



REGULATORY NEWS & COMPLIANCE BEST PRACTICES

Your No. 4 duty: Being all over compliance issues that arise

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Satisfy the **SEC's** vision of your job and you're a long way toward success. So let's examine another CCO duty on the [list of 24](#) enunciated by OCIE Associate Director **Gene Gohlke** ([IA Watch](#), Jan. 18, 2010):

Becomes involved in analyzing and resolving significant compliance issues that arise.

Achieving this job expectation begins with having policies and procedures that require staff to notify you whenever they discover a compliance event, says a CCO at a large RIA in New York. "That's where you have to start," he says. And your department should have rules that such incidents must get pushed up the chain of command to senior compliance staff, he adds.

Gohlke wants to see evidence that problems in the office or the field are "bubbling up to the CCO," believes **Bart McDonald**, executive VP at **Renaissance Regulatory Services** in Boca Raton, Fla. The next step would be to act on the reports and document their resolutions. A CCO also should be able to answer a request asking for a list of compliance breaches in the last six months and how they were resolved, he continues.

[Track events via a log](#)

Consider employing a service provider log, suggests **Christina Sears**, CCO at **American Beacon Advisors** in Fort Worth, Texas. "We maintain a spreadsheet with a different page for each service provider," she says. Each compliance issue gets logged, repeat occurrences are noted, as is how the lapse was detected and any corrective or remedial actions (e.g., whether a client was harmed).

Another way you can ensure you're aware of significant compliance issues is to sit in on weekly staff meetings where such issues are vetted, says Sears. Same rings true for corporate strategy and product planning meetings.

These settings make it easy to demonstrate your role in analyzing and resolving issues. The point gets driven home with compliance participating in a resolution, e.g., about how to make restitution to a harmed client, states **Krista Zipfel**, CEO of **Advisor Solutions Group** in Newport Beach, Calif.

This 4th job duty really comes down to "seeing an issue through from beginning to the end," believes **Ann Oglanlian**, president of the **ReGroup** in San Francisco. **Lorna Schnase** of **Lorna A. Schnase Attorney at Law** in Houston agrees. The CCO should coordinate and document the entire cycle of the issue once it comes to light, she says.

"Compliance has changed. [It's] not what it once was," says the New York CCO. Today the role implies a larger scope - forensic testing, a holistic look at the firm, tentacles extended throughout the organization.

[Carrying the compliance ball](#)

"To me the key word is 'involved,'" offers Oglanlian, meaning the task shouldn't be handed off or the CCO chased away by supervisors. If your CEO wants you off a case, be sure to put a note in your compliance files to document the order, recommends **Michelle Jacko**, CEO of **Core Compliance & Legal Services** in San Diego.

The risks from keeping the compliance department in the dark about such issues are too great, adds a New York compliance officer; a CCO should insist on being inside the inner cycle.

You can encourage such inclusion by offering multiple solutions to a compliance problem, the officer continues. His technique is to hold a meeting with business staff but not to disclose his solution until he hears their ideas. They may offer a solution you can live with, which would show how you value their opinion. If they don't, put forth your answer. If disagreement persists, be prepared to follow up with 3-4 other solutions and let them select the winner.

No analysis paralysis

The analysis referred to in this job duty can be accomplished in many ways, from conducting forensic tests, tracking the causes of trade errors, probing personal trades and more. It doesn't mean compliance must run these queries but should analyze the data to help reach resolutions, says Schnase.

"I think the SEC would want you ... to not only resolve the problem but to go find where the problems are and then resolve them. And that becomes harder," says **Lee Unterman**, an attorney with **Kurzman Karelson & Frank** in New York.

Unterman, a former RIA CCO, finds Gohlke's list "vague" and "impossible to live up to." Oglanian counters that while none of the items appears in the compliance rule, they do represent "the SEC's view" of the CCO role and that that should count for something.

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