Someone once said that systems are the scar tissue of things that have gone wrong in the past. Such systems include the new laws and regulations promulgated to help combat fraud. On the one hand, they protect. On the other, they bog down decent business people with cumbersome compliance regulations. This, in turn, leads to more rules and regulations, lengthier processes and more check points. And it increases the cost of trade and insurance.

Reputable companies have always had their own internal rules, because it was the right thing to do. Now they also have a legal obligation to comply with industry regulations.

To adhere to all the new laws and to keep regulators happy, large companies are now establishing separate compliance departments to deal with complex regulatory requirements, business practices and internal mandates. “Some companies only comply up to the level required by the regulator in order to save money – because a compliance department is an expensive resource. However, non-compliance can lead to hefty penalties, and the directors are held accountable,” says André Groenewald, forensic partner in control of Fraud Risk Management at KPMG.

Laws such as FAIS, the NCA and the new Companies Act can easily entangle companies in a web of compliance rules. “To add to the confusion, businesses often tackle the different pieces of legislation in isolation. There is merit in converging the overlap of the same requirements found in different pieces of legislation. Businesses should also adopt the compliance standard for the product or service requiring the highest level of compliance throughout the organisation. It may greatly reduce costs and administration,” says Rian Geldenhuys, director of Floor Inc Attorneys and lecturer in Management Law at the USB.

Are these laws a nuisance? Yes, of course. Adhering to all the requirements is time-consuming and costly. But there are also benefits to be realised, especially when this can help to protect the value of your reputation.

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