfully with government (e.g. GEE's provision of editorial services to the important Business Link service). This is combined with the ability to leverage the corporate firepower of its parent, demonstrated by winning the FSA new handbook system contract. That corporate leverage will be most apparent if and when GEE moves into more sophisticated areas of rules engine provision and workflow management via acquisition.

Croner

In the UK, Croner (now part of Wolters Kluwer) began publishing in 1942 with its Reference Book for Exporters. Today it is one of the most developed regulatory publishers (number one by turnover in the UK) with a range of compliance related services and solutions principally in the HR, Health & Safety and Environment areas.

Compliance Services:

Though loose-leaf rulebooks and newsletter updates remain core to the business (albeit in a web-delivered format), the company has been innovatively widening its range of services just like its competitor GEE. Consultancy, training (delivered through partner company Hawksmere), 24-hour help lines, and insurance underpinning to their advice services all form part of the mix of services. Self-contained records management and forms assistance as well as training seminars and tutorials are provided in software downloads. More recently, the launch of *My Croner* provides customers with an ASP service that can be customised to their working practices and look and feel. It can also be developed as a tool that integrates both externally derived regulations and in-house processes and best practice.

Commentary

Croner shares many of the characteristics of its competitor GEE. However, it has a stronger position among SMEs, and is perhaps further along the road in developing personalised tools for companies to blend their own internal rule sets with externally derived regulations and best practice guidance. Croner also has been innovative in pursuing the consultancy and training routes. However, the company faces a similar situation in trying to move out from a publishing heritage. Leveraging corporate assets to create focussed technology-led services can have a double-edged effect – leaving the business reliant on corporate tools rather than best-of-breed technology.

Developing a truly customer-focussed and responsive services environment will be a challenge for all publishers, as they increasingly compete with service-led cultures built around the customer. However Wolters Kluwer's corporate firepower and growing interest in compliance related services – illustrated in one of our later case studies – should mean that Croner too, like GEE, ought to become the beneficiary of the growth of compliance risk services.

National Britannia

The National Britannia Group is one of the UK's largest specialists in the management of safety, health and environmental risks. The company offers nationwide coverage to thousands of clients across all sectors to manage a wide diversity of risks, including health & safety, food safety, water quality, the environment, occupational health, fire safety and asbestos.

Compliance Services:

These fall into four main categories, of which information provision is just one:

- Specialist regulatory advice information along with best practice guidance, presented not in published form but in the form of 24 hour helplines and a support desk;
- Assessment of enterprise risk and consultancy services;
- Training of staff in risk management techniques;
- Management systems designed to minimise risk in specialist areas.

Acting on behalf of the Health & Safety Executive (for whom LexisNexis act as "publisher") National Britannia maintains the HSE Infoline service and its Incident Contact Centre.

Commentary

National Britannia is one example of a company – Peninsula is another – which since the early 1990s has moved into a space that the traditional insurance and legal worlds had dominated. By packaging up the variety of risk assurance needs attractive for many PLCs (Public Limited Companies) and hundreds of SMEs, it has effectively provided an outsourced risk management solution in specialist areas. This has been able to be done swiftly and successfully because the starting point was always how to resolve the customer's problems - solutions were designed around that rather than around the company's heritage. Developing this culture of client engagement and customer focus will be one of the challenges for traditional regulatory publishers who are extending their services in this direction.

4. Compliance risk management services

A number of related factors have come together to revolutionise the provision of compliance services as they developed in the 1980s and 1990s. In no particular order, these were:

- the increase in regulations and of the liabilities inherent in non-compliance;
- the growing importance of best practice and ethical governance;
- the impact of the web; and
- the development of new rules engine and workflow technologies.

The principal subversive impact of the network upon traditional publishing business models is the ability it gives the user to construct their own view of the universe. Formerly, we referred to loose-leaf reference books, we consulted our internal procedure manuals, we went on training courses, and we designed internal workflow processes to achieve constituency and compliance in our operations. Now, we can interact with colleagues and the world in real-time at our desktop. Smart tools can achieve many of our objectives and we expect that services be designed to our needs – that is, that they are integrated into functional business “solutions”.

This section of the report looks at how document and workflow system developments and technology developments around rules engines and e-learning are beginning to transform the enterprise’s experience of compliance solutions. It looks at three crucial components of the developing compliance solution:

- electronic document and record management systems (EDRMS);
- the development of “rules engines”; and
- the increased exploitation of e-learning tools within a compliance environment.

Electronic Document & Records Management Systems (EDRMS)

All of the large Electronic Document and Records Management Solutions provide tools and customisable capabilities that are fundamental to good compliance management. At its heart, good compliance practice requires data capture, archiving, search, workflow and collaborative networking components. Compliance being such a topical issue, it provides a good hook with which to market these basic utilities and the magic words “compliance” and “risk management” appear in most of the large Content Management System (CMS) or Electronic Document and Records Management System (EDRMS) company brochures and web sites. Some companies have gone further than this either in providing specific compliance modules or acquiring compliance related services and companies in order to take advantage of this growing market.

Almost all the companies in this space are developing bespoke variants of their core offering with added value compliance related features. Some of them are incorporating into their offerings “rules engine” technology to enhance the intelligent

way their systems manage internal and externally derived rule sets.

Stellent

[Stellent](#), one of the largest content management systems providers, has produced the [Stellent Sarbanes-Oxley Solution](#) (a product enhancement resulting out of the acquisition of the eOneHundredGroup in 2005), a quickly deployed web solution which allows certifying officers and external auditors to maintain a high level of confidence with regards to their organization's internal control structure and procedures for financial reporting. Section 404 of the Sarbanes-Oxley Act requires the documentation and testing of every key process and key control within an organization. As a result, the number of process diagrams, control descriptions, test documents, control matrices and remediation plans can quickly grow into the tens of thousands. Stellent's solution enables companies to fulfil this "SOX" requirement.

Diagonal Solutions

Another good example is [Diagonal Solutions](#), a UK-based records management company established in 1968. Its new [Wisdom Compliance Console](#) helps organisations manage documents in line with regulatory requirements by providing plug-ins specific to particular regulatory requires (FOI, Data Protection Act etc). The development of these plug-ins requires knowledge of the regulations and of how they impact on working practice. This shows how traditional information publishing skills are beginning to merge with the needs of the workflow provider and how information is being placed into the context of the user's workflow – the nirvana of "what you need, when you need it".

Rules Engine-based solutions

At its simplest, a rules engine is a software system that manages business rules. These rules can be what the business defines itself in terms of its own regulations for employees; it can be what the law defines (regulations), or it can be a combination of both. Rules range from the simple to the ascendingly more difficult (but same in principle) – for example: "If the level of expense is over £100, then refer authorisation to X".

Rules-based applications do not need to be as binary or one dimensional as the example quoted above. Business decisions may be inferred from the answers to many different variables, and actions can be taken based on triggered trends in transactional data (stock price movements, inventory or sales movements). Advances in natural language programming mean that the logic or rule from a company's procedure manual, or a government regulation, or a stated commercial sales objective, can be rendered more easily into programming language.

Separating the business logic from the programming logic is fundamental to rules engines – rules often change more quickly than the rest of the application code. Thus instead of the DATA-SOFTWARE paradigm, we have DATA-RULES-SOFTWARE where the RULES can dynamically react to data input and

change and enact different outcomes. Since the rules themselves can be parsed in natural language, efficiency and speed of response become characteristic.

But the principle driver, as well as saving costs, has been that rules-based systems establish control and help to minimise risk to an enterprise. Within the financial trading world, complex systems combine information about transactions, workflow and processing, business rules, and user interfaces to manage huge volumes of dynamic data within very complex rule sets.

The application of rules-based solutions to the compliance area is a very logical business extension. Regulations are by their very nature rules more (though not completely) susceptible to binary interpretation than law, with its reliance on case history, precedents and interpretation. Regulations have become very complex and difficult to manage manually. Companies need to remove risk, but to reduce costs they must automate processes – this is the driver behind the rules engine and its fundamental importance to compliance and regulation within a networked world.

Many companies claim to have “rules engines”, though only those that have true natural language parsing and inference engine capabilities should really be classed as such. Companies dominating the specific rules engine market are Computer Associates, Fair Isaac and ILOG, companies with \$200m annual turnover in rules-based software sales (\$40-50m each). A second wave of innovators follows: Corticon, Pegasystems, Gemsym, and Haley among them (\$15-20m each) with a host of emergent players. The sleeping giant (as ever) is Microsoft, who alone of the major platform vendors provides a business rules engine, though Oracle has announced its intention to launch one. There are also myriad niche players, utilising rules engine and adapted workflow tools to solve particular business issues in particular sectors.

The whole area of compliance management is fast growing. It is an obvious opportunity for the large EDRMS providers to extend the range of their services and leverage their existing market positions. And if they need to buy some rules engine software companies, or specialist niche vertical sector compliance start-ups, they will do so to consolidate their grip at the top end of the market. A straw in the wind was FileNet's acquisition of rules engine provider Yaletown in October 2005.

The trend towards Governance & Risk Compliance Management (GRCM)

One of the trends to emerge is the movement towards enterprise compliance management. Larger organisations are particularly exposed in terms of corporate responsibility - they are more likely to be operating over several vertical communities, several geographies and with their own legacy content management systems and processes.

The bigger of the start-ups are therefore moving towards enterprise compliance management, where they handle the whole cycle of compliance management across an enterprise entirely from a compliance responsibility point of view.

Companies such as [Compliance 360](#) in Alpharetta, Georgia specialise in streamlining the processes around compliance. Its product offering centres on creating a centralised repository of regulations, combining external rules plus internal rules (easy to change, easy to version), assessment regimes, gap and risk analytical tools, remedial workflow, audit trails and archiving – this is a standard suite covering the life cycle of compliance management end-to-end. Similarly, [Amadeus International](#) offers what it claims to be integrated enterprise-wide compliance workflow tools and repositories that integrate legacy systems and provide failsafe workflow environment for the modern corporation.

Interwoven with enterprise compliance is the notion of corporate best practice and governance (hence the “G” in the increasingly used acronym GRCM – Governance & Risk Compliance Management). Ethical compliance is deeply embedded in the vocabulary of this area and companies such as [Corpedia](#) and [Integrity Interactive](#) are leaders in training corporations in ethical and compliance best practice. This training naturally takes the form of e-learning development.

E-Learning providers

Training has always been part of the mix for many compliance services providers. The opportunity to deliver learning modules over the network and the ancillary benefits of analysis and enhanced capabilities has led to an explosion in the number of e-learning companies. Add the growth in demand for compliance support – and particularly the need in compliance to demonstrate and record best practice and to assess and record knowledge and practice among staff – and it is no surprise that compliance e-learning is a hot topic among e-learning companies.

A good example here is [eMind](#) (part of the Washington Post-owned Kaplan Professional group), which produces over 500 courses aimed at the financial industries and also offers compliance workflow software. An obvious development is to start to wrap interactive e-learning solutions around that positioning. [Corpedia](#), a privately owned developer of e-learning courseware in association with the Practising Law Institute in the US, is customising compliance training programmes to the needs of particular corporate clients. [Integrity Interactive](#) offers more than 245 ethics and compliance topics organized in 42 comprehensive course units. [Complianceonline.co.uk](#) also has e-learning tools among its principal compliance offerings.

The opportunity to use e-learning to improve best practice and staff skills in the area of greatest exposure, and greatest market potential, has not been lost on one of the largest global regulatory publishers, as we shall see in one of the following case studies.

Converging solutions

The extent of compliance – how measured, to what degree of risk assurance, to which set of externally or internally derived rules, disciplines and best practice – will range widely between different sectors and different companies. As we have seen, it goes beyond the minimum of government regulations and

enterprise systems to best practice, ethical governance and continuous improvement and training of staff.

Compliance risk management, as the discipline is beginning to be called, involves many disciplines and access to many services that, in their heritage, are very different. Regulatory provision by governments, regulatory information provision by publishers, document management systems and repositories, workflow tools, training, and outsourcing – all these services were provided by separate organisations with different skill sets.

Case Studies

In these case studies we profile LogicalApps, a company that has built its business around the area of compliance workflow and the checks and controls mechanisms needed to make compliance work within the existing systems of a large enterprise. We also look at one of the leading rules engine companies, Ruleburst, and a start-up enterprise-wide compliance risk management player (Compliance 360). Finally, we illustrate the growth of e-learning applications within the field of compliance and risk management with a look at Compliance University Online Learning,

Our final two case studies are intended to illustrate the theme of convergence. Now users and enterprises are being presented with offerings that integrate these services into a single compliance solution for their business. The case studies will illustrate this by looking at two very different companies in two different sectors – Liquent and Complinet. The Liquent case study illustrates how such convergence is not new in a mature compliance vertical (the pharmaceutical and healthcare sector) much preceding the era of Sarbanes-Oxley. The Complinet case study profiles a company which was borne out of the financial scandals of the 1990s and which has made compliance risk management its leitmotif and mixed its skill sets and offerings around that single theme.

LogicalApps

LogicalApps was founded in 2000 with the goal of providing increased integrity, productivity and efficiency to customers running Oracle application environments. It aims to bring embedded governance to the ERP (Enterprise Resource Planning) world through its advanced technology for real-time monitoring, detection, prevention and reporting of financial and operational risk within an organization's ERP software. Its business rules-driven software solutions allow organizations to document and enforce their regulatory controls and business policies without the complexity, cost and ongoing maintenance headaches of manual controls or application customisation. LogicalApps is a privately-held company with headquarters in Irvine, CA. and sales offices and channel partners nationwide.

LogicalApps cont.

Compliance Services

ACTIVE Governance, the latest solution from LogicalApps, is an integrated platform for risk documentation and internal controls automation for ERP applications. ACTIVE Governance provides both historical reporting and real-time, embedded controls for enforcing regulatory mandates such as Sarbanes-Oxley, which requires strict controls over the production of financial statements, and OMB A-123, which provides uniform information resources management policies for the public sector. It includes capabilities for managing segregation of duties, user access privileges, data change control, transaction monitoring and automation of key financial processes with a complete audit trail.

Commentary

LogicalApps is typical of the new start enterprise software companies that have grown up to address the issues of compliance risk post-SOX and its related regulatory changes. It represents that move to overall enterprise risk management, with add-in systems which integrate with large companies' existing ERP software. It focuses on the processes and procedures around compliance management.

Ruleburst

Ruleburst (formerly Softlaw)'s origins lie in the public sector legal environs of Australia. Ruleburst developed its rules engine initially from working in areas such as social security (rules to qualify benefits claimants), human resources and retirement benefits. Now with \$13m Australian turnover and over 100 staff, it has extended its activities into the UK (and latterly US) by securing a number of government contracts in similar areas.

Compliance Services

Ruleburst provides the tools to convert regulatory content into proactive rule sets and workflows. The key virtues of rules engine technologies (separation of rules logic from programming, rules expression in natural language and captured in Word, an inferencing engine which captures complex material such as case law) are exemplified and render, it is claimed, swifter implementation and more flexible amendment than previous rules engine systems.

Commentary

Ruleburst is a natural technology development to regulatory compliance support systems. Its own corporate ambitions are to move further up the GRCM (Governance Risk and Compliance Management) value chain. The company's acquisition of Australian Oasis testifies to that ambition, and gives Ruleburst access to a suite of compliance workflow management tools allied to its impressive rules engine core. Ruleburst has secured the rules engine contract with Business Link (see page 12) which may turn out to be a very significant development in UK regulatory services.

Compliance 360

Compliance 360, based in Atlanta, Georgia, was founded in the late 1990s to address issues around compliance management in the healthcare industry. Servicing healthcare, IT management and financial services principally, it provides information, workflow and document management systems to help enterprises manage their increasingly complex compliance needs.

Compliance Services

Compliance 360 provides the full gamut of policy documentation and life cycle management (regulatory data, forms repository, internal procedures library with version controls, updating facilities, access controls, repository, and audit trails) to ensure compliance across an organisation. Its suite of tools is directed for that end alone, and it contains specialist modules enabling executives to track incidents and record the processes and action taken to ensure compliance.

Compliance 360 cont.

Commentary

Compliance 360 is typical of a company in the late 1990s developing to take advantage of the growth in compliance services. It is principally concerned with managing the processes of enterprise compliance and does not see itself as an information provider as such. This is clear from its recent partnership announcement with LexisNexis through which Compliance 360 customers will have access within Compliance 360 modules to LexisNexis information and news. The ability to deliver LexisNexis's depth of information resources directly into the compliance workflow of customers is a harbinger of things to come – plus a sign that information and software tools providers may need to combine to deliver the solutions that customers may demand in the future.

Compliance University

Wolters Kluwer Financial Services' announcement, in early 2006, of the launch of Compliance University Online is based on a combination of CCH's knowledge assets and market position (enshrined in the Financial Services bankers' brand) and Wolters Kluwer's Berlin-based Digital Spirit e-learning technology.

Compliance Services

CCH Wall Street's range of compliance information services includes all the news and regulatory content and value added services that you would expect from a distinguished regulatory publisher. Compliance University currently offers 160 courses to banks and 158 courses to credit unions; nearly 100 additional compliance and operational courses are to be added in the next eighteen months. All fully SCORM-compliant, these courses are designed to educate employees about the changing regulatory environment and to enshrine measured improvement as part of customers' ongoing compliance programmes.

Commentary

Compliance University Online Learning exemplifies the clear opportunity and link between the responsibility to inculcate best practice and the facilities offered by network e-learning tools. Wolters Kluwer has also demonstrated clear intra-corporate leverage, and illustrated how these large corporations with clear determination to extend its share of target market spend in need to know areas, are prepared to extend the range of their service offerings.

Liquent Regulatory Solutions

Liquent Regulatory Solutions, headquartered in Horsham, Pennsylvania, is a mature (\$100m plus) regulatory services provider in the life sciences market, providing a complete suite of document management and archiving, compliance audit trails, consulting, training and intelligence to its customers. Thomson Scientific acquired Liquent (as part of its acquisition of IHI) in June 2004 for \$441m; revenues in 2003 were \$81m.

Compliance Services

Companies involved in the life sciences and pharmaceutical areas conform not just to strict regulatory compliance; detailed and onerous submission and audit criteria mean that managing the documents, the workflow and informing activities with up-to-date knowledge of the regulatory environment is a critical business activity. Begun in 1994 and developed into an international company via a series of acquisitions, the Liquent offering is the full life-cycle management of the compliance process for these specialist areas. Document and workflow management services are available to manage the entire regulatory submissions cycle, alongside tools to ensure that risk is minimised and compliance checked out, a vast range of regulatory information (34,000 documents) integrated into their IDRAC international database, access to least specialist news and best practice advice, as well as a range of professional services such as consultancy and training.

Liquent cont.

Commentary

Companies in the healthcare and pharmaceutical industries (and in food production and other such areas) have been coping for decades with the degree of compliance rigour that regulatory authorities are now expecting of financial institutions and all large enterprises. In a sense, Liquent represents the full maturation of that nirvana aspired to by the three largest regulatory publishers and others – a fully integrated information and workflow management service embedded into the workflow of professionals within an attractive international market segment. Beginning as a regulatory submissions process company, it added further information databases by the acquisition of the IDRAC portfolio of international regulatory information in 2002.

Complinet

Complinet was founded in 1997 and has offices in New York and London (and lately Dubai). Founded by an ex-compliance manager at Barings, the company has its roots in the financial concerns of the late 1990s and the opportunities afforded by new web technologies. With revenues now of £10m, and over 150 employees, it represents one of the most developed examples of focussed and integrated compliance services.

Compliance Services

Complinet represents a business focussed on its market, and building the necessary technology and knowledge skill sets bespoke to its market solutions. Its news and reference-based services represent a considerable archive, augmented by internal content and analysis from companies about financial and securities compliance issues (money laundering, crime, best practice etc). Its sophisticated rules engine and database, developed on the back of its association with the FSA, is at the heart of its services – and also now used by the NASD rules database in the US. Complinet runs conferences, seminars and training modules, and has introduced online assessment tools as a first step to more fully fledged e-learning services. Client screening tools are augmented by strategic partnerships with Factiva and NAQSD (which produces information on international firms for NASD), while a Business Solutions group is tasked with integrating its offering into the internal environments of clients – the holy grail of integrating regulatory best practice, internal process and procedure into the workflow of the client, and with additional management tools to monitor and manage the process of compliance.

Commentary

Complinet is not necessarily the leader in each of its service activities, but it was one of the very first web based providers of compliance intelligence and has grown its service mix, centred on the financial services industry, in an innovative way. The company's reward for innovation and market focus has been rapid growth and high market salience. It remains to be seen, given the growth of specialist compliance workflow providers and the interest in compliance shown by the larger information companies, how Complinet can sustain competitive mastery of so many compliance-centric but different business disciplines.

5. Conclusions

Compliance risk management, as the discipline is beginning to be called, involves many disciplines and access to many services that, in their heritage, are very different. Regulatory provision by governments, regulatory information provision by publishers, document and records management systems, workflow tools, training, and outsourcing – all these services were previously provided by separate organisations with different skill sets.

Users and enterprises are now being presented with specific compliance risk management services. Some of these offerings are mutton dressed as lamb, traditional document management solutions with “compliance” sauce and occasionally some stuffing, and presented “a la Sarbanes-Oxley”. However, most of what we are witnessing is the shaping of a whole new discipline and market with exciting new tools and innovations and emerging players (old and new).

Government, particularly in Europe (and the UK especially) have been propelled by the “better regulation” drive, and enabled by technologies, to deliver enhanced regulatory information systems to the public. Though they will never be a substitute for added-value services, they will act as a powerful impetus to move regulatory publishing further up the value chain.

A multitude of start-up companies has seized the lead in producing compliance-focussed solutions. If they prosper they will find their market niche or their reward in exiting to the bigger players who are entering into this space. Rules engine providers may migrate into becoming one of the leading players in the emergent Governance and Risk Compliance Management market. The larger content management companies will develop their own solutions, often incorporating the technologies of specialist compliance tools providers, as they fight for share in the enterprise market where risk is felt most keenly. And at the very the top end of the market, among government agencies and very large corporations, the large systems integrators will produce custom solutions from best of breed components.

Fundamental to the disciplines of compliance management – which include the need to track, to store, to audit – are workflow systems and technology. Given the high costs of compliance, enterprises will trust partly to automated systems to manage their risk and provide them with the comforts of proven accountabilities. That alone as well as the attractiveness of the market will mean that companies with such skills will dominate large parts of the compliance management process. And where they require the knowledge skills that are found in the regulatory publishing houses, then rules engines, selective staff acquisition and alliances will provide the answer.

Some traditional regulatory publishers have diversified their offerings substantially but they are sharing an expanding marketplace with others with very different skills and capabilities. Potential impediments to development include lack of product focus and detailed customer workflow

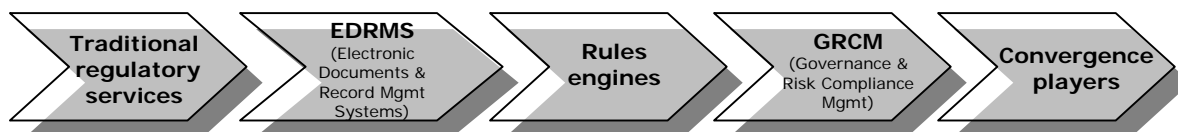
knowledge, lingering discomfort around both technology development and sales challenges. The outsourcing companies have a hugely strong culture of client focus and engagement. Many of the software companies are closely aligned to the processes of their customers' workflow – around which so much of compliance risk management disciplines have to be built.

The very large publishers, those most successful in their continued migration to electronic media, have seen this coming. They foresaw the disruptive impact of the network upon their former publishing models. Knowing that customers in the future would want solutions to their business needs, integrated into their desktop environments, they are gradually metamorphosing their businesses.

Sometimes it is easier to buy out the risk and acquire the businesses that are halfway or more through this change and proven successful (Thomson Scientific's purchase of Ligent Regulatory Services in 2004 comes to mind). Sometimes they have such market position and group leverage that they can enter the space self-confidently and imaginatively (as with Wolters Kluwer's Compliance University initiative). At other times, these groups may wait and see. LexisNexis ditched regulatory publishing where it had no scale or where it was deemed not strategic (Australian regulatory and Tolley tax regulatory lists are examples here). But risk management is key to LexisNexis's services in the US (particularly around business and client screening services). Compliance is part of business risk, and the company's recent announcements of strategic alliances with both Corpedia and Compliance 360 are interesting straws in the wind. Such businesses are re-aligning their portfolios into larger vertically facing units. This is giving them critical scale in the different disciplines required to produce best of breed solutions. It will enable them to leverage increased technology resource and cross sell services.

Whether former publishing businesses can achieve this in the compliance area better than companies with a deeper immersion in workflow and technology is a moot point. Can these latter skills be acquired and integrated any easier than a software company can acquire rules engine technology and editorial skills? This is one of the great questions of the convergence implicit in network publishing.

Regulatory publishing may be old hat in the sense that it has become known may be old hat, but compliance risk management is the future. That future belongs to those who can successfully integrate the very different competencies required to deliver customer-centric solutions. An illustration of the companies involved in this process is indicated in the diagram overleaf.



Examples are for illustrative purposes only. All of these companies are mentioned in the report, but of course there are many, many "compliance" service providers which are not.

<p>Government Agencies</p> <p>Publishers</p> <ul style="list-style-type: none"> ▪ JJ Keller ▪ CCH ▪ Aspen ▪ Thomson ▪ Scientific ▪ LexisNexis ▪ Croner ▪ Gee <p>Outsourcers</p> <ul style="list-style-type: none"> ▪ National Britannia ▪ Peninsula 	<ul style="list-style-type: none"> ▪ Stellent (acquired eOneHundred Group) ▪ Diagonal Systems ▪ Oracle Compliance architecture ▪ Certus/Vignette JV (Sarbanes-Oxley Records Management Compliance Solution) ▪ Interwoven Protect Programme ▪ FileNet (acquired rules engine Yaletown) 	<ul style="list-style-type: none"> ▪ Computer Associates ▪ Fair Isaac ▪ ILOG ▪ Corticon ▪ Pegasystems ▪ Gemsym ▪ Haley ▪ Ruleburst (acquired GRCM player Oasis) ▪ Yaletown 	<p>E-learning</p> <ul style="list-style-type: none"> ▪ Integrity Interactive ▪ eMind ▪ Corpedia ▪ Compliance University Online Learning <p>Enterprise solutions</p> <ul style="list-style-type: none"> ▪ LogicalApps ▪ Compliance 360 ▪ Oasis 	<ul style="list-style-type: none"> ▪ Liquent ▪ Complanet ▪ ComplianceOnline
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Expert Interviews

Richard Russell, Head of Business Solutions, Complinet

- Complinet was founded in 1997 and has offices in London, New York and Dubai. It focuses primarily on the financial services sector, which it supplies with a range of compliance tools from rules engines to training.

How do you define compliance information?

Complinet provides the business critical information to support the compliance role - this includes news and analysis of the news to explain why the news relevant as a company compliance officer. The key question is how to draw out the significant information and present that analytically so as to not only inform but also educate users and help them perform their daily compliance functions. The intention is to provide a lot of know-how through deeper analysis and reference-based material, and providing access to the rules and regulations that are changing in a very dynamic environment, in a convenient, commercially appropriate way. Compliance information is the ability to inform, educate, and facilitate research such that users comply with regulations and can ensure that their organisation is fully compliant. That really leaves it up to the organisation to assess what level of services it requires to feel the comfort of compliance. We as an organisation should be providing all those materials to enable customers to feel that they are fully compliant.

Would you tailor the definition of compliance to the end-user?

We focus predominantly on the financial services sector, but compliance covers broader market spaces than that. Also, a lot of what we use to define compliance really comes from the regulators themselves. For us, that is the market of compliance. Recently, this area is growing as a market space as the gaming industry, estate agents and other areas that have not traditionally been compliance-based organisations have recently had to comply in a way they never had to before. The regulator really is at the heart of who and what is compliance – particularly in the financial sector.

Who would you define as the key players in this sector?

Complinet is a very broad-based compliance organisation, so our general competitors are probably the bigger publishers themselves - LexisNexis, CCH and elements of Thomson. These big publishing organisations have very much started to focus on risk and compliance to build and develop their businesses.

At a lower level we have a number of services - news and analysis, rulebooks, know-how and bundled together reference materials, training and computer based training services, client screening (know your customer) services, and policy and procedure management services are all pillars of the organisation. Within each of these pillars there are a number of competitors at quite a niche level, such as Absolutely within the training market. Similarly there are competitors with the policies and procedures management where people like Hi-Tech Laboratories compete with us. With our client screening we compete with niche players like World Compliance, World Share and Integra screen. We also compete and co-operate with people like Factiva and LexisNexis. There is a range of different competitors within different elements or market sectors that we serve. Across the board, we see the bigger publishers as our main threat because they cover the broader areas we cover.

The smaller players are significant. Compliance has become “fashionable” and there is a lot of regulatory change – this means that there is a lot of uncertainty, and therefore a need for systems and support to enable compliance officers to perform effectively. A lot of software organisations have developed what they believe to be services or solutions that can enter that space. There is a growth in the number of smaller companies that are targeting compliance, thinking - “I can offer a specific service or business solution to people within that compliance sector”. At a more macro level, the very big publishers – as with ourselves – have looked at something like Complanet with its growth and success, and seen how the market is changing and have recognised that there is a far more viable market than perhaps was the case five or ten years ago. I think there is a real niche now. We are seeing the new players and also a lot of bigger publishers become more aggressive in this space as well – that’s good for the industry.

Do you think large publishers will develop their own services or pursue aggressive M&A?

Large publishers often go for an aggressive acquisition to get into sectors where they are not currently operating. They also have got the deep pockets to enable them to develop their own services in-house. The US is different from the UK because the profile of risk and compliance is much bigger and more mature as a market. There is still opportunity out there – the market is growing by the day.

How would you define the role publishers and software providers are currently playing?

The emerging trend – and it’s been emerging for the past two or three years – is the migration from just publishers more towards publishers and software providers. You see that through some of the acquisitions that the larger publishers have made where they recognised that content is absolutely key – and will always be king to some extent – but the market has moved on to such an extent that it’s what you do with that content and how you make that content fit the purpose for a business function. Then it becomes more real and more valuable as a proposition to the marketplace specifically. Instead of just providing general information about compliancy – a place where you can go in and research and then apply it – it is more about providing the tools that allow you to provide that information in the context of whatever the business function or application may be. That trend will develop and we will see a lot more technical solutions as well as more content-based solutions. The bigger publishers and people like ourselves have the ability to manage both the content, the ability and the technology to create better solutions.

How far would you say the value-chain extends in this market? Does it go to consultancy?

Definitely. We’re seeing new consultants enter the market and different types of consultants enter the market because the regulation is so rife, and because it’s quite far reaching, it is forcing companies to adapt and introduce a lot of change within their organisation. They are having to become more sophisticated in their use of technology, in their use of systems to support their business functions. These regulations are placing more disciplines and functions that need to be performed within the specific businesses themselves, and it is leading people to talk about regulation overload. From regulation overload we’ve almost created a risk-based approach to regulation and working practices. Firms are looking at what level of risk they can adopt within their marketplace that’s tolerable for their specific business purposes and business functions. Increasingly firms have to weigh and manage that risk more closely than they have ever done before. They cannot necessarily afford to be 100% compliant and therefore have to adopt

some level of risk profiling around their business activities to enable them to survive. They could get swamped in regulation and never make any money.

What would you pick out as the most significant trends to have an impact in 4-5 years time?

There will be far tighter technological controls and also we will see integration of services to perform specific business functions in order to comply with particular regulation. Instead of it being about educating people about what they must and mustn't do, there'll be a lot more systems in place that automate these processes and guide the activities of the individual salesman, for example, within that organisation to perform the right activities etc. People are realising that you can't just rely on a compliance officer taking people into a room and talking to them about issues of compliance on a six-monthly basis, as it won't ensure that there is no systemic abuse within that organisation.

How would you differentiate your product from similar ones from Thomson or LN in the future?

One thing is important, and that is an absolute focus on the activity, a complete understanding of the market sector, who the clients are, and what they do in their day-to-day business. We have built a business at Complinet around that compliance function. A lot of the bigger publishers moving into that area are starting to put resources behind it, but they are also doing a lot of other things and are far broader in the market sectors they cover and the services they offer. We will always, hopefully, manage to stay ahead by being a bit smarter and a bit faster to react to regulatory changes. The bigger competitors are always going to be a constant threat because of their wealth and their ability to throw money at a problem, but might not be able to understand or have the focus to do it as thoroughly as we do.

As long as we stay customer focused and deliver the products and services they want, I think we will continue to grow and continue to penetrate new markets and build the brand so that it is synonymous with compliance.

Who do you think the new customers for compliance information will be?

The gaming industry, estate agents, auction houses – we're selling to a much broader range of customer. Recently the law firms came under the remit of the regulator, which created another market sector to focus on. Whilst only a small number of law firms are concerned with these particular compliance issues, it's still a new market that's emerging that needs servicing. We are naturally very well placed to serve those people and extend our existing services.

What do you think are the biggest drivers of change?

Technology – absolutely to the forefront. Improving the productivity – that's linked with technology – the need for everyone to be efficient and increasing that efficiency year on year, and the only way they can do that is by utilising technology effectively. Recognising that the costs of compliance are increasing year on year, and firms are not able to carry on by putting ever-larger budgets behind something to ensure compliance. That leads naturally to more risk-based profiling to what they have to do and how they do it. You can't just look at the cost base of doing absolutely everything the regulator wants you to do to letter. You have to adapt what the regulator is guiding you to do. Increasingly, companies will adopt risk based profiling to ensure compliance and drive down costs at the same time.

What are the future trends in publishing?

There will be more interpretive material because people are becoming more sophisticated. Compliance is becoming more professional – it does not yet have certified status but increasingly there will be moves to having that level of status of compliance officers being like accountants and lawyers. There will be more significance attached to the compliance role and the need for better information and better services. There will be higher quality interpretive material to allow this new breed of compliance people to have better access to quality information rather than just the reporting of facts. There will be more education and training and a greater level of professionalism at higher levels.

Darrell Huntsman, Vice President and Managing Director of LexisNexis USA

- LexisNexis is the global legal publishing arm of Reed Elsevier and as a division includes the Butterworths and Martindale-Hubbell brands. Two thirds of its business is accounted for in the US.

How do you define compliance publishing?

We divide compliance information into a number of tiers. The first is what we call Primary Law, which includes the law and regulations that govern industries, corporations and organisations, and it can also include case law, which shows how courts have interpreted particular laws and regulations. That is the fundamental basis upon which compliance is built. After that you have the second tier of information that consists of newsletters, opinions, letters from particular regulators and bulletins that these regulators publish. This is valuable information because you begin to get a better understanding of how regulators are interpreting the regulations and statutes that they have put in force. Then you start to get into secondary information that is expert opinions, and experts within industries that are trying to understand and interpret the meanings of regulations, and this is very valuable information also. Audit trails showing internal progress against compliance objectives would also be included as part of this vast area that we would call compliance information.

How does software fit into this?

If you had a database of information sitting there that is all that it does. Software fits into this in a couple of different ways. You can use software to access information, but this is old technology. Instead, you can start to use software to automate processes along the lines of compliance. So software is pulling out information and then automating the process from when the regulation is published to interpreting that information, to putting together the policies (company or organisational) that are complying with those regulations, to disseminating those policies, to ensuring that items that are supposed to happen are actioned, to making sure these policies are actually happening and audits to ensure these policies are being adhered to. Software automates the whole value chain.

Is there a feeling in your sector that information is becoming a commodity?

Virtually anyone can walk into a government office or courthouse and request information. The value a company like LexisNexis has is that we pull it all together into one place. As an insurance company for example (the insurance industry in the US is the most regulated there is – every aspect of it is regulated from marketing to pricing to financial reserves), you want to know basically everything. What makes it especially difficult is that it is regulated at a state level which gives a company over fifty jurisdictions to try and keep track of. You could go to each of those states to find the regulations and information and try to find it and scour the web – do fifty different searches – and they will all be in different formats – but it will be very difficult. The value that Lexis provides is that it aggregates all of those fifty plus jurisdictions into a single place. The value of bringing all the content together under a single taxonomy and the ability to search it in a federated search is extremely valuable, so that piece is not a commodity.

Who do you see as the key players?

The marketplace is highly fragmented. Every month we get a new offering memorandum from a company that wants us to acquire them. It is hard to say who are the key players. Many of them are very small players and you could say Oracle and IBM are in the compliance sector. When you look at pure compliance focussed players you have these large omnibus information providers like LexisNexis who will always play a key role in compliance. Then you have niche players like Ethics Point that does hotline reporting for companies that need the part of the Sarbanes Oxley and federal guidelines that says you have to have a hotline. You also have online compliance training. In the past there used to be a regulation talking about pricing or harassment and you would have someone come in and provide a course. Now all of that content is being put online and you have courses. There is a company called Corpedia in Phoenix that is a player in this space and they not only provide the training but also risk assessment. Then you have various companies that manage the whole workflow of compliance – managing the policies, managing the distribution of the policies, managing the responses of the policies - Compliance 360 in Atlanta offers that type of service. Then you have specific compliance providers, like Sarbanes Oxley – there's a company called Paisley (Walting) that got their start by managing SOx – a very specific type of compliance. There are four or five key players, and the rest are a fragmented bunch.

Do you think this market will continue to be so fragmented in coming years?

There is definitely going to be a shakeout in the next four or five years. Two things will happen. The small, niche players (and this has already begun) who are focused in a particular area will look at different ways to grow their core and gain more customer share but will also start to expand along the value chain and they start to get outside of that niche area. For example a workflow management compliance company's customers will begin to ask for a full suite of services, such as a hotline reporting facilities, SOx, corporate governance, a board reporting tool and they won't want to have to buy these tools from four or five different players. You will start to see LexisNexis expanding into other areas as well.

Do you think LexisNexis will adopt an aggressive M&A strategy in the next few years?

I am not in a position to speak on that. But we have just announced alliances with Compliance 360 and Corpedia to market their products. It may not be M&A, but it could be arrangements like that.

Before, companies just wanted to know what the regulations were. But now they want to be in the position that when a regulator comes in and does a market conduct review, they can verify and prove to them through an audit process that they are compliant with the laws and regulations. Lexis really wants to participate along the whole value chain – providing the solution to corporations, not the regulation up front.

Do you see government web sites holding content as a threat?

I definitely don't see them as a threat. In order to use them you have to go to a number of different web sites and usually those sites aren't easily navigable. I have never heard of a company replace LexisNexis with a government web site. In order for an insurance company to comply this way they would have to go to eleven different web sites in order to draw out the information.

What are the roles publishers and software providers play?

The role of publishers at the moment is as providers of content, normally primary content. We have software companies that come to us and they struggle because

they scrape web sites to try to get the information and they are looking to partner with Lexis because we provide that information up front. Right now the role of the publisher is an integrated, comprehensive repository of information – the rules, the letters, the regulations. The role of the software companies is to take that information and integrate it into a product and then automate the whole compliance process. The whole compliance process is really about managing documents in order to show an audit trail.

What do you see as driving change in this market?

A couple of things are driving this market. There will continue to be more regulations. There is still a lack of understanding by corporations on what they need to do in order to comply, but they are learning and they are getting better at it. They are trying to understand the penalties of not complying. The third area is going to be increased enforcement with people like Eliot Spitzer in the US going after companies and making sure they comply. The fines corporations are paying for non-compliance will continue to drive the need for compliance solutions. Every director on the board is walking down to the general council or the Chief Compliance Officer and saying “where are we with compliance? I don’t want to have to go to jail”. That will continue to drive compliance.

What do you think the most significant recent products are, and how do they fit into future trends?

We have just launched a new product – LN Insurance Compliance. There is really nothing out there that really addresses insurance compliance directly. Westlaw has WICS (Westlaw Insurance Compliance) but really what that is something we already have – a web site that has a regulations service. What this product provides is expert analysis on changing regulations. It provides blogging so insurance compliance professionals can communicate with each other on different issues and it provides results that are geared towards the insurance industry at the state level. It provides a taxonomy that is focused on insurance. Users don’t really want to know what the regulation is (though that is a piece of it) what they really want to do is to prove compliance. What we do is take it two steps deep within insurance compliance. Not only do we provide the regulation but we provide expert analysis around the regulation.

What is your 5-10 year forecast?

The trends then would be convergence and a one-stop shop for compliance so that you have your online compliance training, your audit tool, your board of director’s dashboard, all of the regulations, all of the content, all of your policies accessible and viewable. There’ll be risk assessments that will show where you’re potentially at risk and where you have to focus energy. The market will remain robust as far as the need for such a tool goes, and given the penalties for non-compliance, pricing pressures won’t be an issue – they’ll still be willing to pay. Companies that can ease that process will be the winners. Also you have to look at who is purchasing. It used to be that you would work with audit departments, but you now have this Chief Compliance Officer who is the ultimate driver, but you really need to get to work with the IT department as well because there is a strong technology piece to it. The ability to communicate to every level within the organisation will also be important because everyone will need to understand compliance. First-level employees will have to understand what the document retention policies are, for example. Compliance will be driven down to the end user, and everyone will be held accountable for compliance.

Tim Wahlberg, Vice President of Corporate, Thomson West

- West Publishing was founded in 1872, and merged with Thomson Legal Publishing to form Thomson West in 1996.

How do you define compliance publishing?

There are four layers in compliance market, and they are converging. I divide them up into Statutory and Regulatory; Traditional Guidance; Software and Tools and Compliance Training. As to the way compliance is delivered, the newsletter; used to prevail, but increasingly people are looking to combine this with risk management. Customers are also looking towards compliance to provide them with an automated assessment of how a Risk Management officer can manage hundreds of controls – the number of which boomed after the introduction of the Sarbanes-Oxley Act.

Who are your main competitors?

Our main competitors in the US are BNA and CCH, followed by Lexis. There is a lot of interesting activity amongst smaller players, and some aggregation sites are interesting but need to improve their models. I don't see the availability of government data for free as a threat, as the value is in bringing all the evidence together into a single process. There is clearly value in reducing a twenty-step process into one.

What do you believe will be the major future trends in compliance publishing?

There is a growing change in the vendor/provider relationship. Previously, customers have sought the solutions to their own problems and have looked to us to provide the content. Increasingly though, they are looking to form solutions in partnership. This is still in the early stages – many small players claim to develop solutions in this way – but this is clearly a future trend in the market.

Another significant trend is the way compliance has moved up the company from the professionals in HR to the executive board, which has culminated in the creation of Chief Compliance Officer. As for the idea that compliance should become a chartered position like law and accountancy, it is interesting to note that around half of CCOs come from the accounting side of the company, and the other half from the legal. CCOs also report to both legal and accounting.

The need for compliance information will increase. While there are efforts to reduce the amount of regulation required of corporations, in my conversations with customers, none have ever seen any evidence that compliance in the future will be moderated.

Who are the customers for compliance information?

Customers for compliance are changing. Previously it was only professionals in HR and environmental. Now it is moving into the board, to the Legal department, to the Corporate secretary and the Chief Compliance Officer. It is also becoming a lot more like traditional legal publishing – clients are asking "Give me the context to this question" and "What are my competitors doing about this issue?".

The reason for this is financial; many companies cannot afford to give the same degree of attention to every regulation, and this is where Risk Assessment comes in. They have to act in a way that is legally defensible – hence the greater emphasis on context.

Milan Taylor, Regulatory Business Unit Director, Sweet and Maxwell

- Sweet and Maxwell has been part of the Thomson Corporation since 1987 and was merged with GEE Publishing in 2001. It is now part of the Thomson Legal and Regulatory Group, employing over 700 people.

How do you define compliance publishing?

I'd define it as the areas where people need to use the law in order to meet their obligations – - if you like, practical law used by professionals. So we would look at that as people who are regulated by the Financial Services Authority, tax professionals and accountants.

Who do you see as the key players in this marketplace?

In the UK, GEE and Croner are key players, and Reed has interests in this market as well. There are other players, Complinet for example, who are providing opportunities in the financial services arena and from the way we look at the market there are players like Peninsula and Mentor who are providing indemnified packages for health and safety and employment law to protect people who need to comply with the law.

What role would you say publishers and ICT providers currently play?

They play a very valuable role – there is a lot of good emerging technology – and there are examples of that coming from small start-up businesses. The market is relatively fragmented and it is a difficult market to get to. Small businesses suffer from not being able to get their products to the right market channel so though there are some great ideas and some great products, they are not able to execute as successfully as they would want.

Taking products to a fragmented market takes time and effort and that equates to money, to get your product sold and find the right people to sell them to. For small start-up companies it is a huge expense and a risk to their businesses. You see some come and you see some go.

Do you think the role publishers and software providers are playing will change in the next few years?

If you truncate it purely to publishers of software you are missing the bigger opportunity, which is not just the workflow solutions that speed up getting transactional workflow through the desk. There is a real opportunity to start doing face-to-face consultancy and going in and providing tailored in-house training as part of holistic solution packages. Software is invaluable as a way of driving people to get things done through their desktops but there are other opportunities beyond that as well.

Who are the main customers for compliance information?

Talking about the GEE business, it is very much business professionals who have an obligation to manage their company's risk within their area of responsibility. They would be HR professionals, accountants, regulated firms under the financial services act, company secretaries - individuals who need to make sure that they are managing their risk.

What would you say are the main drivers of change in this market?

It will be important to make sure that customers have more than just the information. The days when they could just search for something and it would give them either some best practice or tell them what they needed to know are over. More and more people want the next step – either “do it for me” or “tell me how I can get this done quickly and cost effectively”. In some of our key markets the professional departments that support the businesses - like HR and finance communities - are looking to be more strategic business partners and therefore a lot of the transactional stuff around compliance they want dealt with efficiently and effectively. There are opportunities for workflow tools for that and also in working with organisations to help them deliver that in other ways.

Looking at the medium to long-term view – five to ten years – do you think these trends will continue, or will new ones develop?

The move away from purely information to workflow type tools will still be there in five years time. More intelligent ways of searching will be required as will the integration of customer content within publisher content. Technology will continue to drive this business and that will dictate the type of products and services that are delivered.

What are your concerns for the future?

If you look at this market from an information provision-only perspective, I can see why people would be apprehensive. There are opportunities for using information as a fuller foundation for providing different and new types of services. At the end of the day every business is saying “prove to me how this will either save me costs or speed up my compliance regime” and “demonstrate the real value to my business of your products”.

Adding value to content is the name of the game. A piece of information is a piece of information, it's either how you can add to that to create something that is unique, or you can infer information from that that adds value – whatever way that is. New technology streams are going to be important drivers for creating new solutions and tools as well.

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