The Growing Challenge Of Compliance In Global Mobility

I have been involved with Global Mobility for a number of years and in that time I have seen significant changes in Global Mobility, not only in how the work is administered through revised processes, structure and technology platforms, or how entitlements are governed through policy adaptations and revisions, but also in how the profile of the function has risen given changing priorities. I have witnessed a significant shift from Global Mobility being perceived as an administrative function to having a more fundamental key strategic footing in the organisation. I am seeing a visible shift in the perception of Global Mobility from being a commodity in purely manage logistics to being recognised as a technical profession in its own right and one which can have major implications to the organisation if Global Mobility does not operate at the level it should be or be given the tools to deliver and the benefits it can bring to the organisation if recognised accordingly.

The implications of Global Mobility not delivering can be far reaching:

- From failing to deliver a good quality experience and adequate protection for the organisation’s talent resource
- To impacting the businesses in which the assignees operate in, by either delayed assignments, impacted assignments or distraction from the core business drivers and goals
- To the organisation as a whole through reputational risk and potentially direct costs through incurred penalties.

It is the area of managing risk and compliance within Global Mobility that I want to concentrate on and review why this is fast becoming a key growing challenge for Global Mobility.

I do believe there are a number of contributing factors in why international compliance is a growth area:

The economic downturn - is serving to put pressure on both countries and companies alike to invest in growth markets, generate revenue and cut expenditure in order to survive or maintain market share.

As a consequence there is a combination of contracting markets and expanding markets but also an environment where organisations have to react to threats and opportunities immediately before the opportunity is lost. National priorities are competing against international priorities and there can be conflicts between local, regional and global considerations. There is also a strong focus on cost reduction or containment. There is a tangible fear of decline and stagnation and a hunger for revenue. All this serves to raise the requirement of Global Mobility to be:-

- Timely
- Proactive
- Efficient
- Cost-effective
- Compliant

Global connectivity - the world is getting smaller with technology and media sites bringing news and information to the fingertips of everyone. Culture is more open to travel and migration is set to double by 2050 despite the economic downturn. The global awareness of everyone continues to grow and so is the accessibility of best practices, laws and regulations. Governments and country regulatory bodies are more connected than ever before and are openly sharing information both with their counterparts in other countries but also across related departments. We have tax authorities coordinating with immigration authorities; accountancy organisations expanding into areas that manage key data or linking with departments or other third party providers that hold source data. We have legal and compliance functions working together to guide and give instruction on national regulations and on cross-border data compliance.

The commercial concept of globalisation - has been a trend for many years. Many international organisations are on a programme to globalise their environment, infrastructure and operations in some form or other. It is becoming a necessity for most organisations to expand into the export market. For most organisations to survive and be more cost-efficient they either have to explore international markets or international operations or have an international supply chain. Companies are constantly seeking new emerging markets for cost containment purpose and to keep a competitive edge. Many international companies have embraced the concept of the shared service model to centrally deliver operational processes for the benefit of the global organisation. The end result is that organisations are becoming more spread geographically, with matrix operations, infrastructures and management structures. Although this trend may have commercial logic it does pose greater risks and compliance demands on the organisation. Cross-border compliance is no longer between six key developed locations but is now potentially between fifty plus locations (depending on the size of your organisation) from developed to emerging, emerging to develop and emerging to emerging market combinations.

Technology - is an enabler to build global connectivity. Today technology is not only at our fingertips but is an essential building block for connectivity for any global operation. It does allow data and information sharing to take place immediately and round the clock. Changes in regulations, sharing of best practices can be achieved with relative ease. But this also gives an expectation that:

- All corporations will know and understand the regulatory framework in which they operate in
- All corporations will be able to have access to any data on their employees and their operations immediately
- All corporations have the reporting functionality to deliver any request for data and to be able to audit and cross reference that data with ease to ensure 100% accuracy.

International compliance, compliance demands that organisations can and will be compliant and if they don’t they lay the risk of having severe penalties applied. Technology also has served to increase the
Compliance in Global Mobility

The pace of change which is another challenge from a compliance perspective. Building the capacity and skilled capability in an organisation to meet the growing requirements to operate internationally and be compliant in all areas takes time and is a risk in itself.

So what does this mean for Global Mobility professionals? What should we be considering for the future?

• The local regulatory environment, whether it be for tax or immigration, is becoming a key focus and the regulations are forever changing and becoming more complex. It is important for the Global Mobility professional to understand the changes occurring within each country and assess the implications for both our outbound and inbound assignees and for the businesses operating within the organisation. Some questions to consider are:-

  • Are the changes going to impact the policy, processes and structure of the organisation
  • What are the dependencies, the risks and the costs
  • Is the local regulatory change in one country going to block the global policy, process and structure
  • Who needs to be communicated to
  • Who is going to be impacted
  • Who are your stakeholders
  • Which outsourced third parties need to be advised
  • How do you keep up to date with changing reporting and withholding rules in a large number of jurisdictions

• Cross-Border implications are becoming more complex and diverse and need to be understood and actioned. Host reporting requirements and home reporting requirements, and the necessity to do shadow payroll need to be realised. Some questions to consider are:

  • How robust are your checks on whether the correct application of pension arrangements are being made
  • How robust are your checks on whether the correct application of home and/or host social security applications and payments are being made
  • How good is your knowledge on countries operating worldwide income tax regimes
  • How good are your systems to effectively collate all the required information to report and deliver cross border compliance?

• Risk awareness is fundamental. It is important for organisations to understand the risks and these can come in many forms from direct penalties to the organisation for a compliance breach, to impacts to your assignee population which may be the talent of your organisation, to impacts on the ability of a business to operate and satisfy its key deliverables and finally reputational risk to the organisation for being non-compliant.

• Data quality and management is essential to ensure robust compliance especially for a global infrastructure. Compliance relies on effective and timely reporting, therefore the management of data needs to become a key focal point for Global Mobility. Questions to consider are:

  • How is your data managed to ensure quality and accuracy
  • Where is it stored and is it secure
  • What processes impact your data and therefore how are you governing and auditing the data input, parameters and its use?

To have good global compliance, data need to have its own workflows and be managed as closely and with the same intensity as we do for our assignee population.

• The management of compensation data is critical for compliance in Global Mobility which is inclusive of all forms of compensation from fixed pay, variable pay, deferred compensation, home entitlements, pension contributions, share awards, cash benefits and benefits in kind and all from an employer and employee perspective. All categories of compensation need to be identified and coded correctly for tax and social security treatment in both home and host locations. The assignee needs to have the correct tax and social security liabilities applied to them. For Global Mobility it is how effective we are at collating and recording this data to be able to extract what is required to meet the regulatory requirements in host and home locations. There are so many multiple compensation delivery points which need to be mapped and governed.

• The technology platform needs to be viable from a compliance perspective and especially in terms of how it’s used, for what purpose, and the appropriate links and dependencies with the data flows. Questions for consideration are:

  • Is the data linked to the workflows
  • Is the terminology correct and clearly understood by all users
  • Is the reporting functionality sufficient to meet your compliance reporting needs
  • What audit controls exist?

There is a balancing act to be performed between automation and precision or finding the optimum hybrid approach.

• The interaction with third party suppliers in delivering compliance is also critical. What information is passed through to the supply chain and how to keep the data source whole and accurate and what information is returned back to the organisation is a key element. The ultimate responsibility of compliance will always be the employers’ responsibility, therefore where Global Mobility outsources there is still a need for audit and governance around the data and how it is being used. Having oversight on how the data is governed by your third party supplier is critical.

• The Global Mobility interface with your payroll department (s) is another key consideration. Payroll structures vary from one organisation to the next and can be either in-house or outsourced models. From a compliance perspective there are many considerations and challenges in managing payroll for international employees with many nuances making it difficult to streamline and automate the full process. Many countries require reporting for...
expatriates who may not be paid in the current country in which they are working but are still employed there (e.g. USA). Shadow payrolls may have to be administered in the employee's home location even when the benefits are paid 100% in the current host location, but either need to protect benefits in the home country or have a reporting requirement in the home country. Payrolls are the end recipient for most data and therefore the key challenge is collecting the required data and inputs from many sources. How does Global Mobility facilitate this feed into payroll and how do you manage local payroll knowledge gaps in cross border compensation and benefits?

- Complex Global Mobility processes add to the challenge of ensuring compliance. For example the correct reporting of bonus and equity awards for cross border employees is a complicated process with a high compliance requirement and the accurate reporting and withholding on compensations earned over multiple years and sourced to multiple jurisdictions (trailing liabilities). Typically these payments are apportioned between locations and the application of the rules varies between locations. Likewise different locations operate different rules relating to retrospective reporting across tax years. Understanding which processes have a compliance requirement and assessing each stage to ensure robust audit controls, clear governance and accountability over the delivery is key.

As a lasting thought compliance in the world of Global Mobility is more important than ever and will continue to be a driving force for some time to come. It really is a growing challenge and one that Global Mobility needs to own.

Tracy Figliola
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Responsible for the strategy and operational delivery of the Global Mobility global platform, executing the Group’s Global Mobility Programme across all business entities in the Bank and a Centre of Excellence for the delivery of Global Mobility within the Group. The HSBC Group has in excess of 1,700 international assignees, across 71 countries managed through three regional hubs covering ASP, EMEA, AMERICAS and a central operations team based in India.

Tracy has extensive experience and knowledge in the global mobility field. She played an integral part in the first HSBC’s global mobility transformation initiative in 2009 which resulted in new global process, structure and systems and is currently driving future change for Global Mobility in the bank.

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