The Changing Role of the Compliance Officer

Compliance is strategic not reactive
Compliance and collaboration
Increased time pressure and smarter working

About Simplifie

Simplifie is a leading provider of business software. We primarily work for clients in the financial and professional services sectors. Our focus is to improve the quality and productivity of our clients’ operations. We achieve this by concentrating on their documentation and the way it’s created, approved and shared.

We offer a number of distinct products and tools which can be deployed individually or combined to form a broader solution. We work both within individual teams and across many departments, linking them together in a common documentation platform.
The compliance team is a staple part of the corporate structure for any regulated firm. The increasing burden of regulation and the focus on good corporate governance – for non-regulated as well as regulated firms – mean a shift from a reactive, ‘tick box’ approach to compliance to a more strategic, proactive role for the compliance function.

In this white paper, we examine some of the ways that the compliance role is changing as a result and look at some of the implications of this shift for compliance professionals.

Compliance is Strategic, Not Reactive

Firms’ approach to compliance has in the past been described as ‘tick box’ – meaning that they focus on the letter of the law, ensuring that regulations are complied with through a series of checks and reviews.

Increasingly though, compliance professionals are experiencing – and being urged to drive – a move towards greater compliance team involvement in corporate strategy. This is a point addressed by PwC’s 2015 ‘State of Compliance’ Survey, released in June 2015. The survey report claims that compliance professionals should be more closely involved in corporate planning, as they can provide valuable knowledge that can help to guide strategic direction.

Historically, corporate strategy has been set without compliance input. Any risks encountered have had to be addressed retrospectively, and compliance issues have often emerged post-execution, meaning that strategies need to be revised or remedial compliance action taken.

By viewing the compliance team as strategic partners rather than regulatory ‘police’, firms can make use of their considerable insights to help shape the future of the business. Any potential risks can be identified by those with the most detailed understanding of the prevailing regulatory framework, and incorporated into new products or services from the outset.

This reduces the need for ‘bolt on’ compliance measures at a later date and helps to ensure the firms’ solutions meet all relevant requirements. It does require compliance officials to view – and present – themselves as strategic partners to the business, which may not be a stance they have taken previously.

Encouraging your compliance team to position themselves as valuable business partners might mean a change in their self-perception, and a step change in the way they see their responsibilities.

If they achieve this, they can take on a role as a valued strategic counsel to the business, raising their profile and potentially making the compliance role a more varied and interesting one.

The amount and range of regulatory requirements facing today’s businesses mean that compliance cannot operate in a vacuum.

In different firms, compliance takes on different responsibilities: in some, the compliance team will be very close to business operations, whereas in others, specialists within the business are responsible for compliance in their own areas, with a central compliance team overseeing the process. Whatever the precise structure, each firm needs to ensure that compliance is closely enmeshed with other business functions.

Working together – for example, with the marketing team to develop financial promotions, or the product development team on new products or services – enables compliance requirements to be taken into account at early planning stages, reducing the need for significant reviews and revisions at a later date.

Taking marketing as an example, the production of financial promotions within firms regulated by the FCA can be made harder if compliance considerations aren’t borne in mind when materials or adverts are being written, meaning that the compliance team is faced with content that does not meet regulatory demands.

Compliance reviews can also be made more difficult if the compliance team is not aware of marketing’s objectives and key messages for the material in question.

By working more closely together, the marketing and compliance teams can develop a clearer understanding of each other’s goals, enabling marketing to write first-time copy that will meet regulatory demands, without needing compliance intervention, and allowing compliance to appreciate the end result the marketing team is trying to achieve and have ultimate responsibility for the compliant performance of the organisation as a whole.

Compliance, therefore, is not the role solely of the compliance team. While different areas of the business may take more or less responsibility for their own compliance, they all need to understand what their level of accountability is. At the same time, the central compliance function should retain oversight of the processes used and have ultimate responsibility for the compliant performance of the organisation as a whole.
Increased Time Pressure Demands Smarter Working

The pace of regulatory change is not likely to slow down in future. The challenge for compliance teams in staying abreast of new legislation, and then taking a lead in ensuring its requirements are met, is immense. Concurrently, budgets are under pressure; operational efficiency and effectiveness are as vital for compliance teams as they are elsewhere in the organisation.

As a result, compliance officers must look at ways to reduce the administrative aspects of their role. Some of this can be done via the collaborative working, where a better understanding of other functions can reduce the amount of time compliance needs to spend reviewing and revising planned materials, product specifications and corporate processes.

Technology can also help, although adoption of compliance technologies has not yet become widespread.

The PwC report referenced earlier states that while ‘technology has the potential to add significant value to compliance management…the compliance function is struggling with how to extract that value’.

With tools available to measure compliance data and drive efficiency improvements, as well as workflow management tools that can automate parts of the compliance and wider business processes, compliance teams would be advised to investigate the potential for adopting some of the technology that exists.

By gaining greater insights into compliance performance and potentially freeing time from repetitive administration tasks, compliance professionals can help to propel themselves towards the ‘strategic partner’ role that the business increasingly wants them to adopt.

Value-Adding Needs Evidencing

With a move towards value-add compliance, rather than reactive administration, comes a greater need to measure and evidence the impact the compliance team has. There are tools that can provide data on compliance team performance, giving insights into where time is spent and the results this delivers for the business.

In the absence of these tools, some manual measurement of the ways compliance time is spent and the value this adds to the business can be useful. Identifying areas where proactive compliance input to strategic direction helped to avoid future regulatory issues can be a huge help in quantifying the value the compliance team brings to the business.
Adapt to a Changing Landscape and Reap the Rewards

This brief look at some of the changes the compliance role is experiencing has hopefully given you an insight into the ways compliance professionals can embrace their evolving environment.

For compliance officers who adapt to the changes their role is seeing, the possibilities are significant.

The authors of the PwC survey report believe that ‘By expanding their views of the role of the compliance function and the strategic value it can offer the business, Chief Compliance Officers can become valued members of the executive team – and future stars of the C-Suite.’ For forward-thinking compliance officers, the sky is the limit.

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