

BECOMING THE STRATEGIC CCO

How CCOs work with CCS

Many CCOs ask how they can work with CCS when the firm already has an effective compliance program but may need some additional support. In fact, most of our clients are CCOs who leverage our offerings to help them implement a more effective program.

How do CCOs use us? It depends on his/her particular organization, skills, and goals. At the outset of any relationship, we spend time to understand how we can customize our services to help the CCO succeed and shine in his/her unique organization. While the daily tactical compliance activities must get done, we focus on allowing a CCO to become what we call the “Strategic CCO,” who offers much more to his/her firm. To do this, the CCO uses our multi-disciplinary team of professionals, who have spent their entire careers in the industry. In some cases, we become the CCO’s compliance staff to perform specified compliance activities that the CCO directs. Usually, our activities involve those time-consuming activities that a compliance program requires but are often neglected (or de-prioritized) during a CCO’s crazy work day/week/year.

CCOs also use CCS as their personal adviser with respect to industry developments and best practices, thereby becoming invaluable to their firms. By retaining CCS, the CCO can focus on delivering the strategic risk management and advice valued by senior management. CCOs who use CCS have been able to highlight their value in non-compliance areas such as product development, operations and firm strategy, and become candidates for higher office.

Let’s further explore how CCS helps its clients become Strategic CCOs:

STRATEGIC CCO USES CCS AS THE COMPLIANCE STAFF

Strategic CCOs often leverage CCS’s experienced and deep team to perform those day-to-day activities that a compliance program requires. While CCS performs the “heavy-lifting” hours-intensive activities, the CCO can focus on his/her strategic compliance activities, such as surveying new laws and regulations that affect the business, identifying required policies and procedures, planning testing activities, advising senior management on compliance issues, interfacing with regulators, prioritizing and scheduling compliance activities, and responding to clients. As most CCOs will attest, the compliance program requires much more work than time allows, especially when real-world crises and questions interrupt the planned activities that get pushed off the “urgent” list, regardless of their ultimate importance. Senior management is often unwilling to take on additional employees for a non-revenue producing function. Also, hiring and managing one or more associates may take more time (and money) than it saves. This is when CCOs turn to CCS.

Sometimes, CCOs retain CCS simply to absorb workloads during peak periods or to assume more time-consuming projects (e.g., long marketing pieces, new product research). In other cases, CCOs have retained CCS for specific functions including the following:

- Directed testing in such areas as best execution, trade allocation, soft dollars, proxy voting, AML, fair valuation, and books/records
- Deeper research on complex or unusual questions (sometimes involving other areas of law such as CFTC, ERISA, or BD)
- Drafting/updating policies and procedures to reflect regulatory changes or evolving best practices (e.g., pay-to-play)
- Preparing training materials or conducting training
- Code of Ethics pre-clearance and/or obtaining necessary certifications
- E-mail reviews

- On-site sub-adviser due diligence
- Preparing 15(c) responses
- Reviewing RFP responses
- “Ghost-writing” the annual compliance report
- Mock SEC audits
- Assisting with SEC exams
- Attending and documenting committee meetings
- Preparing the annual ADV update or other SEC filings
- Portfolio compliance

STRATEGIC CCO USES CCS AS PERSONAL REGULATORY ADVISER

CCOs often feel that they work on a regulatory island, focused on their own firms but marooned from the rest of the industry. Many Strategic CCOs turn to CCS to serve as their own personal regulatory and industry adviser. CCS gives its CCO clients best-practices information based on the extensive experience of our industry professionals (averaging more than 15 years in the industry), serving approximately 70 clients. CCS will relay information gleaned from industry conferences and events, many of which the firm sponsors and attends.

Most helpful, according to our clients, are the daily “Our Take” regulatory alerts, detailing regulatory developments and designed for the CCO audience by focusing on key issues and applicability. CCOs also use us to perform a holistic compliance review to assess their programs against best practices or to prepare for a regulatory exam. By leveraging CCS, the Strategic CCO can look smarter, more-informed, and more in-touch with the industry as he/she interfaces with senior management.

The Strategic CCO becomes the central hub of all risk management matters affecting the organization.

STRATEGIC CCO FOCUSES ON SENIOR MANAGEMENT AND BUSINESS

Rather than spending time on tactical grunt work, the Strategic CCO can focus on his/her highest and best use: providing risk management advice to senior management. What management wants to know is how to proceed given the regulatory environment. Only the CCO with intimate knowledge of the business is in a position to provide this type of advice. But the CCO can only be effective if he/she has the time to focus on these strategic issues. Many Strategic CCOs use CCS to help detail the regulatory considerations of a particular course of action to assist this decision-making process.

Also, when giving advice, the Strategic CCO can use CCS to defend any internal questions about “what other firms are doing.” The Strategic CCO becomes the central hub of all risk management matters affecting the organization. The Strategic CCO will be involved in strategic direction, product development, operations, client activities, and managing internal resources. Ultimately, perhaps, senior management will begin to see that the Strategic CCO can take on a greater role.

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