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Meet Diana B. Henriques: What if your gut is wrong?

***Award-winning financial journalist and author of* New York Times *bestseller* The Wizard of Lies: Bernie Madoff and the Death of Trust.**

Diana Henriques (dianabhenriques@gmail.com) was interviewed by **Adam Turteltaub** (adam.turteltaub@corporatecompliance.org), Vice President, Strategic Initiates & International Programs at SCCE & HCCA.

AT: First, when you spoke at the Compliance & Ethics Institute, you had me from the first slide: The limits of trust. Mostly we talk about encouraging trust in business, but those of us in compliance can't blindly trust. How do we find the right balance of trust? Is there an ideal balance point?

DH: Thanks for the compliment! I was hoping to produce a bit of mental backlash with that slide about "The LIMITS of Trust," and I'm glad I did!

I don't subscribe to the idea that there should be no room for subjective conclusions about trustworthiness in modern society or modern commerce. Trust is essential in both social and commercial settings. What I wanted to underscore, though, was that trust is not sufficient when we talk about our defenses against corruption—especially by corrupt insiders, who can pose the greatest challenge to compliance systems.

The usefulness of trust ends where human nature begins: We are hardwired to trust other people. Obviously, our own subjective responses are a valid starting point. Someone who fails that initial scan, someone who is so obviously a charlatan or bad apple that our alarm bells go off and we reverse our default response, is not a challenge for compliance professionals! But if that's where we stop, if we rely only on that hardwired response, we're sitting ducks for the trusted criminal.

Where is the balance point? I'm not sure there is a universal answer, but certainly the first step has to be just asking the question, "What if my gut is wrong?" We have to be humble enough to accept that our gut is *frequently* wrong about issues of trust and that we therefore need a review process that is less subjective. The form that takes may vary from situation to situation—extensive blind reference calls may work in one setting; imposing joint responsibilities for exercises of discretionary power may be the right ballast in another setting. In each case, the first step is asking the question, "What would help protect us if I'm wrong?"

AT: Ponzi schemes seem at first glance to be a bit removed from compliance officers' lives, especially those who work outside of finance, but you argue that they are perfect petri dishes for studying noncompliance. Can you elaborate on that?

DH: Sure! There are two reasons I think Ponzi schemes are so instructive for compliance professionals. First, at the bottom, they are such simple crimes: a Ponzi scheme consists of a trusted liar with a bank account. That's all it takes! So it puts that issue of trust—who we trust, how we establish trust, how much leeway we give to those we trust—at the absolute core of the crime. Second, Ponzi schemes reveal something really fundamental about human nature and human relationships: Only someone you trust completely can lure you into a Ponzi scheme. If you understand the role that trust plays in producing Ponzi victims, you have a clearer picture of the role trust plays in producing compliance vulnerability across the board. (Plus, they're such fascinating stories!)

AT: You make a strong case that, as you put it, “Trust is the oxygen of civilization.” But it’s troubling that too much trust, like too much oxygen, can be dangerous; it’s very flammable. How does it get us so far and also get in our way?