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The full promise of compliance and ethics programs

By Jeffrey M. Kaplan

One of the most challenging aspects of the compliance and ethics (C&E) field is setting the optimal boundaries of the C&E program. Take the example of “moral hazard,” a concept that seeks to align the interests of those who take risks with those who bear the impact of such risk-taking. In my view, these types of risks are under-addressed at many companies.

True, moral hazard risks are similar to conflict of interest threats; however, the two differ because the interests at issue in the former are not external and/or are unknown to an affected organization. For this reason, they should be addressed in the C&E program.

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