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How to position compliance management for a more strategic role

by Daniel Solo

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With a heightened emphasis on fiduciary responsibility, burgeoning fraud, and other headline-making issues, compliance management in financial services has become essential. Although the term has traditionally referred to the way organizations ensured compliance with regulations and remediation needs, it has now been elevated to the role of strategic advantage. There have been key developments in the Compliance function over the last few years, and successful firms are embedding the need for compliance into their culture and C-level planning processes.^[1]

All firms have a culture with respect to compliance, but at some, that culture may encourage wrong behavior or imply that something not expressly prohibited is acceptable. An outstanding compliance culture fosters and enhances compliance efforts through its communications, strategic objectives, and efforts to improve prevention, detection, and correction.

Firms looking to amplify their efforts need to look at the technology and resources afforded to the function, how much leadership support is involved, and whether effective policies and processes are in place.

An independent function with a strategic role

An operative Compliance function should provide independent oversight and investigations, while also playing a role in the company's strategic planning process. The Compliance function should play a more active role in business activities, such as monitoring and product advisory going forward. For example, a chief compliance officer should evaluate any compliance obligations and potential risk exposures that may be associated with strategic options under consideration.

The process of aligning compliance activities and business priorities requires firms to clarify and better define the responsibilities of compliance personnel, according to Deloitte.^[2] Elevating the compliance role may be met with apprehension, but it sends a clear message of priorities and signals the start of a compliance culture transformation.

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