



A Financial Times Service

Compliance Pros Hit With More Work, Fewer Resources

By Mariah Summers October 6, 2010

This is the first in a three-part series on the career and compensation trends affecting compliance professionals.

Compliance professionals face increasing regulatory challenges and stricter oversight, but without the benefit of an increase in resources to compensate for the added work.

In fact, a decrease in resources is a far more likely scenario, an *Ignites* survey of compliance professionals found.

These trends come as compliance professionals are steadily taking on risk management responsibilities at their firms, while dealing with a Securities and Exchange Commission that's seemingly more observant in policing and reforming the industry.

Survey respondents told *Ignites* that the paucity of resources is stretching compliance staffers thin at a time when thorough, reliable work has never been more important.

"Resource constraints are a major problem," a compliance analyst said in the confidential survey. "[There's] not enough staff to do all that's required. Budget restrictions due to a not obviously improving economy create super-workloads. [We're] constantly triaging and prioritizing only because we don't have the staff."

Several other respondents cited how their firms continue to keep important positions unfilled. "We have empty spots on our org chart that we aren't allowed to fill," a compliance analyst said. "This year the only two hires were replacements in critical areas; another opening was purposely left unfilled and work responsibilities for that role were divvied out."

These are just some of the findings from the survey responses of 102 compliance professionals. The survey asked participants to identify their top challenges, as well as the areas where they were receiving inadequate support.

About 36% of participants were CCOs, while compliance officers, compliance analysts and non-CCO managers made up around 27%, 17% and 13% of the survey group, respectively. A small number of internal controllers, auditors and attorneys also participated.

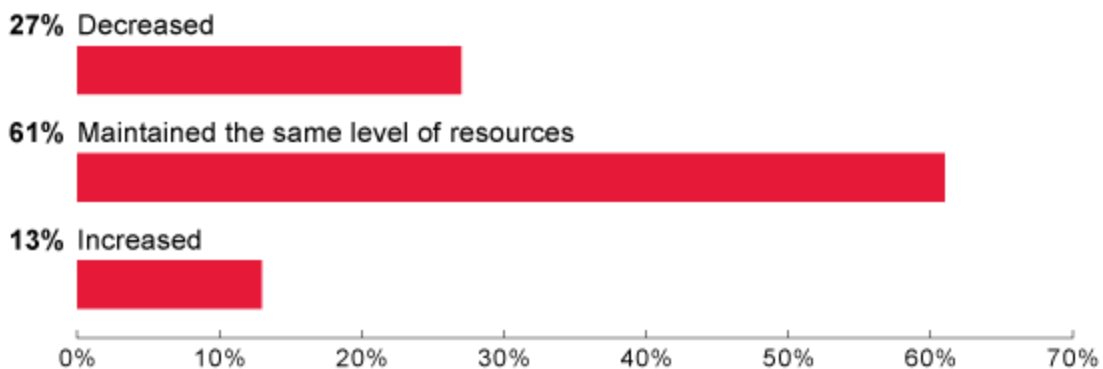
Longer To-Do List With Stagnant Resources

When asked what type of support they need the most, roughly 33% of survey respondents said they need more personnel to manage an increase in workload. Another 29% said technology support is vital, while about 24% answered that more resources to help test their firm's compliance controls is a top necessity.

And when queried on whether their firms have increased, decreased or maintained their level of resources, nearly 61% said resources have remained the same. Additionally, 27% said resources decreased at their firms, while 13% said resources increased.

“While maintaining resources sounds neither positive or negative, in this case ‘no additional resources’ is a negative,” a CCO at a global fund family said.

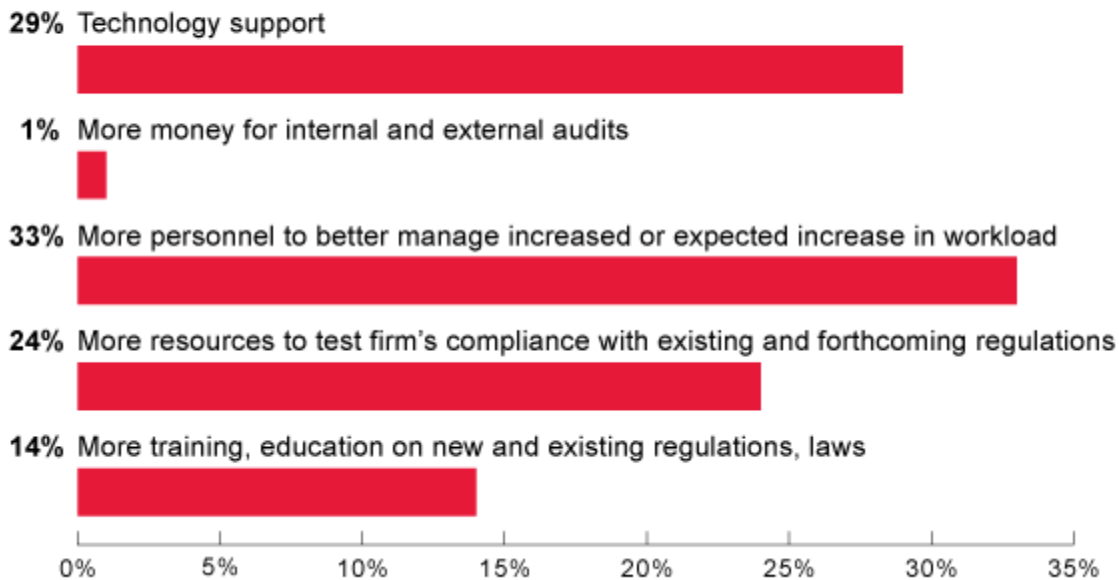
Has your firm increased, decreased or maintained the same level of compliance resources since the financial crisis?



Industry compliance experts agree that more support, including increased personnel, is essential today, even if budgetary conditions make firms reluctant to add staff.

“It’s not just the new regulations, it’s the existing regulations” that are stretching compliance professionals thin, says Jeff Groves, president of **ComplianceWorks Inc.** “Many firms have a real problem understanding the rules and regulations that they must follow. Firms that are small are really at a disadvantage because they might not have ...the knowledge or experiences to deal with those regulations.”

What type of support do you need the most?



Another compliance professional agrees that not bolstering staff is ignoring the obvious. Senior managers that allow this problem to fester are setting an unhealthy precedent, the expert says.

“In this environment, there is value to having a strong, robust compliance program,” says Jay Keeshan, partner in mutual fund governance at **Management Practice, Inc.** “The tone is set at the top and the industry will recognize firms who maintain very strong compliance programs; it will become more and more important.”

Increased Risk Management Role

The majority of survey respondents reported taking on more risk management responsibilities as part of their workloads. Roughly 33% said they have taken on a significantly more active role in risk management during the past two years, and 34% said they are assuming a moderately more active role. In contrast, 21% said their roles had not changed in that area, and 3% had a less active role.

Shaun Hassett, compliance consultant and business development executive at **The Lubrinco Group**, says that senior managers must understand that strong risk management practices are important today to business partners, such as intermediaries. After all, due diligence professionals are more carefully scrutinizing the compliance record of fund companies as well as their risk hedging practices.

“Senior management understands the need for compliance, but they don’t always understand the value of compliance,” Hassett says. “If compliance is done properly, it can actually improve the quality of business. Most senior managers look at it from a cost perspective, and not an investment perspective.”

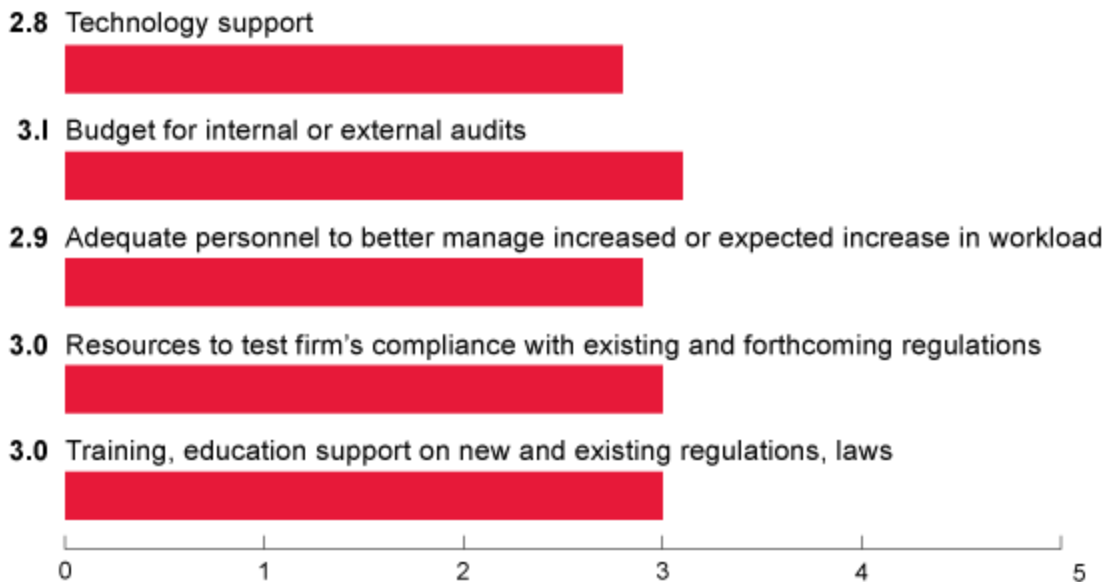
Investment in New Technology is Crucial

Of five main areas of support fund families provide, technology received the lowest rating by survey respondents. The category received a 2.8 on a scale of 1 to 5, with 1 being the weakest and 5 being the strongest.

About 38% of respondents rated their firm's technology support as a 2 or lower; compared to 24% who rated such technology support as a 4 to 5. (The remaining voters, precisely 38% of the total, rated their technology support as just a 3.) Survey respondents said that technology constraints are holding compliance teams back from taking on important projects.

"We do most of our testing and reviewing in a manual environment," a CCO noted. "If more of our processes were automated, it would increase our efficiency, productivity and accuracy."

Rate your firm's level of support on a scale of 1 to 5 (1 being weakest and 5 being the strongest) in the following areas:



Adds a compliance officer, "Increased technology would reduce the amount of paper and the need for additional human resources."

Relations with the SEC

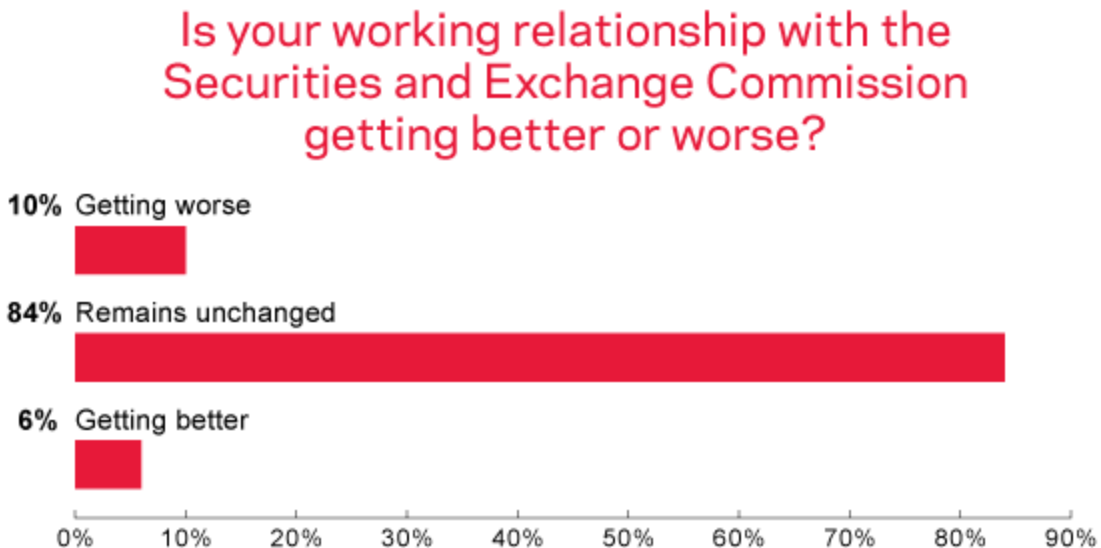
Another area of concern for survey respondents is their relationship with the SEC. The commission has recently launched an assertive industry agenda, including reforming Rule 12b-1 and better policing the fee-setting process. Additionally, per the Dodd-Frank Act, the SEC is implementing a study on whether all brokerage advisors should adhere to the same fiduciary standards that RIAs follow; its conclusions could alter how funds market to many key intermediaries.

When asked how the SEC could improve the way it works with the industry, respondents stressed the need for better communication as well as a more organized examination process. One compliance executive said the commission could help the industry by focusing on less regulated areas that ultimately have an impact on fund shareholders.

“While the SEC's tougher stance on all issues generally is warranted, the SEC should continue to focus its resources on understanding and closing gaps in regulation,” said a compliance executive. “While we, including the SEC, in regulated space were focusing on idiosyncratic and minor technical violations, activities in unregulated space had a risk-expanding influence on the markets to which we were all exposed.”

Overall, nearly 84% of respondents said their relationship with the SEC remains unchanged since the financial crisis, while 6% said it's improving. In contrast, 10% said it has gotten worse.

Look for the second article in the series tomorrow in Ignites.



Ignites is a copyrighted publication. Ignites has agreed to make available its content for the sole use of the employees of the subscriber company. Accordingly, it is a violation of the copyright law for anyone to duplicate the content of Ignites for the use of any person, other than the employees of the subscriber company.

An Information Service of Money-Media, a Financial Times Company