

How to Identify the Best

Head of Compliance



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There was a time when a Head of Compliance was often referred to disparagingly as a "business prevention officer". Nowadays the reality – and expectations of the role – are very different. Whilst it has never been sufficient to adopt a box-ticking mentality in this function, the evolving role now requires a raft new skill-sets to add to some perennial pre-requisites. So, what exactly are the skills, qualifications and attributes you should be looking for from potential candidates for a Chief Compliance Officer ("CCO") role?

Whilst every firm will have a different risk profile, many consistent attributes still remain crucial for the contemporary CCO. Far from being a heavy-handed enforcer, today's Head of Compliance can actually go far beyond meeting regulatory requirements and help to drive your business. And to do so, they need a portfolio of skills and experiences that range from deep and broad technical knowledge of their subject and the regulatory environment through to excellence in communication, relationship building and technology.

CCOs should obviously have all the usual educational qualifications and personal qualities you would expect from any senior role, plus some attributes that are essential to this position. These include an analytical and well-structured mind, an open and non-political but rational approach, and talent at fostering relationships with internal and external stakeholders, regulators and their peers. We have found that the most successful CCOs by tenure share similar qualities in testing; high "emotional quotient", self-awareness and calmness under pressure.

How commercially aware are they?

A high-calibre CCO should make a significant contribution to your long-term commercial success by promoting ethical standards and proposing both compliance and commercial solutions. Your new compliance officer may well be taking on an explicitly investor-facing role but even if they are not, increasingly the credibility of this function is at the forefront of many client and external stakeholder's selection processes. It is therefore crucial to identify the CCO's appetite for risk, and to check whether it is in line with your own business strategies.

Check too that the CCO has experience in or knowledge of the relevant products and asset classes, as well as the full breadth of jurisdictions in which you operate. Make sure that candidates are fully aware, not just of your day-to-day activities, but of the overall direction of your organisation.

Look for a combination of strong influencing skills and the ability to get the business on-side when they need to with an entrepreneurial attitude towards solutions.

Crucially for smaller firms and something that has led to a number of CCO departures is a compliance officer who can balance the strategic and commercial business advice work with an appetite for the day-to-day compliance work. Many leadership compliance roles necessarily sacrifice time spent on core compliance activities like filings and monitoring. It is vital that you are transparent about what the balance between the business advisory and strategic work is versus the more process-orientated needs of your firm. Find out the candidate's 'operational ceiling', i.e. where they see the balance between tactical work and the more everyday tasks. For smaller firms, some understanding on how much access to external resources a potential CCO would expect or need may also be helpful.

For some, it may be important that your organisation is embracing Environmental, Social and Governance (ESG) investing. Either way, a CCO who is uncomfortable with your approach to regulation, ethics and culture overall could quickly move on. Scenario-based questions can help identify possible issues here.

Agile Partners

Meeting regulatory requirements is only part of the job. In fact, an [Accenture 2019 Compliance Risk Study](#) called for a new generation of compliance officers to become agile partners. It found the primary driver of transformation in compliance to be business growth, in areas such as open banking and blockchain transactions, plus inorganic growth from mergers and acquisitions.

These were viewed as five times more important as managing external regulatory change.

In other words, your new CCO should be helping to drive your business, not just to protect it. So find out what they are capable of in terms of adding value.

Management Partners

The bigger your business, the more stakeholders your CCO will have to deal with. This means that their ability to forge strong relationships at many different levels becomes even more important.

If you have a large compliance team then effective delegation will be essential, along with the ability to manage a wide variety of people. A CCO should demonstrate a proven people management capability with evidence of building, retaining and developing high performing teams. You may wish to drill down on previous team size here but we have found management philosophy to be more revealing. Functions will likely be more siloed, which can make them less dynamic. It's essential that your prospective CCO can help them to communicate with each other seamlessly. Experience of navigating group politics may be an advantage in larger corporates, as discussed in one of our [Leadership Series](#) article.

SMF16/CF10

The requirement for a CCO to have held previously the old CF10 or SMF16 function will depend on the risk profile of each firm. Whatever they identified themselves as previously or do currently, for this position, it is absolutely essential that they are the right person to be called SMF16 – your designated compliance officer. This has been a requirement for all regulated firms since December 2019.

Some smaller firms may be able to get away with a "ghost compliance officer", i.e. someone who is essentially "double-hatting" or part time in the role. As this earlier [blog article](#) shows, the consequences need to be considered carefully. Either way, these traits will remain essential.

The most successful CCOs by tenure also correlate strongly to those that take on the Control Function or Senior Management Function within six months. The experienced compliance officer will be unwilling to take on SMF16 in a permanent capacity without working at your firm for a period of time to gauge the culture and controls in place themselves. Mismanagement of expectations around when the SMF16 will pass to the CCO has been the catalyst of many an exit and a balance needs to be struck between allowing the compliance officer to establish the lay of the land and building enough credibility with senior management to trust the compliance officer to take it on.

Credible CCOs will also expect the risk-profile of the role to be matched by a commensurate level of control and ability to affect change. They may not need to be on the Board, Ex-Co, Risk-Co, report to the CEO or have a "seat at the table", but if they are not looking closely at senior management's willingness to support potential action as well as querying resources available to them to implement change, then that is a flag. This is taking on the personal risk liability without understanding what they are accepting.

Where holding the SMF16 function is a requirement for the role, you should make this explicit to prospective candidates so that if for whatever reason they are not accepted by the regulator, then it is understood that makes their continued employment untenable.

Some questions to ask and characteristics to look for

Does their personality and approach match the role? They should come across as principled, diligent and fair. Qualities such as these are important, not just in themselves, but in providing an example to those they work with and setting culture.

How proactive are they? An ideal candidate should always be looking to be on top of new regulations and to develop the best ways of meeting changing requirements. Today's compliance regime has evolved greatly from what it was even five years ago. Fast-forward another five years and the chances are it will again be far removed from what is expected today.

How strong is their international outlook and worldwide regulatory knowledge? Both are important and, depending on the nature of your operations and your global presence, they may be of critical importance to your organisation, particularly in the context of Brexit.

Is there "executive credibility" or gravitas? Are they capable of effectively communicating with both partners (at a strategic level) and staff (at an operational level)? For larger organisations, can they represent compliance effectively on relevant committees or other internal bodies?

Can they produce internal policy documents for identifying and following current and future requirements? Can they draft and interpret legislation? Will legal skills be required? Can they talk to the business, technologists, coders, traders or PMs?

Can they cultivate good working relationships with the regulators? How would they handle investigations if breaches occur or are suspected?

Will they be able to develop good relationships with their peers in similar firms to ensure your organisation is at the forefront of best practice?

If you are not convinced by the answers to questions like these, chances are that the regulators won't be either.

Taking the lead with technology

An ability to harness the potential of technology in compliance has never been more important since the Covid-19 pandemic, which accelerated the trends we spoke about in our [August 2020 article RegTech – The Future of Compliance](#). The modern CCO must be adaptable and embrace issues around ensuring a compliance culture remotely. As well as automating mundane compliance tasks, technology can do more and more in the compliance sphere – and the authorities are requiring not just more automated data capture, but their proper analysis.

Since the first lockdown firms have been ingesting new risks that were inconceivable a few months before. Whether 2021 is a 'new normal' or nearly BAU, what seems likely is that the efficiency benefits in terms of physical footprints, as well as the employee benefits of working at home, will play out in increased appetite for remote-working. A CCO will need energy and creativity to navigate the question of how to surveil in an environment of dislocated and disassociated teams. Questions like, how to imbue the right culture if you are onboarding people that you have never met? What culture might an experienced trader import? How do you teach an inexperienced trader the 'reflexes' of your organization when they are not around their supervisors who can see their body language and how they behave? How are we confident that our controls and supervision continue to operate effectively? The industry may feel that nothing has gone massively wrong, but is that because nothing has gone wrong or because we are not seeing it? Who will get hit?

A CCO candidate must also be able to demonstrate some knowledge of RegTech. The extent of this will depend on the organization. A bank might prize technology change implementation experience where a private equity firm or a boutique investment bank may not.

Many firms still use multiple compliance software solutions. These often don't talk to each other well, if at all, and can generate overlaps as well as gaps. As with people, so with technology – your would-be CCO should ideally be comfortable with handling multiple systems and being the link between them. Better still, are they in a position to be able to take a lead on securing the right technology, and in maybe consolidating your RegTech into a single platform?

By being capable of harnessing technology correctly, they can also lessen the pressure on your in-house teams – helping to increase effectiveness, save costs and reduce staff turnover.

Diversity

Anyone who meets all or most of the above criteria should of course be considered for the position. But as we highlighted in a [September 2020 blog article](#), just 15% of those who held a CF10 or SMF16 job title this year were women. All else being equal, you should therefore pay real attention to the diversity of those on your shortlist. Apart from anything else, failing to embrace inclusiveness could have a negative effect on a firm's diversity of thought and competitiveness.

Making an offer

There is a lot to consider when hiring the right CCO, but [we are here to help you hire the best talent](#) – and that includes sending you the best candidates only. Our recruitment consultants themselves come from compliance, legal and financial backgrounds, so they know what to look for in order to find the right Head of Compliance for you.

About Rutherford

Located in London and New York, our team has been providing specialist legal and compliance executive recruitment to the financial services sector for over a decade. Our purpose has always been the same: to bring the best available talent to our valued clients, through deeper market knowledge and the cultivation of trusted long-term relationships.

We pride ourselves on understanding our clients' needs and finding that crucial cultural fit.

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