

TOP M NDS 2016

Meet a dozen of the best thought leaders in ethics and compliance today:

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Bill Coffin is the Editor in Chief of *Compliance Week*. He is a nationally recognized and award-winning business journalist and editorial director specializing in insurance, risk management, and compliance. His work has appeared in *National Underwriter*, *Claims*, *Risk Management*, *Best's Review*, *Captive Review*, and *New European Economy*, as well as *The Wall Street Journal*, *BusinessWeek*, and *Forbes*.

Best and brightest

Some 15 years ago, I met someone at a business gathering, and on his business card, his official title read, "THOUGHT LEADER." I had never really seen the term before, and I joked that this title seemed a little strange. To me it evoked an alien with an oversized brain who could use telepathy or bend other people's will, that sort of thing. Thought Leader? Who the heck came up with that crazy handle? And who would claim such a title with a straight face? Surely this is another weird business fad that will fade away.

Well, it would not be the first time I was horribly wrong about something. I am, after all, a guy who confidently stated once that gourmet coffee would never become a thing in this country, after learning that a high school friend of mine was getting involved with a little known company called Starbucks. So, let me state for the record that I get things wrong and, when I do, I like to own up to it. "Thought leader" might be my new Starbucks moment.

Intelligence is knowing what others don't know, and brilliance is seeing what others don't see. Intelligence without brilliance has little application, and brilliance without intelligence has little direction. They both need each other. And in my life's journey, I have met a lot of intelligent folks, and a lot of brilliant folks, but I haven't met a whole lot of intelligent, brilliant folks. Those fine few stand out like beacons of inspiration to me. I consider myself lucky to know them, and I always see my time with them as an opportunity not just to enjoy their fellowship, but to learn a little bit more about myself, my world, and where the first might best affect the second.

As the ethics and compliance profession swiftly grows, expands, and evolves, there have emerged those standout individuals whose blend of acumen, inspiration, personality, and drive set them apart as inspirations to the rest of us. And while Compliance Week has always been a platform on which to highlight the information needed to conduct compliance more effectively, the time has come for it to also act as a platform on which we might elevate the best and brightest among us.

We put out a call among the audience to nominate who might be best considered for our first annual review of the Top Minds in the ethics and compliance profession, and I am proud to present 12 fine individuals to you who, each in their own way, bring something special and important to their jobs and to the compliance community at large. These are the first; they are not the only. As time goes on, we will continue to call out the profession's thought leaders and give them the spotlight they deserve.

But as we do so, we realize that nobody succeeds in a vacuum. To quote Ellen Hunt, chief ethics & risk officer of the AARP—and who received more nominations than anyone to be included in this inaugural Top Minds review—success in the ethics and compliance field is, at its heart, a collective effort:

"This profession encourages people to reinvent, to rethink, to constantly be improving. I am not a top mind more than anybody else. I am better at my job because of my colleagues. Nobody gets there by themselves, so my gratitude for the people I have met on this path is sincere and deep. I have met so many phenomenal people who are brilliant and committed and thoughtful contributors to the profession. They inspire me, make me better at my job, and I could not do it without them."

We could not have said it better ourselves, Ellen. And now, we present to you ... Top Minds. **TM**

TOP MINDS 2016

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ELLEN Hunt

Like many ethics and compliance professionals, Ellen Hunt did not set out to join this profession. But today, she is one of the ethics and compliance community's most beloved members, known for her dedication to the principles of how ethics and compliance can make business better for everyone and for her deep insights on what it means to inspire people to do good.

BY BILL COFFIN

Vice President & Ethics Officer,

AARP

The accidental expert

It would be tempting to think that Ellen Hunt has it made. After all, she has a great job as the chief ethics and compliance officer for the AARP, a 37 million-member non-partisan, not-for-profit organization dedicated to improving the lives of aging Americans.

At a time when Baby Boomers are turning 65 at a rate of 10,000 a day, the AARP—already the publisher of the nation's largest magazine and a host of other standout media enterprises—is more relevant than ever, helping to reshape an entire society's thinking on what it means to grow older, what it means to turn 65 in a country where nobody really retires anymore, and how we look at age in general. If that is not a job with an important purpose baked into it, then nothing is.

Ellen's role at the AARP is classic ethics and compliance program building. Her primary responsibilities are watching over an organization with more than 2,000 employees, monitoring for any potential conflicts of interest, writing and implementing a code of conduct, running the employee hotline, overseeing training and compliance communication, and overseeing a formally designated ethics officer and an investigative team. Much of this has been built from the ground up by Hunt herself, who joined the AARP some five years ago, at a time when the organization wanted to put a robust ethics and compliance program in place, not because it had to, but because it wanted to.

"It is very unique for a not-for-profit to have that kind of initiative to be driven by the board. And it was a very attractive incentive to join an organization that was putting together a best-in-class program because it thought it was the right thing to do, not because some regulator was breathing down its neck or because it was trying to get in front of some problem," Hunt says. "That's an amazing thing. And I wish it happened in many more organizations."

As a result, Hunt has not had to fight the battles for support and resources that so many of her ethics and compliance colleagues across the profession have faced. Plus, Ellen



will be the first to tell you that the AARP is a great place to work. Living in Chicago but working in Washington, DC, Ellen commutes each week from city to city, coming in on Monday and going home on Thursday, working remotely when she can with the approval of management. "As an employer, the AARP has been very thoughtful about making sure that people have the right opportunities to take care of their personal needs," Ellen says. "There is the idea that if you've got that stuff running well, then you're better here, at work."

Be that as it may, not everybody is willing to make a 700-mile commute (each way) every week, and those who are, typically only do so because the job is really, really worth it. And for Ellen, it is. Not just because of how it has treated her, but because of what it has enabled her to do with her career.

Hunt began her career as a lawyer specializing in mergers

& acquisitions work. She got into the ethics and compliance field because she was with a firm that had a large compliance settlement, and the board decided to create a corporate integrity program. Hunt was tapped to put the program together, and the move proved to be a fateful one. She serves as vice president of compliance operations for Blue Cross and Blue Shield of Illinois for five years, as vice president of compliance for U.S. Foodservice, Inc., for nearly two years, and joined the AARP in 2011. She has served there ever since. In the meantime, she speaks frequently at industry gatherings, and is a prolific writer.

“A very positive thing about moving from the legal field to ethics and compliance is how open people are to share ideas, to engage in dialogue, and to think about your problem as their problem. It was a true mind shift from being strict legal counsel, where everything is a negotiation just to begin working with your peers,” Hunt says. “I never expected this profession to be so fulfilling and to have such great colleagues. I can call my peers at any time, about almost any topic, and I will find people who are very willing to share. It’s a wonderful community, one that is committed to the profession as a whole, rather than to the notion of “my program has to be better than yours.”

When people ask Hunt what she does, she tells them that her job description is three pages long, but ultimately, her role is to help the organization make better ethical decisions. To that end, one of the more satisfying parts of Hunt’s job is act-

ing as an adviser for employees looking for ethical guidance. “I would much rather be helping somebody work through a situation before they have done the wrong thing than to be investigating folks,” Hunt says, noting that she spends a lot of time being an open door to her colleagues, a resource. “I tell people that if they have a problem, they don’t have to sit in silence, they shouldn’t just let it fester. There is a solution. I can be a counselor in ways that lawyers can’t be. That’s a job in and of itself.”

Hunt’s time in ethics and compliance comes at an interesting time, when the profession is emerging from its early days as a patchwork enterprise, filled with professionals drafted from the ranks of other areas to a true profession with a sense of best practices, an ever-more-solid mission and mandate, and the backing to get it all done. But perhaps the most compelling thing for her is seeing the progression from compliance to the inclusion of ethics.

“It has always been an understanding of my organization’s board and C-suites that the real deal is the ethics piece,” Hunt explains. “Compliance is the ground floor. It is a given. You must obey the law. But ethics is the ceiling.” Put another way, law is what can be done, while ethics is what should be done. Implementing and enforcing rules only goes so far, Hunt says. The goal is to motivate and inspire people to behave in a certain way because it’s the right thing to do, and it makes things better for everyone.

“Also, just to be frank here, when you act ethically, you



make more money!” Hunt says. “There is a real connection with your brand and your profitability and how you behave in the marketplace. That goes way beyond just following the law. Everybody expects you to follow the law. That’s like showing up with your clothes on. But the real expectation is for you to do your business in a way that is thoughtful and mindful of how it impacts others.”

The bigger struggle, Hunt says, is for those that are highly regulated, forced into a “check the box” mentality, and feel that a regulator is about to knock on their door any time. Since these companies often are very big, they wonder, could something be going wrong somewhere within the organization unintentionally? Sure. But that is where the culture comes in.

“People love to say how culture is all about the tone from the board on down. No, it’s not,” Hunt says with special enthusiasm. “It’s the tone of the whole organization. It goes back to Professor Asch’s old experiment in the 1950s about conformity. If you set the standards and how you expect people to behave, almost all of them will, if the message is clear.”

And yet, actually proving all this remains frustratingly elusive. Sure, there are plenty of small success stories of people who come to Hunt with a problem, receive her counsel, and the situation has a happy ending. And her relentless drive to monitor and improve her own program speaks for itself. She notes that one builds a successful ethics and compliance program one brick at a time, one success at a time. But it’s a bit harder to show success on a large, organizational scale, especially when trying to disprove a negative: How many problems did we avoid?

“The more I get to work with the secretaries and the boards, the more they understand why it is a good thing that you are there,” Hunt says. “A real success is when you can have a candid conversation with your board members and C-Suite and discuss solutions that are practical and good for the organization, rather than be treated like some kind of internal affairs cop. A success for me is when I’m not seen as the cop. People come to me, and I am seen as part of the process, and as a resource rather than as a negative, or a magnet for gossip and scandal.”

But there is even deeper success to be had. The ethics and compliance profession has a huge opportunity to establish how it contributes to firms’ bottom line, and a convergence with enterprise-wide risk management is key to getting ethics and compliance a seat at the strategic table. Until then, though, there is still more breaking down of barriers and silos.

“Ethics & compliance isn’t a fortress with a moat around it. It’s not some big, scary thing, and it will be very exciting to convince people of that,” Hunt says, because then it will

ELLEN HUNT

Title: Chief Ethics & Compliance Officer, AARP

About AARP: A collection of diverse individuals and ideas working as one to influence positive change and improve the lives of those 50 and over.

Years of experience: 12

Areas of Expertise: Mergers & acquisitions, ethics, communications

Quote:

“There is a real connection with your brand and your profitability and how you behave in the marketplace. That goes way beyond just following the law. Everybody expects you to follow the law. That’s like showing up with your clothes on.”

truly attract the best and the brightest, perhaps from allied backgrounds (accounting, legal, internal audit), perhaps right out of school specifically trained in this field. The dynamic challenges facing ethics and compliance programs call for innovation and creativity and offer true advancement potential, she says, which is why she thinks the profession will continue to boom.

That, and the simple reason that since the birth of the modern compliance profession, we have seen its continued need and its continued success.

“Whatever organization you are in, it has its own rules, and people need to know what those are. We all need guardrails—some, more than others,” Hunt says. And even though we continue to see huge scandals appear in the media—the Panama Papers, Theranos, Operation Car Wash, just to name a few—they would be far more numerous without ethics and compliance programs in place. “We get very focused on this scandal, or that scandal, but if you look at the whole universe, 95 percent of American corporations didn’t have a scandal in 2015, so it’s got to be working,” Hunt says. “Some people are psychopaths and will do wrong no matter what. But if you could boil down every hotline’s numbers and extrapolate the number of employees involved, what have you got? Maybe 2 percent that messed up? Come on, guys ... we’re probably getting an A or an A-.” **TM**

FOUAD Khalifeh

The group chief compliance officer for Fransabank, a Beirut-based institution that provides retail, corporate, investment, and private banking services to individuals and businesses in Lebanon has utilized his expertise in risk management to allow his bank to thrive, despite the many geopolitical risk challenges that surround him.

BY JOE MONT

Group Chief Compliance Officer,
Fransabank

The risk manager

We are living in a very high-risk geopolitical area, says Fouad Khalifeh, well aware of what an understatement that is. “It is not business as usual.”

Khalifeh is group chief compliance officer for Fransabank, a Beirut-based institution that provides retail, corporate, investment, and private banking services to individuals and businesses in Lebanon. It has roughly 3,400 employees

Founded in 1921, the bank has survived, and prospered, as one of the top three banks in Lebanon. A challenge to that success—beyond the competitive forces that affect all banks—is its location, neighboring Iraq, Syria, and Turkey, and surrounded by war, refugees (nearly 1.5 million have fled to the country), and political unrest, not to mention a homegrown terrorist organization, at least as designated by the United States and others, Hezbollah.

There is no shortage of danger. On June 12, an explosion at the headquarters of the Lebanese Blom Bank in Beirut, caused significant damage but, fortunately, no fatalities. The bank was apparently targeted because it had closed accounts related to Hezbollah in response to the Lebanese Central Bank’s adherence to a U.S. law passed in December. The Hezbollah International Financing Prevention Act threatens sanctions against those who facilitate financing for Hezbollah. Over time, the United States has placed more than 100 institutions on sanctions lists for reasons related to the group.

In conversation, however, Khalifeh doesn’t dwell on controversies. His message: Beirut, despite its challenges, is home to a healthy banking system and one that faces very similar compliance challenges as its peers around the world.

Khalifeh has had a long career in the world of compliance and risk management. Owner of the website Risk-Review.com, he was a lecturer at Saint Joseph University, a private Catholic research university in Beirut, and Sagesse University, also in Beirut. He previously served as chief risk officer



at Ahli International Bank, a risk manager at Bank of Beirut, and held positions at Banque du Liban, the Lebanese central bank, and overseer of bank supervision and regulation. He holds a Master’s degree in International Economics from the University of Paris.

“My aim is to advance the compliance ‘industry’ in my country, and be one of the many pillars of compliance in the Lebanese banking sector,” he says. “Surrounded by major geopolitical risks, we as compliance officers in Lebanon are facing major challenges to keep the business of banking growing, and supporting our economy, while spreading a culture of compliance with rules, regulations, and sanctions requirements.”

A snapshot of Khalifeh’s outlook on compliance, and the challenges he faces, can be gleaned with a quick scan of his

Twitter account:

“The Hezbollah Financing Prevention Act: we need wisdom, caution, and a balanced approach. A policy of over-reacting is the wrong policy.”

“In an area plagued by high geopolitical risk, we face growing concerns of de-risking by correspondent banks. We need increased vigilance.”

“We race on a fine wire between compliance with international sanctions, and maintaining the bank’s business growth. No room for mistake s...”

“Corruption and tax evasion are the new challenges. How to detect, prove, monitor, and report something that is culturally embedded?”

“In these troubled times, cash withdrawals of even limited amounts can finance the most dangerous of terrorists. Troubled times indeed!”

“RRR ... the 3 R’s of compliance: having the Right people, know the Right information, at the Right time.”

“Ethics are the driving force of compliance. Without it, banking transactions can be channeled, twisted around, to suit criminals.”

Perhaps the most telling of his posts:

“The compliance ‘industry’ is reshaping the Lebanese banking sector. Comply or Die.”

Khalifeh’s vast expertise, beyond risk management, includes the international Basel accord and anti-money laundering efforts, the latter being a subject he helped establish laws for while at the central bank. Another tool, created during his time at the bank, was a special investigatory unit designed to undercut Lebanon’s reputation for bank secrecy. “The central bank can monitor anyone,” Khalifeh states. “There is no bank secrecy, especially if there is an investigation.”

Through Banque du Liban’s efforts, AML was codified as a compliance issue, alongside legal compliance and handling non-compliance with rule and regulations, especially when there are correspondent banking relationships involved, Khalifeh says. “Compliance now handles AML and legal compliance at the same time.”

Know-your-customer due diligence takes on particular importance when any customer could potentially be a terrorist. “Hezbollah is a major part of the political and social scene in Lebanon, so every day we are facing customers where we need to decide how we are going to adhere to the

FOUAD KHALIFEH

Titles: Group Chief Compliance Officer, Fransabank

About Fransabank: Established since 1921 and listed first on the lists of banks in Lebanon

Years of experience: 20+

Areas of Expertise: Risk management, international Basel accord, anti-money laundering

Quote:

“You can say no to everyone and be fully compliant, but when you are the third largest bank in Lebanon you don’t want to do that,” he adds of risk management efforts. “You will lose your job. Every day, you have the challenge of deciding on the fine line between being fully compliant and at the same time making the business work. That is the challenge of compliance today in Lebanon.”

Hezbollah International Financing Prevention Act,” Khalifeh says. These decisions can be far more nuanced than the cut-and-dry account closures that come with residing on a sanctions list.

“You need to do an assessment and monitor and investigate a customer to find out if they might be related to Hezbollah in any way,” he explains. “You need to decide on whether to close the account or not. This is a grey area and is very subjective. I could be very risk-averse and decide this account should be closed. Then I face problems, because I lose a customer [with a sizable account] that may be practically impossible to close immediately. We have major headaches choosing who fits into Hezbollah and how are we going to handle this account, whether we close it or not.”

These decisions—and resolving similar challenges—take

on an even greater importance in Lebanon where, Khalifeh says, “Lebanese banks are the backbone of the economy and the last man standing for a reliable open, free market economy.”

“You can say no to everyone and be fully compliant, but when you are the third largest bank in Lebanon you don’t want to do that,” he adds of risk management efforts. “You will lose your job. Every day, you have the challenge of deciding on the fine line between being fully compliant and at the same time making the business work. That is the significant challenge of ethics and compliance today in Lebanon.”

Dealing with refugees is another challenge, especially when good guys and bad guys are comingled. Khalifeh asks: “How do you know they are the common man and not related to the Bashar Hafez al-Assad regime?” The response was to clamp down on cross-border monetary flows and halt certain currency transactions. Money for basic necessities is permitted, while large sum deposits and transfers are not permitted.

“No transaction can pass without compliance knowing about it and stopping it as needed,” Khalifeh says. “We need to double-check every transaction.”

Similar insight into correspondent banking relationships is also stressed at his bank—“Anything compliance-related, they need to be talking to me”—and he created the bank’s internal sanctions program. “We are reviewing every inquiry and response that goes to the correspondent bank,” he adds. “You need to be consistent; you need to be swift.”

On top of the unique risks Khalifeh’s bank faces, there are more mundane, but no less important industry challenges. In a May 2015 report, the International Monetary Fund detailed some of those issues: regional competition; increased exposure to sovereign debt; and a slowdown in economic activity. That report also injected a bit of optimism, remarking that the Lebanese banking sector had proven itself to be durable and resilient.

The good news for Khalifeh is that he has the ability to hire competent staff and is in the midst of a technology overhaul that will make his efforts even more effective. “We are sufficiently equipped and I can gladly say that I have the go-ahead to have any state-of-the-art software I can get,” he says.

“Risk management is not eliminating risk; it is managing risk,” according to Khalifeh. “You need to diversify and reduce the concentration of risk, not just eliminate it.” By maintaining an effective compliance program, he says, his bank “is not an extreme risk, even if we are in an extreme risk area.” **TM**

AML LAW

Below is an excerpt from Banque du Liban’s Special Investigation Committee report on AML law:

Under the provisions of [Law 318], illicit funds are to be understood as any asset resulting from any of the following offences:

1. The growing, manufacturing or trading of narcotics.
2. Acts committed by associations of wrongdoers, that are specified by Articles 335 and 336 of the Penal Code, and internationally identified as organized crime.
3. Terrorist acts, as specified in Articles 314, 315 and 316 of the Penal Code.
4. To finance or to contribute to the financing of terrorism, terrorist acts, or terrorist organizations, in accordance with the concept of terrorism as defined in the Lebanese Penal Code.
5. Illegal arm trade.
6. The offences of stealing or embezzling public or private funds, or their appropriation by fraudulent means, counterfeiting, or breach of trust, incumbent on banks, financial institutions, and institutions listed in Article 4 of this Law, or falling within the scope of their activities.
7. Counterfeiting money, credit cards, debit cards or charge cards, or any official document or commercial paper, including checks.”

Money laundering is any act committed with the purpose of:

1. Concealing the real source of illicit funds, or giving, by any means, a false statement about the said source.
2. Transferring or substituting funds known to be illegal for the purpose of concealing or disguising their source, or helping a person involved in the offense to dodge responsibility.
3. Acquiring, holding or using illicit funds, or investing such funds in purchasing movable or immovable assets, or in carrying out financial operations, while being aware of the illicit nature of these funds.

Source: Banque du Liban

ALAN K. Halfenger

Alan Halfenger stumbled into compliance more than two decades ago, but in the time since then, he has not only come to embrace and embody what it means to be a strong compliance professional, he has made it his mission to spread the word far and wide on what tomorrow's compliance officers need to do to become great at their chosen profession.

BY TAMMY WHITEHOUSE

Consulting Partner,
ACA Compliance Group

The true believer

In the early 90s, long before compliance became a stand-alone profession, Alan Halfenger was a young law school graduate weighing whether he wanted to work for a district attorney's office or get into a corporate setting. When an opportunity arose in investment banking, he took it.

Compliance wasn't exactly his career objective at the outset, but it quickly became his path. "I stumbled into it," he says. In those days, compliance functioned in something of a supervisory capacity, says Halfenger. He trained and pursued certifications required of broker-dealers to demonstrate his knowledge of the business.

Soon after, the Gramm-Leach-Bliley Act would break down the Great Depression-era barriers between commercial banking and investment banking, transforming the way financial institutions would do business. Halfenger went to work for Pricewaterhouse (before it was PwC) to help develop banking subsidiaries that complied with the new provisions. "It was an interesting crossroads in investment and commercial banking," he says. "For me, it became very interesting."

Then Halfenger settled in at J.P. Morgan in 1999, where he would encounter a professional mentor who offered a course correction. Halfenger's mentor would put him on the path of pursuing compliance not just as a job function, but as a career. "He thought of compliance as a career progression for junior people," says Halfenger of his former compliance boss.

Halfenger began at J.P. Morgan with duties like supervising municipal securities activities and developing guidelines and policies for e-commerce. He progressed into higher level duties to eventually become chief compliance officer for the retail brokerage division. He marshaled a staff of 50 compliance officers and attorneys to oversee compliance at three separate broker-deal operations under the corporate umbrella. Earlier in his run at the banking firm, he had served as chief compliance officer for J.P. Morgan Private Investments, a registered investment adviser and commodities pool operator.



It was here that Halfenger came to appreciate the critical connection between not just knowledge of regulatory requirements but also knowledge of the business. "At the senior levels, you have to have both of those," he says. "My technical skill set is that of a lawyer and a regulatory guy, but my passion is for the markets. I love watching and participating in the markets, transactions, and deals. For me, that's the fun part."

With compliance well in hand at J.P. Morgan, Halfenger moved on to new professional challenges in the mid-2000s by helping establish and build compliance operations at smaller firms. He spent a few years at hedge fund sponsor Sankatay Advisors establishing compliance and internal audit functions, and then several more years at affiliated Bain Capital, a venture capital firm, where he was charged with

ALAN K. HALFENGER**Titles:** Consulting Partner, ACA Compliance Group**Years of experience:** 23**Areas of Expertise:** Global anti-money laundering, anti-corruption, know-your-customer issues**Quote:**

“Like any relationship, whether professional or personal, it starts with trust. You’ve got to get to know people—what worries them, what keeps them ticking, and what they think is silly. Having that ‘no police’ reputation hurts compliance.”

raising the bar on compliance.

Today, instead of working for one financial institution at a time, Halfenger is a consulting partner at ACA Compliance Group, a firm focused on regulatory compliance needs of financial services companies. He is the firm’s subject matter expert on global anti-money laundering, anti-corruption, and know-your-customer issues.

But Halfenger is doing much more than just providing services where asked. He’s become a bit of an evangelist for the compliance profession. He speaks at industry conferences, writes professional articles, and interacts with the academic community to promote development of the profession.

He sees the challenges compliance officers face today—including getting the resources necessary to do the job and finding the right skills to round out a robust compliance team—and he has bold ideas on how to meet them.

“One of the skillsets that is often missing in compliance is having the ability to talk about or evangelize about what you do,” says Halfenger. “Chief compliance officers have to figure out how to ask for resources.”

As an example, many folks who hold chief compliance roles today cut their teeth in a regulatory agency, like the Securities and Exchange Commission or the Financial Industry Regulatory Authority, says Halfenger. While in law school or enforcing regulatory requirements, they didn’t necessarily learn the business side of compliance. “No one taught them how to budget or manage,” he says. “No one taught them how to sell a program or build relationships. How do we develop that CCO as a professional manager of a compliance program?”

Building relationships is a key starting point, says Halfenger. Compliance officers who can establish themselves as business partners with operational personnel will achieve more than those who approach compliance as an exercise in saying “no.” They’ll do a better job, too, of making the business case for more compliance resources.

“Like any relationship, whether professional or personal, it starts with trust,” says Halfenger. “You’ve got to get to know people—what worries them, what keeps them ticking, and what they think is silly. Having that ‘no police’ reputation hurts compliance.”

That means sometimes compliance leaders have to learn to live with a little risk, says Halfenger. “You’ve got to have a conversation with business people about what the ramifications are,” he says. “When you invest, you look at the upside and the downside. When you’re having a conversation around regulatory results, it’s the same thing. Here are the rules. Here’s the ambiguity. Here’s where we can take some risk, but here are some places where we don’t take risk.”

It’s about analyzing risk in context, he says. “Where are the regulators, the markets, the clients?” he says. “All risk is not in a vacuum.”

Halfenger describes himself as an “academic at heart,” one of the reasons he likes speaking, writing, and advocating for more compliance-focused curriculum at academic institutions. “The universal commentary with chief compliance officers is we can’t find people who know what compliance is and are interested in it in the zero-to-five-year range,” he says. “If we’re all out there fighting over the same ex-auditors or ex-regulators, we should be investing in development of the profession.”

He’s also an advocate for leaders in the profession coming together more through professional associations and conferences to develop compliance as a career. “The legal profession has its bar, the medical community has its trade association, but the closest parallel for compliance is auditors,” he says. “We have wonderful substance at compliance conferences, but very little career development or career advice around how you do your job.”

In his role as a consultant, Halfenger seeks to work with compliance leaders on those issues. A significant part of his role with ACA is to promote the firm’s compliance support solutions—essentially outsourced compliance services for firms that don’t have the resources internally for every piece of a complete program. One aspect of that includes management consulting with chief compliance officers to help them manage the finer points of budgeting and resource planning—“figuring out how to do more with less,” says Halfenger. It also includes on-site support to fill staff-

ing gaps, or outsourced services, as narrow or broad as the client needs.

Halfenger also spends a lot of his time consulting on compliance with anti-corruption and anti-money laundering rules, especially as investment advisers face proposed rules that Halfenger remembers well from his days in the broker-dealer world. “Many of the issues will feel the same,” he says of Treasury’s proposed rule that will establish new filing requirements for registered investment advisers around anti-money laundering and suspicious activity.

In addition, Halfenger spends a great deal of time consulting with hedge funds and private-equity firms on a variety of issues, he says, including the latest regulatory trends and developments. It’s not unlike the consultations he used to provide for colleagues when he was inside the firms. “I happened to work for a conservative, progressive firm that started to do some of these things early, so I’ve seen the business and

the profession grow up,” he says. “I’m one of the old guys in it now.”

Despite his considerable experience, Halfenger isn’t finished developing his own expertise in the field. He’s planning to pursue a Master’s in business administration. “I want the credentials and the knowledge,” he says.

And he’s even learning Mandarin Chinese. “I say to every young compliance officer: Learn a language, and learn one that’s important,” he says. “It will take me 10 years to be any good at it, but I’m trying. Right now I know enough to be polite. I can probably muddle my way through a cab ride conversation.”

Halfenger says he’s seen big changes in compliance over the course of his career so far, and they’re positive changes. Now the challenge is to engage the next generation and bring them into the profession, he says. “For me, it really was a stumble into it.” **TM**

THE FOLLOWING EXCERPT IS FROM AN ARTICLE WRITTEN BY COMPLIANCE EXPERT ALAN HALFENGER, WHICH APPEARED IN THE MAY 2016 EDITION OF NSCP’S CURRENTS:

Recently, I had dinner with a good friend, who is the Chief Compliance Officer (CCO) and General Counsel of a mid-size financial services firm. As we waited for our table, he told me how frustrated he was over an internal meeting in which the discussion focused on the fact that market downturn would force his firm to look for opportunities to reduce headcount and optimize and re-allocate costs. Specifically, the two new compliance positions that had been budgeted for 2016 (one a replacement and one for an additional person to cover AML and international issues) were on the chopping block.

However, what really bothered the CCO was not the headcount reduction, but the commentary on his firm’s legal and compliance functions. During the meeting, it was said several times that compliance was critical to the firm and that the firm wanted to take on no regulatory risk. However, the necessity of the additional compliance positions was doubted because they appeared to be redundant. The conversation concluded with a “rah-rah” speech about “doing more with less.” Although I have frequently heard stories like this, it is just as common (if not more common) to sit with COOs and Managing Partners, and hear them complain about

the ever-upward spiral of compliance costs.

The purpose of this article is to suggest a new paradigm for thinking about compliance costs which, if implemented wisely, will drive how firms spend money protecting themselves on regulatory matters and, more importantly, will stop many of the budget battles being waged.

In order to make these real changes, CCOs will need to implement three key steps in order to adopt this paradigm:

1. Change your approach to staffing and costs;
2. Work harder on educating management about the true cost of compliance and, more importantly, non-compliance; and
3. Act as a true steward of the firm’s balance sheet by implementing cost-saving strategies.

Read the full text at: <http://www.acacompliancegroup.com/sites/default/files/2016-Doing-More-With-Less-The-New-Compliance-Paradigm-Halfenger.pdf>

ROBERT Barrington

Robert Barrington is an authority on global corruption, corporate bribery, and corruption within the United Kingdom, and he heads the U.K.'s branch of Transparency International, the world's leading anti-corruption organization, with chapters in over 100 countries. His work was instrumental in the passage of the U.K. Bribery Act, and he regularly advises U.K. government departments on anti-corruption programs, as well as publishes regularly on corruption trends, such as corrupt capital in London. Barrington has a degree from Oxford University, where he also held a three-year Visiting Fellowship, and a Ph.D from the European University Institute.

BY JACLYN JAEGER

Executive Director,
U.K. Chapter of
Transparency International

A world without graft

For those who may not be familiar with Transparency International (TI), please tell me a little about the organization and its purpose.

We are a global anti-corruption not-for-profit organization, and we have chapters in 100 countries. I run the chapter in the United Kingdom, with around forty staff, and we focus on issues such as money laundering, political corruption, the private sector, and certain global industries like defense and pharmaceuticals.

What did you do prior to joining TI? How did you come to join the organization?

I worked in the financial services industry for a company that was a corporate member of TI. I encountered issues around corruption and money laundering and was interested in finding a sensible, pragmatic organization that seemed to be looking at those issues in a way that was hard-hitting, but not anti-corporate. I liked what TI did and thought they'd be interesting to work for.

When did you join TI?

I joined TI in 2008 as the director of external affairs. That was what brought me in to the Bribery Act campaign. Three years ago, I was appointed as executive director.

Tell me about your roles and responsibilities as an executive director.

As head of a TI chapter, you're responsible for making Transparency International the go-to organization in the country in which you operate, for trying to establish very high standards of integrity in both the public and the private sector and for being an ambassador for the anti-corruption cause.



Let's talk more about the Bribery Act campaign. How did TI work to pass the Bribery Act?

It was a 10-year campaign. I was part of the team for the last two or three years of it. During that time, the Law Commission had proposed some legislation, and it was our job to make sure it got turned into a bill, went through Parliament, and got accepted into law. It was a very pressing timeframe and there was some fierce opposition. The Bribery Act was passed on the very last day before Parliament was dissolved, and there was a general election. It almost failed.

So, then, what role did TI play in helping to pass the anti-bribery law?

It was a very typical TI approach, using high-quality research backed up by strategic advocacy. We made the case very strongly and were able to show, first of all, what impact bribery had overseas, and why that was so devastating for the countries where it happens. Secondly, we were able to show how these kinds of anti-corruption concepts could be incorporated into legislation. Those who opposed the bill, for example, argued on the grounds that “you can’t have definitions of bribery that can easily be incorporated into the law.” By doing thorough research and publishing a draft bill ourselves, we were able to overcome some of those conceptual difficulties. We also built a very effective alliance of lawyers, companies, civil society, and members of parliament, who were strongly supportive. But perhaps the most effective strategy was that we took on all the opposition’s arguments and defeated them one by one through using good research, good case studies, and legal precedent. It was a triumph of rational argument and responsible law-making over ignorance and bigotry.

How have anti-corruption efforts in the United Kingdom evolved since you joined TI in 2008?

In the United Kingdom, particularly, there has been a real transformation in terms of political will. Certainly, one of the reasons the United Kingdom needed the Bribery Act was because the country was not living up to its international obligations under the OECD Anti-Bribery Convention, and that was really because the political will wasn’t there. There was a sense that it would disadvantage British businesses if they were prosecuted for bribery, and so it would be inconvenient to have a strong anti-bribery law. But that has change—and genuinely changed. I think when you look at money laundering or overseas bribery or domestic corruption within the United Kingdom, there is a much greater sense of political will to tackle it.

As a result, what we therefore see is legislation such as the Bribery Act and introduction of deferred prosecution agreements in the United Kingdom., following the U.S. model. That combination of political will and legislative changes have been quite powerful.

It has really led to a change in corporate behavior, a real tightening up of corporate anti-corruption systems, mainly as a result of the legislation, and by extension a much greater awareness among companies about what corruption is and the impact it can have on the company.

But the United Kingdom is still very far from perfect and needs to do a lot more to get its own house in order. It’s really

important to keep up the awareness and the pressure and for enforcement to be done properly.

What is the most rewarding part of your job?

The reward is feeling like you’re genuinely making a change in reducing corruption around the world. The Bribery Act is an example; that was a very necessary piece of legislation that the United Kingdom didn’t have. It certainly has contributed to U.K. companies paying fewer bribes and, therefore, better outcomes for people in the countries in which corporate bribes were being paid. That’s incredibly satisfying to be part of those things.

ROBERT BARRINGTON

Title: Executive Director, U.K. Chapter of Transparency International

About TI: The global civil society organization leading the fight against corruption

Years of experience: 20+

Areas of expertise: Global corruption, corporate bribery, corruption

Quote:

“In the United Kingdom, particularly, there has been a real transformation in terms of political will ... I think when you look at money laundering or overseas bribery or domestic corruption within the United Kingdom, there is a much greater sense of political will to tackle it.”

What are some of TI’s current, as well as future efforts?

There are a few recurring themes. One, particularly for the business community, we are really determined that there should be a level playing field across the world for businesses that operate with integrity. It isn’t the case at the moment. It’s really important that U.K., U.S., and other companies are not disadvantaged because their local authorities are the only ones prepared to act against bribery. So one of the things we

The United Kingdom is still very far from perfect and needs to do a lot more to get its own house in order. It’s really important to keep up the awareness and the pressure and for enforcement to be done properly.

do as a chapter, with other TI chapters, is to try and press hard for greater enforcement of the OECD Anti-Bribery Convention.

Also, we’ve been looking very strongly at the role of third parties in bribe paying. In fact, we are just about to produce guidance jointly with our chapter in the United States about principles and guidance for dealing with third parties. We are also starting a new campaign to introduce Unexplained Wealth Orders, which is similar to our Bribery Act campaign but focused on corrupt capital flows and how the proceeds of overseas corruption are invested in the United Kingdom.

Finally, we have been looking quite intently, and will continue to do so, at the issue of political engagement by companies—how they lobby, how they make political donations, and so on. We think, to some extent, that’s the next big corruption issue that companies will be facing after bribery.

What lessons have you learned throughout your career that you would like to share with others in the quest to

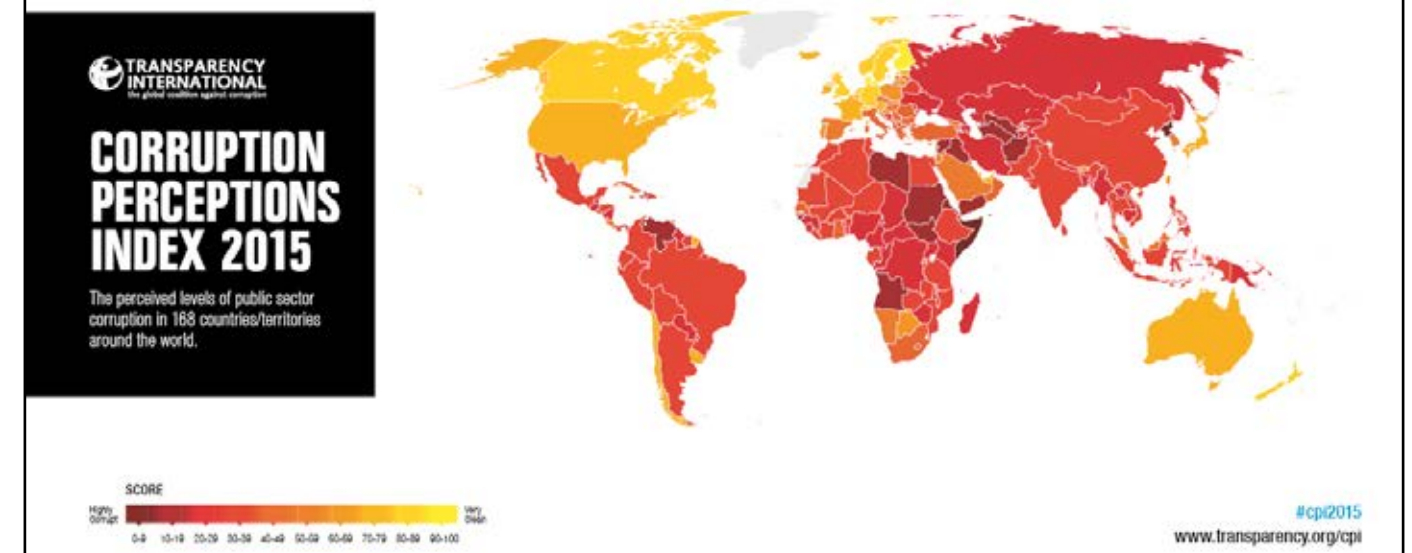
fight bribery and corruption?

The first would be that this is a very long-term endeavor. Corruption is going to continue in human existence; you can never eradicate it; you can really make a difference in improving it, but it takes a long time and it’s a continued effort.

Final thoughts?

Where companies are concerned, the mentality is often that bribery and corruption is something that’s done to companies, that companies are themselves the victim of corruption. I think it’s time for companies to be on the front foot, to be saying to governments that run corrupt economies, “this is not the kind of place where we want to do business,” and “you’re going to get much more investment if we are able to do business in a clean economy.” So businesses need to be a bit bolder in their voice about why corruption is bad for business and how countries and economies will benefit if they clean themselves up. **TM**

Most famous for its Corruption Perceptions Index, Transparency International measures the perceived levels of public sector corruption worldwide. See 2015 results below.



CHRISTOPHER Michaelson

A man of letters

Christopher Michaelson works as a professor of ethics and business, as well as a practicing business adviser. By keeping a foot in both the academic and practical worlds, he sees a path forward for ethics and compliance not just as a professional or as a discipline, but as a business model for the 21st century.

BY BILL COFFIN

Associate Professor of Ethics and Business Law,
Advisory Director

Christopher Michaelson is the David A. and Barbara Koch (pronounced “coach”—no relation to the political donor) Distinguished Professor of Business Ethics and Social Responsibility at the University of St. Thomas in the Opus College of Business and a Fellow with the Holloran Center for Ethical Leadership in the Professions in the School of Law. He teaches the foundational course in compliance programming in the Organizational Ethics & Compliance Program at St. Thomas, is on the faculty steering committee, and was a founding faculty member of the program, one of the first degree programs of its kind. He is also an adjunct professor with the New York University Stern School of Business and a part-time advisory director for PricewaterhouseCoopers—a relationship he continues to maintain, keeping a foot in both the academic and the practicing world.

In 1998, Michaelson finished grad school with a degree in philosophical ethics, but knew it would be difficult to have much of an impact on the world as an academic philosopher. “Philosophers speak a different language,” Michaelson says. “They ask narrow, difficult questions.” Rather than pursue a professorship, he joined PwC (then Price Waterhouse) as one of the first five consultants to its newly formed business ethics practice that is now part of a much larger risk advisory business.

In 2002, he got a call from the Wharton School of the University of Pennsylvania with an offer to become a visiting lecturer. It amounted to a full-time opportunity to see if he liked the world of academia. He negotiated an arrangement where he could go to Wharton yet keep a foot in PwC while pursuing academia, and he’s grateful to both his academic employers and to PwC that they have recognized the value of the arrangement.

As a practitioner, Michaelson felt he could have an impact with his clients, but not always a deep or lasting one, or one in which he felt a sense of ownership. As an academic researcher, he felt he could make a deep impact but it could take a long time to see the results. “Teaching in the classroom is a happy equilib-



rium between the extremes,” he says. “Teaching future business people about business ethics, teaching future lawyers about compliance and ethics management ... this gives me an opportunity, through my students, to have an immediate and lasting impact. Working with students for a semester, we can dig deep and inquire about issues and answer not just what should we do, but why should we do it. That’s why I love academia.”

Michaelson came to the University of St. Thomas because he and his wife are both Minnesota natives and, after having lived in New York for many years, decided to move back to be closer to family. This dovetailed nicely with his burgeoning academic career.

Michaelson could not have picked a better place to walk such a path. As a mission-driven institution, the University of St. Thomas has a deeper commitment to business ethics

than many other schools, Michaelson says. "Since Enron, even pre-Enron, most business schools felt obligated, or were obligated by their accreditors, to teach business ethics," Michaelson explains. "Some universities did it before they were required to, and others made a stronger commitment. At the University of St. Thomas, we have a strong institutional commitment to principled leadership."

It hasn't always been easy, though. Michaelson still sees an uphill battle to get organizations to justify spending money on ethics and compliance—things sometimes seen as not creating value. It is important to learn that not everything that matters can be measured, Michaelson notes, but he is realistic: If his students cannot get their recommendations for

CHRISTOPHER MICHAELSON

Titles: Associate Professor of Ethics and Business Law, Advisory Director

Organizations: University of St. Thomas, Opus College of Business; NYU Stern School of Business, PwC

Years of experience: 18

Areas of expertise: Ethics, business, compliance

Quote:

"A lot of students want to do something where they genuinely feel they are making the world a bit better through what they do. They are looking for a way to broaden their impact and have more systemic influence on an organization."

robust ethics and compliance functions funded at the organizational level, then what good can they do? That is why he teaches how to frame recommendations in terms of showing how they create value, rather than just protecting value of managing risk.

This is especially important to him because he sees the ethics and compliance profession—and the education surrounding it—at a crucial crossover point. "When I first began in this field, every compliance and ethics professional was somebody who had been with their company for a long time,

had earned a reputation for integrity, and was given the job, but it had no career advancement potential. It usually went to somebody in the twilight of their career, partially as an honorary position," Michaelson says. Today, especially in regulated industries, compliance positions are much larger and more resource-intensive, and the best approaches to managing behavior begin with an organization's culture and strategy, not a stand-alone program. The Organizational Ethics & Compliance program Michaelson teaches in at the University of St. Thomas is only two years old, a joint venture between the school of law and the Opus College of Business, developed on the belief that increasingly, students are interested in pursuing ethics and compliance from the beginning as a career path. Before, ethics and compliance might have been thought of as a kind of French Foreign Legion, populated by professionals from many different backgrounds, tasked to populate a new function without any native talent. That is no longer the case, Michaelson says, and a modern professional can't expect to succeed in an ethics and compliance position without some kind of specialized training to complement a strategic mindset about the business.

"I think the demand in the student marketplace for a program like this is partially reflective of a generational interest in doing work that people see as meaningful, rather than just as value-maximizing. There is nothing wrong with that, but a lot of students want to do something where they genuinely feel they are making the world a bit better through what they do. They are looking for a way to broaden their impact and have more systemic influence on an organization that makes the world better both through what it makes and the way it makes it," Michaelson says. "Now that we have created this program with the idea that there is a professional career path in compliance and ethics, we have an obligation to help our students realize the value of their investment in getting this degree. Our job is to make sure that the job market for compliance and ethics professionals continues to grow, flourishes, and is seen with more respect, and is more meaningful, so their investment can be worth it."

Highlights

Michaelson's eye on the philosophical and the practical distinguishes him from his academic and his practice counterparts. Early in his career, an academic mentor told him, "it's okay for you to engage in the world of practice, as long as you portray your colleagues in your research as lab rats." Michaelson recounts the story with a laugh, but admits it is reflective of the supercilious attitude some academics still have to the real world outside of the ivory tower. But not only scholars turn up their nose at the other side. Whenever he brings up

ideas that business people don't like, the easy, go-to answer is "well, that's too academic."

On a good day, he can neutralize that mutual suspicion and help colleagues build a bridge between the academic and the purely practical. On his bad days, when he gets flack from his academic colleagues for being too practice-oriented, or from his practice colleagues for being too academic, he always has the other side in which to find solace. "I would not be completely happy if I was totally in academics and I know for sure that having tasted academics, I don't want to go back to full-time consulting again," Michaelson says. "But I think it can be really fulfilling to be the person who speaks both languages."

An interesting project Michaelson is working on is a narrative based on his grandfather, who fought in the Chinese nationalist army during China's communist revolution and who faced exile afterwards. The story is taken from what Michaelson knows of his grandfather, supplemented by stories his aunts and uncles told him, as well as fictional details to fill in the gaps and to reconcile different versions of the same anecdote.

"The indeterminacy of the stories is kind of the point," Michaelson explains. "There is some relevance to compliance and ethics there. How many times do people deceive themselves into thinking they are telling the truth, even when they know they are not?"

Michaelson notes that his grandfather's strong Confucian personality had a big impact on him. In Confucian teaching, there is a hierarchy of professions. At the top are the giving professions, such as service to country or to others (such as medicine or teaching). At the bottom is business, since it is about taking rather than giving and is inherently self-interested. For Michaelson, ethics fits somewhere in between, since it's about striving to get business to change how it sees itself—to find a way to contribute positively to the world in spite of the fact that sometimes in business, there will be misbehavior.

This is not merely a homespun anecdote for Michaelson. It is a roadmap to the future of compliance and ethics, but also for business in general. "As we live in this global economy, and as economic power continues to rebalance in this world, Americans will have a harder and harder time imposing Western values on compliance standards. Those standards will have to be renegotiated."

Michaelson points out the U.S. attitude toward conflicts of interest and how they play out in so-called collectivist societies, especially in Asia. "Conflict-of-interest provisions presume that first, we are individuals motivated by self-interest. If I have a chance to do something that would benefit my personal self-interest, the presumption of conflict-of-interest provisions is that either I will take advantage of that illicit opportunity, or even if I am strong enough to resist it, there has to be a rule

against my in a position of potential conflict, lest a "reasonable outsider" could accuse me of being in conflict. We do not realize how culturally embedded those assumptions are. In a collectivist society, identity can be relational. My identity and my family can't be separated because my position in life is tied to my position in my family and society, so I am not individually acting solely out of self-interest when doing business with a friend or family member. That is consistent with my family and social identity, while Western tradition may look down on partiality as nepotism. Or, I may not be seeking an advantage with gift giving; I am just playing out a proper role in society. The trend I've seen in the current phase of globalization is that as Asian economies become more mature and more integrated into global capitalism, they are expected to adopt Western conflict-of-interest provisions. But it's not so simple. It will happen to an extent, but the more powerful emerging economies become, the more room for renegotiation of norms there will be, and current standards may not remain universal standards."

Michaelson's work in the humanities and his thoughts on changing expectations inform his interest in the use of films and novels in business ethics research and education. He cites increasing scientific evidence that suggests reading good novels may improve one's empathy, emotional intelligence, the ability to relate to other people ... the soft skills that people need in the compliance & ethics profession, and in business in general. He designed an informal research study with the World Economic Forum a few years ago and asked business leaders what were some of the most influential books in their personal and professional development. The headline books were all war- and conflict-oriented ... Darwin's *Origin of Species*, Machiavelli's *The Prince*, even books based on a misinterpretation, like *The Art of War*, which is really a peaceful book. Maybe, he thought, business leaders are reading the wrong books.

"One thing I'm encouraging students to think about is what the collaborative narratives of 21st Century global capitalism business activity will be. My number one candidate is Mary Shelley's *Frankenstein*," Michaelson says. "First, it was written by a woman, and women are increasingly equal participants in global capitalism. And, ultimately, this book is about a guy who neglected his stewardship over his creation, and it ran wild. We face that danger now with Big Data and privacy breaches, with climate change, industrialization, and forgetting to limit activities. Some worry that genetically modified organisms might be another example of trying to create something beneficial that could do more harm if not well understood and looked after. All of these are compliance-related issues in that they encapsulate the analogy of taking care of your creation. It is the job of business to create things of value, but hopefully without making the world a worse place at the same time." **TM**

KAMI Niebank

Rising to the challenge

Kami Niebank is CalPERS' Interim chief compliance officer and guides compliance efforts at the largest public pension fund in the United States. She is also overseeing an ambitious five-year compliance plan that will alternately refine and overhaul the entire compliance regime. It is part of a relentless drive to continuously improve the organization's compliance effort, and to build a better way of engaging all of the stakeholders to whom the compliance officer must answer.

BY JOE MONT

Deputy Chief Compliance Officer,
Interim Chief Compliance Officer,
CalPERS

Want to imagine a challenging compliance job? Consider the role of Kami Niebank, CalPERS' Interim chief compliance officer. In that position, she oversees the compliance function at the largest public pension fund in the United States, one with roughly \$300 billion assets under management and nearly 3,000 employees.

Not daunting enough? Factor in an ambitious five-year compliance plan that will alternately refine and overhaul CalPERS' entire compliance regime. That project is now winding down its inaugural year.

We'll back up a bit, however, before getting to that complex project. In Niebank's own words she "took a really circuitous route to compliance."

"I never really thought of myself as a compliance person or a compliance expert by any means," Niebank says, describing a career path that elevated her to deputy chief compliance officer and interim head. Prior to CalPERS, she worked in the financial services industry and thinks of herself as "more an operations person" with an eye for strategy and reputation as "a good solid manager." At her current firm, over the years, she has held a number of leadership roles, including running its Strategic Planning Group and having a key role in change management efforts.

What brought everything together was, in 2008, amid the throes of the financial crisis, joining CalPERS' Investment Office. "We put together a really comprehensive plan to build out and change our internal control processes," Niebank explains. "We looked at our relationships with internal managers to make sure there were strict ethical standards in how we approached everything. It was a really good balance of building out operations and ethics and driving a lot of change."

Those lauded efforts led the CEO and CFO to approach Niebank with a new mission: to assess CalPERS' overall compliance effectiveness and determine if there were opportunities to strengthen its overall compliance program. "It was the right timing, because we had our compliance program in place for



about 10 years," she says. "There are a lot of changes going on in the industry and with financial services and the role of compliance. The industry is beefing up compliances' role and addressing what that means for organizations. It is no longer this separate entity that sits over in the corner, but something that is really everyone's responsibility. We also had some leadership changes, so it really made sense to come back to the enterprise level and really assess our compliance program."

Niebank's approach, rather than parachute willy-nilly into various operations, was to develop a coordinated five-year plan with clear-cut, strategically developed timelines and objectives. "Looking at what we had done in the Investment Office, and my experience with driving change, we knew we needed to put together a multiyear plan," she says. "There are some improvements we could maybe do that would be short-

It is really important to have a plan and to engage your stakeholders. People will respond better if they know something is coming and can plan it into their day-to-day activities. Everyone's time fills up with all the things they had planned to do and all the things that they hadn't planned to do, so the more you can get on someone's radar early to let them know what you are doing and why it is important, the better.

term, quick wins, but also much more systemic and long-term things we needed to lay the foundation for, and over time continue to mature them. We didn't want it to be flavor-of-the-day, move on, and not have it stick. We wanted to build long-term, sustainable momentum for the organization to really think differently about how we approach compliance."

Initial steps included garnering all-important buy-in at the senior leadership level and from the board of directors. An advisory body was convened to ensure that assessments weren't conducted in an informational vacuum. Counsel was sought from both middle managers and senior executives at major business operations. "Once we then had a solid enough plan, using their feedback and what made sense, the plan was presented internally to our CEO and entire executive

KAMI NIEBANK

Titles: Deputy Chief Compliance Officer, Interim Chief Compliance Officer, CalPERS

Years of experience: 7

Areas of Expertise: Program management, government, strategic planning

Quote:

"I don't know if I am always the most popular or most liked, but I do think I am respected for knowing the organization and for helping it achieve its goals and objectives. It is a bit like parenting. You try to pick your battles and figure out how you can help them achieve what they need to, and always try to look for that win-win, so that you are not that nagging compliance officer, but a collaborative facilitator."

team," Niebank says. "We also took it to the board and its risk and audit committee."

The approach in what Niebank calls "Year Zero" was that rather than telling people what they needed to do, she tried to make it about what the organization's operations really saw that they needed, with a focus on how to make them feel a part of the plan, sharing ownership and accountability. "Sometimes there will be a group audit and what happens is that management gets in a very defensive position," she says. "With compliance and what we are doing it's more like: 'You guys know where all the landmines are; you know where the issues are. Let us help you and give you tools you need to fix those things and solve your problems. We are here to be like an internal consultant or adviser to you, so that by the time audits come around you have a clean slate.' It was a bit of a paradigm shift, but management has really started embracing the concept."

The first year entailed laying the foundation for long-term success, focusing on roles and responsibilities, hiring fresh compliance talent, and working with other control partners to figure out how they can best work together. A key objective: being a better business partner with audit and risk management.

"We are very pragmatic with the plan," Niebank says. "Because it is a very complex and comprehensive, we are trying to make it very simple for the organization by focusing on smaller, tangible wins. For example, we didn't have good standardized policy templates and processes, so that was something very tangible that we could put out there." There was also a focus on mandated filings and training, making management a part of ensuring they were completed and communicating the importance. A lot of effort was put into improving communications and education with CalPERS' internal social media site being updated with a compliance page offering weekly communications, occasional questionnaires, and articles of interest.

"If somebody isn't necessarily compliant in a process, we step back and ask what we can do differently," Niebank says. "Are we not communicating effectively? Do our process-

es not work? How can we improve things? All these small, incremental things add up to building a culture of compliance."

Initially focusing on tangible wins and easing organizational pain points helped keep the plan from becoming an exercise in—to use a compliance cliché—boiling the ocean. Relationship building, and developing trust and credibility with Niebank's peers was important "so that when we needed to do some of the longer, more strategic items they would have confidence and trust in our abilities."

"I don't know if I am always the most popular or most liked, but I do think I am respected for knowing the organization and for helping it achieve its goals and objectives," she says. "It is a bit like parenting. You try to pick your battles and figure out how you can help them achieve what they need to, and always try to look for that win-win, so that you are not that nagging compliance officer, but a collaborative facilitator. For us, a focus on roles and responsibilities was one of

COMPLIANCE PROGRAM BENEFITS

Below, Kami Niebank outlines the benefits of implementing a compliance program.

- Effective leadership and governance create a positive tone at the top that encourages staff to do the right thing.
- Clear identification of applicable standards and codes helps staff identify the requirements that apply to their work, mitigating risk of oversight.
- Risk assessments and clear prioritization help CalPERS focus efforts on compliance activities that will provide the highest benefit to the organization.
- Effective operating event and incident management helps ensure that the organization responds rapidly and effectively to noncompliance events.
- Monitoring and testing help to provide assurance regarding program area compliance activities.
- Reporting and disclosures help the organization effectively assess and respond to ongoing compliance trends and provide assurance against inappropriate activities relating to conflict of interest.
- Education & communication help ensure staff are up to date and aware of compliance responsibilities.

Source: 2015 CalPERS Enterprise Compliance Division status report

the key things even if that is very intangible in a lot of ways. We put together a group we are calling our Integrated Assurance Partners and a compliance and risk team with main business partners that are rolling out compliance programs. 'Here is what we have on our plate in terms of priorities, here is what we need from you, and is that going to work with your time frame?' We weren't just showing up and saying, 'Here is the plan, good luck with it.' It was really a partnership."

The process does, at times, require establishing what is, and isn't, negotiable. That is where executive-buy-in helps separate mandated elements from matters where there is a more creative, flexible process in play.

One challenge was the need to move away from standard compliance jargon, such as references to the U.S. Sentencing Guidelines, which many compliance objectives are mapped to, and various COSO frameworks. "Whenever we tried to communicate the Sentencing Guidelines' seven elements of a successful compliance program there were blank stares," Niebank says. "It didn't resonate with our business partners. We had to take a step back. We restructured the plan to align with our business functions. We have an enterprise ethics group; a policy and delegation group; a compliance oversight and monitoring group; and communications and education reporting. We turned the whole plan on its head and aligned it in a way that made sense for our team and made more sense in how we communicated it out to our business partners."

The plan also focuses on an "integrated assurance model" and making sure management understands and is accountable for their operations and internal controls in the context of the Three Lines of Defense. "They are responsible for complying with the rules and laws that apply to their organizations," Niebank says. "We want to help them define what that means and get people on their team who can be day-to-day point people [acting as] a liaison with us, audit, and risk management."

An ultimate goal over the course of the next five years is "continuous improvement."

"Compliance is really about the culture and DNA of the organization, and CalPERS takes our responsibility to be fiduciaries and stewards very seriously," Niebank says.

Her advice for others taking on a compliance program redesign: "It is really important to have a plan and to engage your stakeholders. People will respond better if they know something is coming and can plan it into their day-to-day activities. Everyone's time fills up with all the things they had planned to do and all the things that they hadn't planned to do, so the more you can get on someone's radar early to let them know what you are doing and why it is important, the better. Make the process very practical and pragmatic and make sure you are speaking operations' and management's language." **TM**

MIKE Lamberth

Mike Lamberth, managing vice president of compliance for Capital One Financial, was on the job as compliance programs first started to become ubiquitous. His vision for the profession: a continuing evolution that combines talents, keeps pace with regulatory change, realizes the positive disruption technology will bring, and does all this without ever losing sight of protecting customers.

BY JOE MONT

Senior Compliance Officer,
SunTrust, Capital One

Shepherding the future of compliance

Where do great compliance officers come from? For Mike Lamberth, managing vice president of compliance for Capital One Financial, it was the “very small, two-stoplight town” in Georgia he grew up in, raised by a mother who was a teacher and a father who hung a shingle as the local lawyer.

Today, Lamberth serves as the senior compliance officer responsible for all aspects of compliance risk assessment for Capital One’s global credit card businesses. During his career, he has led compliance functions in support of almost every financial product and has overseen compliance functions specializing in complex, high-risk areas of financial regulatory compliance. It all started, however, with the career choices of a young man who would meld lessons learned from the careers of his parents.

A legal career seemed a logical path when thinking about the future. “But I didn’t want to do anything related to criminal law or family law,” Lamberth says. “I always wanted to be a lawyer, but for something that was more business oriented.” Good advice led him to seek an understanding of finance and accounting, which in turn led to a CPA from Georgia Southern University.

“I worked at public accounting firms for a couple of years while getting my CPA license,” Lamberth recalls. “There were a lot of things about that profession I liked and a lot of things that bored me to tears.” While corporate law still held some appeal, “I needed to be able to feel like I was helping people, not just some faceless corporation.

Law school did beckon, and Lamberth graduated in 2001 with both JD and MBA degrees from Georgia State University. Upon graduation, he went to work for SunTrust in Atlanta as a regulatory attorney for its mortgage business.

At that time, Lamberth’s multidisciplinary studies paid off. “In 2001, compliance programs really started getting legs, especially at the large banks,” he says. “I happened to be sitting right at the point where regulators started say-



ing, ‘You guys need to have compliance organizations that really understand things end-to-end.’ I was in a great place, because I was one of the very few attorneys anybody could find who understood controls, testing, and policies and procedures because of my CPA background.”

Fast forward to about 12 years ago, and organizational changes at SunTrust led Lamberth to Capital One. “I wanted a different challenge, one where I was not just a mortgage guy,” he says. “I came to Capital One right at the time they were asked by regulators to create a compliance function. I was there at the beginning when compliance was created as a new organization split out of the legal department. I just happened to be at the right place and had an interesting background. I was one of the very few people who understood how something went from beginning to end, all the

way from Congress thinking about a bill to implementation, creating training programs, and remediation. I could see end-to-end.”

What makes his job rewarding? “I am not just helping a company. When I do my job well I have the ability to affect 100 million people’s lives around the globe. That speaks to me.”

Over the years, Lamberth has devoted a lot of critical thinking to the current state of compliance as a profession. There are lawyers asked to do compliance work, and while “they are pretty good at understanding change, they are terrible at sustainability and just can’t think of a program.” Those on the operations side who find themselves thrust into compliance hate change because their thinking is very process-based.

“Both of them get overwhelmed,” he says. “If you are an operations person who came over into compliance, you built processes that were supposed to last forever, versus something that had change built on. If you were lawyers, you nev-

MIKE LAMBERTH

Titles: Senior Compliance Officer, SunTrust, Capital One

About Capital One & SunTrust: Capital one is a Fortune 200 financial services institution. SunTrust Banks Inc. is one of the nation’s largest and strongest financial services companies

Years of experience: 24

Areas of Expertise: risk management, third-party management, Foreign Corrupt Practices Act compliance, global finance

Quote:

“What I really find lacking in compliance professionals is an ability to understand what the business is trying to do and communicate effectively with them. You cannot do your job successfully if you don’t understand, intimately and deeply, what they are trying to accomplish, as much, if not more, than they do.”

er actually thought about putting a program or a framework in place. That’s where I’ve been able to slot in the middle and see both ends.”

The pace of regulatory change in the financial world is staggering. In Lamberth’s view, keeping pace is greatly aided by maintaining a people-focused approach. He refers to the massive, tissue paper-printed, constantly updated “blue book” of bank regulations he has long needed to consult. It used to be that “everything you needed was in that book,” but over time, “especially as the Consumer Financial Protection Bureau came on board, we pretty much had to throw the book out the window.”

“The book was written by people in a very different environment where people focused on technical compliance regardless of an impact on customers,” he explains. “My job became easier when I started telling people to stop thinking, first and foremost, about what the requirements in the book are and to start thinking about what we are trying to accomplish. What is any way something could go wrong and affect the customer? Let’s think about all the fault mechanisms and work backwards from that. I will make sure the book gets adopted, but I can guarantee you that 95 percent of the time, if you will work backwards from understanding your risk failure modes and on doing the right thing for the customer, we will solve it.”

Lamberth likens his approach to compliance leadership and working with business lines to parenting his daughters. You want to encourage them to do things on their own, but not without a watchful eye in case something goes wrong.

“I made the mistake of thinking I knew better how [business units] should implement a control. They were implementing my controls,” he says. “Now, I tell them to come up with a control they truly believe in.”

His message to business lines: “I am going to give you a lot of leeway, but I am going to set these guardrails and you can play anywhere between them. We will look for failure modes—and if you go outside of these lines, I am going to assert my authority. I want you to be independent, but if there is a point where I see things going bad, I’m going to step in and escalate the conversation.”

Increasingly, technology and the automation it brings is the key component of any well-realized compliance function. Lamberth has thought a lot about this digital revolution, how it can—and must—transform compliance and how to prepare for it.

Most, especially those with a legal background, are comfortable having defensible positions, “that you were probably 90 percent right and could make an argument if you had to,”

I don’t want to do what everybody else is doing and pick through the haystack to look for needles. It would take tens of thousands of people and even then you might not find them. I want to create some kind of technology solution that puts a magnet over the haystacks to pull those needles up. I’m looking for technology that helps me find patterns and clusters that aren’t what you would expect.

Lamberth says. “An auditor, by comparison, is only concerned with material risk. Audit disclosures say, ‘We’ve done the best we could do with our ability.’ They are probably shooting for 98 percent competence. They are all accepting there is a failure rate, but when you look at the reality of life, especially with regulators and the Department of Justice, what you find is that even a single point of failure is a problem.”

Capital One, he estimates, probably runs half-a-billion transactions a day, but, “if we miss one terrorist thing, one AML incident, or even one consumer who is financially harmed, when the Justice Department comes in they look backwards and say, ‘... but you had the data.’”

The way firms are held accountable has changed and zero tolerance cannot be abstract thinking. “The only way you are going to get to that level of standard is to have technology that is looking at those half-a-billion transactions,” he says. “People can’t do it. It becomes less about a framework that ensures 98 percent compliance. It is more about having that framework and some kind of automated technology solution.”

The “Holy Grail” Lamberth has been searching for is what he describes as “the haystacks philosophy.”

At any given moment, at any company, there are problems that must be addressed. “I don’t want to do what everybody else is doing and pick through the haystack to look for needles,” he says. “It would take tens of thousands of people and even then you might not find them. I want to create some kind of technology solution that puts a magnet over the haystacks to pull those needles up. I’m looking for technology that helps me find patterns and clusters that aren’t what you would expect.

The vision: letting technology draw out those clusters, whether they are problematic or ultimately benign, so that a compliance team can parse through the extracted “needles.”

Technology of this sort will likely mean that large financial organizations no longer need to employ and deploy a 25,000-employee compliance organization, relying instead on a more streamlined team of highly qualified experts. “I really think we are at the front line,” Lamberth says of his

firm. While “not there yet” he expects his efforts to pay off in about three years.

Lamberth is well aware of the need to nurture the next generation of compliance experts, especially amid changes the profession will face. As an advocate for compliance as a career path, he has worked with law school career development centers to provide insight to students and recent graduates on compliance careers and is a strong proponent of mentoring and training efforts.

“About five years ago I started pitching these ideas to the law schools because I couldn’t find qualified people to start off in compliance,” he says. The glut of lawyers and law students at the time left many hard-pressed for work, an oversupply that offered an opportunity to shape them in the compliance mold. The pitch fell flat.

More recently, a sign of how things have changed, Lamberth is now the one being approached by law schools for help.

His advice: Learn the history of the profession and how it has evolved. Then, take it to the next level.

“What I really find lacking in compliance professionals is an ability to understand what the business is trying to do and communicate effectively with them,” he says. “I see so many people hung up on having to be independent—I can’t go to their meetings. I can’t understand their strategy.”

“Being independent means you are free to make your own decisions, but you cannot do your job successfully if you don’t understand, intimately and deeply, what they are trying to accomplish, as much, if not more, than they do. Good, business-minded compliance people work with the business, understand what they want to do, and have both a natural curiosity and soft skills around influencing.”

There is no magic or secret formula behind what makes a great compliance officer. “People need to really feel that it is a profession, take it seriously, understand the history, and really focus on their influencing skills,” he says. “Those who are comfortable with teaching, and trying to explain things, make far better compliance people.” **TM**

JOEL Katz

Joel Katz is the chief ethics & compliance officer for CA Technologies, a New York-based provider of business management software and solutions, specializing in project management, application development, analytics, and more. A widely admired member of the ethics and compliance community, Katz's legal acumen and communication skills have enabled him to build a robust compliance program that blends the hard facts of the law with the soft science of human nature.

BY JACLYN JAEGER

Senior Vice President,
Chief Ethics & Compliance Officer,
CA Technologies

Walking the talk

Tell me about the path that led you to where you are today. How did you become chief ethics and compliance officer (CECO) at CA Technologies?

I'm a lawyer by training, and my background is in the management side of employment law. I was originally hired as CA's first employment lawyer at a time when the company had just completed two of its largest acquisitions and had grown to approximately 22,000 employees.

When CA formally founded its compliance program around 2005, I worked closely with the business as the program was being created. Then in 2009, as some people left the organization or moved into different roles, an opportunity arose to lead the compliance function. My boss asked me if I was interested. I said that I was, and the rest is history. I've been overseeing the global compliance program since April 2009.

Tell me more about your roles and responsibilities as CECO.

My roles and responsibilities can be broken down into three components.

The first component is policies and procedures. That's all the things we do from formal policies to our Code of Conduct, and all of the resources we make available to employees to help explain the way we expect them to conduct business.

Next is the education and awareness piece which involves training as well as getting out and talking to employees. That's one of the most important roles for compliance officers. Meeting with employees helps you understand what is on their minds and what is and is not working from a compliance perspective. The training, the awareness, the evan-



gelism—all of those things that we do to help keep compliance top-of-mind among our employees is a very big piece of what I do.

The final component is investigations and enforcement. Like every company, we, at times, have employees who do things they shouldn't be doing. So when we hear of allegations that someone has done something inconsistent with our ethical values or compliance rules, my team investigates. When necessary, if we find merit to the allegations and someone has, in fact, breached our rules, we determine what the appropriate remediation will be, working with the business and HR. We believe that the business, HR, and compliance should be a united front. Anytime we discipline or discharge an employee, this agreement between the functions helps us to ensure

I'm a big believer that if you want employees to retain key messages from compliance training, the information should be provided to them in smaller chunks, rather than bombarding them with long courses where they're going to retain very little.

that we make the best decision for the business and for our compliance program.

What other aspects of your job make the compliance role challenging?

Finding new and interesting ways to keep the compliance message resonating with our employees is always a challenge. By and large, the laws and rules around compliance haven't changed that much in the seven years I've been leading the program. While there have been new bribery laws, for example, the fundamentals of the law haven't really changed in many years. So when we're pushing training and awareness to our employees year after year, it is challenging to find interesting ways to keep repackaging what is basically the same information.

It's also a challenge to connect not just with the employees who have been working here for a number of years, but also the new generation of employees entering the workforce each year. Millennials, for example, are used to having information at their fingertips from a very young age. We have to constantly be thinking about how to connect with all aspects of our workforce.

Corruption is another huge challenge for every company operating in any emerging market. We spend a lot of time focusing on assessing our risk, building the right controls, and ensuring that we are doing the proper amount of due diligence on our business partners to help ensure they understand and share our ethical values. In many societies, corruption is so deeply rooted that it would be naïve to think that any company's compliance program is going to change societal norms. So finding ways to get comfort that we've built a good program, have the right controls in place, and have found the right tools to understand as much as we can about the partners we do business with—all these things are tremendous challenges for compliance officers in every industry.

You mentioned training earlier. How do you keep the compliance message 'new and interesting' at CA, so

that it resonates with employees?

If you keep pushing things employees don't like, it waters down the underlying messages. We have found over the years that using humor to teach compliance lessons has been really effective for us. I don't know that it's effective for everybody, but it has worked for CA. We created a fictional character named Griffin Peabody who is always doing the wrong thing, and we've incorporated some of his escapades into our compliance training courses. Griffin has been very popular with our employees who are always excited to see his "next adventure." We have posted many of these "Griffin Peabody" videos that were created in-house to YouTube. We've received requests from many other companies to use these videos in their own compliance training offerings.

We are finding that effective learning takes place when we give employees information in shorter snippets. Most of the compliance courses we've created over the last seven years have been in the 18- to 22-minute timeframe. I'm a big believer that if you want employees to retain key messages from compliance training, the information should be provided to them in smaller chunks, rather than bombarding them with long courses where they're going to retain very little. With the new generation of employees entering the workforce, that is even more true.

What other employee communication techniques have you found useful?

We publish a quarterly newsletter called "Walk the Talk" that profiles real compliance cases that we have seen at CA. We created the newsletter and began profiling real company cases after employees told us they'd like to learn more about the types of cases we are actually seeing at CA. I'm a big believer in transparency. Employees need to understand that the compliance messages are not simply theoretical—we, like every other company, actually have employees who sometimes do the wrong thing. We want our employees to understand what these issues are and what we can learn from them. By telling employees stories of the cases we're actually seeing and how

we've dealt with them, we are giving them information that they are interested in and that will help them understand CA's expectations.

We've also done compliance events. In one of our New York offices, we did a "beer and pretzels with compliance" event, in which my team went around to the different departments. People would come away from their desks and have a beer, and we'd talk about compliance. Those are some of things we've done that we've found to be effective.

What are some of the more rewarding aspects of being a compliance officer?

JOEL KATZ

Titles: Senior Vice President, Chief Ethics & Compliance Officer, CA Technologies

Member of the Board of Directors, Ethics & Compliance Association

About CA Technologies: Creates software that fuels transformation for companies and enables them to seize the opportunities of the application economy. CA works with companies worldwide to change the way we live, transact, and communicate

Years of experience: 21

Area of expertise: Law, litigation, psychology, public speaking

Quote:

"I see compliance as a noble pursuit that helps ensure transparency and fairness in business transactions around the world. The field of compliance plays a critical role in the global economy. As we have seen in very recent history (over the last 15 years), a lack of transparency and fairness in business undermines consumer confidence and can lead to potentially catastrophic economic consequences. To use a sports analogy, every game must have rules and the rules must be rigorously enforced to help preserve the integrity of the game."

I have always believed that most people want to do the right thing. To be a part of leading the charge at making sure we're conducting business the right way and doing business as a company in a way that we can all be proud of is very gratifying. And our efforts were validated most recently when we were named one of the World's Most Ethical Companies.

What lessons have you learned throughout your compliance career that you would like to share with fellow ethics and compliance professionals?

First, I believe that constant iteration is the hallmark of a top-notch compliance program. The world changes quickly, and the compliance program must be able to adapt equally as quickly. Next, it is not always easy to find new and interesting ways to deliver compliance messages so, whenever possible, you should try to make compliance messages and training interesting as well as relevant and useful to the target audience.

Facts and circumstances are not always as they may first appear to be—to conduct effective investigations, investigators must keep an open mind and truly serve the role of fact gatherers (rather than judges, juries, and executioners). It is imperative that you communicate and follow up with people who raise ethical- and compliance-related concerns. Doing so will help ensure that your organization is one where people believe in "organizational justice."

Finally, you really cannot overstate the importance of tone at the top—like children emulating the actions of their parents, many employees will look to their boss and other business leaders for information about the organization's ethical compass. When only the compliance officer and the legal team are endorsing compliance messages and living the organization's professed ethical values, the company is clearly heading down a path paved with peril.

Any final words to impart?

More than anything, the compliance officer has to get buy-in from the senior leadership of the company and the board of directors. If you're a compliance officer who has doubts about the ethical compass of your leaders; or you can't get time with your leaders; or your leaders are not engaged in driving the compliance message or simply view compliance as a necessary evil, you are likely working for the wrong company if you're serious about compliance and serious about helping run an ethical business. **TM**

ALISON J. Taylor

As one of the compliance profession's leading advocates for corporate sustainability, Alison Taylor is passionate about helping organizations understand how they can improve their ethical, governance, compliance, and operational existence to create organizations that aren't just good at being better, but are also better at doing good.

BY TAMMY WHITEHOUSE

Director, Advisory Services,

BSR

A just and sustainable world

Over the course of a dozen years in corporate risk and investigations in some of the toughest markets in the world, Alison Taylor became intrigued by trying to solve the question of what's wrong with the traditional compliance equation.

With a history degree from Oxford in her native United Kingdom and a Master's in international relations from the University of Chicago, Taylor began her very global journey in compliance as a corporate strategist for a Big 4 firm. She moved on to Control Risk, which she describes as a consulting firm in the United Kingdom much like Kroll in the United States. She served as director of corporate investigations for the Middle East and Africa.

Early in her career, Taylor says, she had a firsthand view into corruption, how it affects development, and how it drives policy. With her education focused on political science and international relations, she quickly grew fascinated with how Western companies operated in high-risk markets. "I was trying to understand how these companies behave in these countries and how we could improve that to make things better for the people who live in those countries," she says.

Much of Taylor's early work was in fraud investigations, due diligence, political risk, and market entry, she says. "I spent a lot of time with compliance legal counsel about these investigations, and I became very interested in what worked, what didn't work, and why." That inspired her to head back to the classroom to pursue another advanced degree, this time in organizational psychology, or the study of how people behave in groups.

"The dominant perspective from regulators in their literature is that we need to find out who the bad guys are and stop them," she says. That assumes corruption is the action of individuals operating only out of their own personalities or motivations, so it's up to companies to find those individuals and discipline them. "Organizational psychology



says behavior is a function not just of personality but also environment."

That means, for example, when a person starts a new job, they'll read the manual or sit through the training that explains corporate policies and procedures, but they'll also take cues from their supervisors and their peers. And those cues are just as important, maybe even more important, than whatever is presented in formal materials.

That's the cultural side of corporate compliance, where compliance officers increasingly recognize the dialogue needs to focus to bring about real change. "Compliance programs that are written and recommended by the regulators are not really working all that well," says Taylor. "We have a lot of companies that have compliance on paper, but are still under investigation."

Taylor is helping drive that growing dialogue around what needs to change in terms of corporate culture to produce not only compliance, but sustainable, long-term business success. “One of the biggest trends, if not the biggest trend, of the last couple of years is the massive focus on culture and behavior, and that will carry on growing,” she says.

The sudden massive focus, in Taylor’s view, is driven by a couple of factors. The first is a kind of recognition that even with the best compliance plan, compliance with anti-corruption, or compliance with anti-money laundering rules it’s not a given. “If you don’t have the culture and the backing of the company, you won’t be able to make it work,” she says. “So what would make it work?” A cultural shift, companies are beginning to accept.

Another driver, says Taylor, is the recent movement toward holding individual officers liable for compliance failures. Sally Quillan Yates, deputy attorney general for the U.S. Department of Justice, has put compliance professionals on notice with the now infamous “Yates memo,” shifting DoJ policy to put more emphasis on investigating and prosecuting individuals. “The Yates memo has massively raised the stakes,” says Taylor.

Cost containment has become another factor steering more interest in improving corporate culture, says Taylor. “The compliance advisory industry, due diligence providers, forensic accountants—that’s all gotten very expensive,” she says. “It got a little bit out of control. Compliance officers are looking for other tools and techniques that they can use that don’t involve millions and millions of dollars.”

Today, Taylor is director of advisory services for BSR, a global nonprofit organization with more than 250 member companies that are committed to building “a just and sustainable world,” according to the group’s mission statement. But “sustainable” here is used in a much more modern sense than it might have been used a decade or two ago.

It’s not just about environmental responsibility and carbon footprints, says Taylor. It’s about looking at compliance more broadly than just as a risk assessment and a set of controls to mitigate those risks. It’s about culture. “Sustainability has evolved from being a separate team that makes philanthropic donations to a team that is trying to change behavior in the organization,” she says. “They’re thinking long term, and it’s throughout the business, not just one department. They’re trying to bring sustainability into the core business.”

Taylor is trying to get sustainability teams and compliance teams to collaborate and work together more closely. “There’s a huge opportunity for ethics and compliance officers to work with sustainability,” she says. “They’re both approaching the same questions of how to get the organization

ALISON J. TAYLOR

Titles: Director, Advisory Services, BSR

Years of experience: 16

About BSR: A global non-profit organization that works with its network of more than 250 member companies to build a just and sustainable world.

Areas of Expertise: Sustainability through risk management, strategy, stakeholder engagement, transparency, governance, and organizational change

Quote:

“Compliance programs that are written and recommended by the regulators are not really working all that well. We have a lot of companies that have compliance on paper, but are still under investigation. One of the biggest trends, if not the biggest trend, of the last couple of years is the massive focus on culture and behavior, and that will carry on growing.”

to behave better. The challenge is really the same challenge.”

Much of Taylor’s experience is rooted in the energy sector, so she’s in charge of leading BSR’s energy and extractives practice. She helps BSR’s member companies focus on approaches to sustainability through risk management, strategy, stakeholder engagement, transparency, governance, and organizational change. She also leads BSR’s service lines around ethics, governance, and stakeholder engagement.

Taylor’s passion for helping companies create and maintain an ethical culture is a natural fit for the modern understanding of sustainability, which is to take a long-term view of a company’s relationship to its stakeholders and the environment in which it operates. She sees plenty of instances where sustainability is treated as a stand-alone, start-up exercise, but she believes the days of such an approach are numbered for companies that want to succeed in the face of modern societal challenges.

To further the cause, Taylor has taken to writing as an active blogger for BSR. She focuses on topics like how com-

pliance and sustainability can work together to strengthen ethics and how companies can build a more resilient culture.

Taylor started writing a few years ago when anti-corruption messages still focused heavily on how to write a good code of conduct or perform effective due diligence. “I didn’t see people writing much about culture in particular but also combining political risk,” she says. “I felt like I had something to say, and few people were talking about the things I thought were important.”

Outside of nine-to-five duties, Taylor also pursues her passion for sustainability, social action, and human rights through organizations like the Society of Petroleum Engineers, the Center for Business Ethics & Corporate Governance, and Global Action to Prevent War and Armed Conflict. She serves as a board member for all three organizations, and as a member of the Sustainability Committee for SPE.

Human rights is particularly an area where Taylor expect to see growing focus over the coming years. “Right now, it’s soft law,” she says. “It’s a behavior. It’s nice to have, but it’s soft law. We will start to see regulators look more at this as law. That is certainly something that is coming on the radar, although slowly at the moment, for compliance.”

Taylor says she used to enjoy traveling but that was before her work took her so often all over the world. “After spending 15 years on planes all the time, now my idea of a good time is staying home,” she says.

Home is New York, where she is based for her work with BSR, but she also has ready access to the Catskill Mountains of southeastern New York state, and she escapes there every chance she gets. “I love hiking in the woods where there’s no cell reception,” she says. “With the beautiful views, I get lost in the trees. It’s really good for mental health and relaxation.” **TM**



RICHARD Wallace

Failure is not an option

Thanks to the work of Chief Compliance Officer Richard Wallace and an enterprise-wide effort to build a world-league compliance program, the OCC doesn't strive to just meet current regulatory requirements, it lives by a set of internal expectations that exceeds the mandatory.

BY BILL COFFIN

Chief Compliance Officer,

OCC

Imagine being responsible for facilitating the execution of some \$453 billion in equities derivatives and securities transactions a day, holding about \$100 billion in collateral to backstop those transactions, and ultimately clearing about 4.2 billion contracts a year. Welcome to the Options Clearing Corporation, the world's largest clearinghouse for listed equity derivatives.

The OCC (not to be confused with the Office of the Comptroller of the Currency) is, in its own words, "the seller to every buyer and the buyer to every seller," for its various member firms, which collectively represent 13 options exchanges (a 14th exchange—ISE Mercury— will join on Feb 16), four futures exchanges and some 120 clearing member firms. If any of these clearing firms fails to honor its trade obligation, the OCC steps in to honor the guarantees that have been issued.

By acting as a go-between for derivatives trading, the OCC provides a critical layer of stability to the world's financial markets. But with great power comes great responsibility, which is why this firm has the ongoing attention of financial services regulators such as the SEC. And while this has always been the case, in 2012, that attention grew by an order of magnitude when the OCC was declared a SIFMU—a Systemically Important Financial Market Utility.

SIFMU designation is an outgrowth of the Dodd-Frank Wall Street Reform and Consumer Protection Act, which empowers the Financial Stability Oversight Council to assign special regulatory requirements on those firms that would threaten the stability of the United States' financial system if they failed or faced serious disruption. To date, only eight firms have been given SIFMU designation, and the OCC is one of them.

Richard Wallace, senior vice president and chief compliance officer, is the person the OCC turns to to make sure it is not just in compliance with SIFMU regulatory requirements, but is keeping the enterprise well ahead of the regulatory curve. As the leader of the OCC's compliance program, Wal-



lace works with regulators, advises the OCC's board of directors and management team on compliance requirements, and oversees records management.

Wallace's background uniquely suits him for the task of adapting the OCC's business practices and culture to deal both with the firm's past regulatory remediation efforts, as well as proactively addressing its current and future compliance challenges. Before joining the OCC in 2013, he was a partner at Foley & Lardner in Washington, D.C., where he represented and advised securities broker-dealers, securities exchanges and investment advisers and their employees. Before that, he spent 12 years at the Financial Industry Regulatory Authority as the vice president and chief counsel of its Market Regulation Department. He also spent six years as a branch chief and attorney with

the U.S. Securities and Exchange Commission's Division of Enforcement.

"Because of its role in the market, the OCC is really important to a lot of people, and if we go down, it's a systemic problem. So with that comes higher expectations in terms of a whole list of areas such as risk management and governance," Wallace says. Case in point: The OCC is subject to a much more robust examination presence, not just by the SEC and CFTC, but by the Federal Reserve, as well as being subject to Dodd-Frank regulations. "We have very high expectations put upon us," Wallace says, "and we are subject to a rigorous external review of how we're doing."

According to Wallace, the firm struggled at first with its new level of required documentation and the heightened expectations of the regulators. The company was always committed to "doing the right thing," he says, and getting to where the regulators needed the OCC to be. But there was a steep learning curve, and the firm had a difficult time keeping pace with current regulatory demands. This meant there had to be changes with how it handled compliance. Wallace himself joined OCC around that time and, about six months after he came on board, the OCC launched what Wallace describes as "a vigorous plan to get ahead of the regulatory cycle."

The first thing the company did to help was to establish a rigorous system to verify that the improvements OCC put in place really worked and met regulator requirements. This became a good way to catch problems, as well as a way to educate people across the company as to what the new standards were that the company had to meet. It also provided to the OCC's board and to regulators a high level of assurance that the changes the company made were sufficient and were working. "That process allowed us to increase the regulator's confidence that we were moving in the right direction," Wallace says. It was, as Wallace describes it, a kind of self-examination, in which the company set to tracking how it resolved the issues.

But it was only the beginning. In 2015, OCC launched an enterprise-wide plan to look at all parts of the company for areas to improve, and to bring its compliance practices to a level above what was required from regulators.

Another part of the process was to lay the foundation with the tools the OCC needed to allow ERM, audit, and compliance

to do their jobs better. "We wanted to improve our records management, as well as provide a better understanding of old processes, documenting who was in charge of what, mapping them to requirements, building out an electronic enterprise GRC system that houses information on compliance, audit, and ERM needs ... and link all of that together," Wallace says. "These things were all coming together at the same time."

According to Wallace, what sets the OCC apart from most other compliance departments is the focus on risk. "Corporate compliance is a different job wherever you go. At many firms it comes down to how you deal with customers. Are they getting the right information?" The regulations for clearinghouses require policies and procedures for the credit market, as well as for modeling risk in general and default risk in particular. This puts the chief compliance officer and the compliance department in the position of having to build a sophisticated system with ample bandwidth.

Part of that includes having sophisticated methods to deal with when a clearing member either defaults or has a serious disruption. It does not happen often—only a handful of times in the company's 40 years of operation—but Dodd-Frank mandates that the organization has to be able to deal with it if and when such a failure does occur. The company has always had plans for such scenarios, Wallace says, but now it has a specific requirement to prepare for and to test on.

The stress testing the OCC uses for clearing members is organized and systematic, similar to how it uses models to set margin requirements and how much financial resources the company must have on hand. In addition, Wallace says, the OCC also has an in-house group of highly qualified quantitative analysts that reviews those models and validates them.

"I always say this isn't rocket science, but we actually have rocket scientists on board," Wallace says of the quants. These "rocket scientists" are in a separate group that reports directly to the chief risk officer. Wallace's team, in turn, makes its own assessments on what the quants turn out. "How can we make sure that these Ph. Ds are going to do their job?" Wallace asks. "We are not qualified to review their math calculations, but we can look at their documentation,

Regulators are like any other organization, so you probably need to over-communicate several times to make sure that everyone understands. It's kind of impossible to over-communicate.

RICHARD WALLACE

Titles: Chief Compliance Officer, OCC

About OCC: The world's largest clearinghouse for listed equity derivatives.

Years of experience: 30

Areas of Expertise: SIFMU regulatory requirements, compliance, records and management

Quote:

"I hope the regulators are very pleased with our trajectory, but we would be the first to admit that our compliance is still growing and maturing. Our emphasis is on a high level of transparency and cooperation, and we are doing our very best to get where they want us to be ..."

and how they justify what they do, and make sure that it's clear to the regulators."

Clarifying things for the regulators might just be the most important part of Wallace's job. "I hope the regulators are very pleased with our trajectory, but we would be the first to admit that our compliance is still growing and maturing," Wallace says. "Our emphasis is on a high level of transparency and cooperation, and we are doing our very best to get where they want us to be, and to be transparent about where we are at the current time."

To that end, Wallace stresses the importance of communication. Wallace recalls spending much of his time, after joining the OCC, trying to get people to understand what compliance could do for them, and how it could make their professional lives better. He wanted to avoid a situation where people who were doing their best work were met by a new compliance head who sweeps in and tells them that they must all start doing something new that might not be intuitive to them. "You need to spend time with them to communicate that this is a hard change," Wallace says. "That communication, especially when you are building a rapport with people within the industry ... you've got your day job of reviewing this and approving that, and attending meetings, but the

time spent with people working to that same end is crucial."

That goes double when regulators are involved, Wallace says. When dealing with regulators, chief compliance officers can be a conduit for providing context about the business so the regulators can understand why certain decisions are made ... and perhaps more importantly, so they can understand why something might not be as dramatic or as big of a problem as it appears from the outside. After all, there are always plenty of opportunities for regulators to become concerned over something that does not seem like a big issue to the business.

"When I was working as a regulator, I can think of several times when I was hopping mad about something a company did, but once they explained it, I thought, 'Oh, now I get it!'" Wallace says. "And vice versa; there have been times when, as a lawyer, when I was representing organizations before the regulators, thinking, 'If I could just get them to understand this ...'"

One thing Wallace has found is that when regulators visit and want to know about some portion of the business, it pays to get it right the first time. If regulators walk away with a negative perception of some part of the organization because it might not have been explained properly or sufficiently, it can take 10 times as long to correct it after the fact, Wallace says.

Case in point: After Wallace joined the OCC, the company changed its incentive compensation to increase the focus on compliance and successful risk management. It was a starting point, Wallace says, and the way it was explained internally it was clearly understood to be a single part of a broader set of initiatives. But when the OCC explained it briefly to the regulators, the regulators immediately had concerns about how this new program was going to work.

"Luckily for us, the issue came up shortly after we explained it, and we were able to put more information around it, and got a response of 'Oh, okay, that makes sense,'" Wallace says. "From our vantage point, everything looked clear, but from their vantage point, it evoked this 'What are you thinking?' response. That was our fault. So you need to practice good communication skills to check up after an initial explanation. If you can express things to their understanding, in their words, it will help."

Another part of dealing with any regulator, Wallace notes, is that saying something to the policymaking end of things does not mean that the examination end of things will get the same message. "Regulators are like any other organization," Wallace says. "so you probably need to over-communicate several times to make sure that everyone understands. It's kind of impossible to over-communicate." **TM**

K.C. Turan

Compliance and caduceus

K.C. Turan has built, implemented, and led world-class, internationally recognized, and award-winning GRC programs across a wide range of heavily regulated and dynamic industries, including banking and financial services, healthcare, insurance, technology, and business services. His work has won him numerous ethics and GRC awards, he has an active role in multiple ethics and GRC professional organizations, he publishes frequently, and he possesses wide-ranging expertise in a host of ethics and GRC subjects. All of this gives him a holistic perspective through which he views compliance and everything it involves. And given his position in the challenging field of healthcare compliance, perspective is the coin of the realm.

BY JACLYN JAEGER

Senior Vice President,

Chief Risk, Compliance & Ethics Officer,

UPMC Insurance Services & Health Plan

Tell us a little about UPMC Insurance Services and Health Plan.

UPMC Insurance Services and Health Plan are part of the larger UPMC organization, which is an integrated healthcare delivery and finance system (i.e., both provider and payer). UPMC Insurance Services is an integration of a number of partner companies that collectively offer a full range of group health insurance, Medicare, Medicaid, Duals, FEHB, behavioral health, special needs, CHIP, employee assistance, and workers' compensation products and services to roughly three million members, generating roughly \$7 billion in annual revenue. Our recent organizational growth is extremely compelling, and we're expecting continued impressive scale and geographic expansion in the coming years.

Tell me about your role and responsibilities for the organization.

I oversee and lead our cross-organizational corporate compliance; ethics; enterprise risk management (ERM); privacy; fraud, waste and abuse; and quality assurance and operational integrity programs. Through a combination of direct and indirect oversight, I also oversee our various business unit and partner company compliance programs within the divisional lines of business.

How are you working to build and enhance the organization's compliance program?

Having somewhat recently joined the company, I'm in the process of taking stock of our solid foundation of various corporate governance, risk management and compliance (GRC) programs. The envisioned enhancements will likely occur on a few different levels.

First, we'll work to more seamlessly integrate the various GRC



functions, so that they operate in a more synchronized manner—essentially building out our current programs and processes to exhibit greater structure and coordination in their cross-organizational initiatives. This will allow us to better leverage the implicit synergies and efficiencies that exist between and across the various GRC functions as it relates to risk assessments, strategic planning, cross-departmental investigations, project management, and communication and information flows.

Second, we'll revisit our structure, positioning, and processes in terms of being able to effectively and efficiently partner with the business and operational areas, whom we ultimately support. This will allow us to be more anticipatory in partnering with the business and effectively meeting their needs.

Lastly, we'll revisit our board- and senior management-level reporting to make sure that our reports, updates, metrics, dashboards, and stakeholder interaction is optimally effective and streamlined. This last element is related to our larger corporate governance framework and our important role within it, including how we enhance and structure our relatively new enterprise risk management (ERM) program to be optimally additive within our corporate governance infrastructure.

What are some of the more challenging aspects of your job?

We're presently operating in a highly scrutinized regulatory environment, seemingly much more so than in prior years. This environment basically applies to just about every industry, but there's no doubt that the regulated verticals, such as healthcare, are operating in a regulatory environment that's that much more magnified in terms of scrutiny.

More specific to our industry, and as a direct byproduct of healthcare reform, the healthcare space is more dynamic, innovative, and fast-paced than it's been in decades, possibly ever. This is extremely exciting and compelling, but it also presents its own set of challenging variables with which to engage. Healthcare is experiencing both vertical and horizontal integration; disintermediation (e.g., the advent of both public and private exchanges); a continuing shift to a more value-based, capitated model; increasing consumerism and the growth of the individual and family plan health insurance market; a great deal of consolidation and M&A activity; and, of course, myriad new regulatory requirements, among other variables.

Healthcare companies, and particularly health insurance companies, need to adjust to the new healthcare paradigm and need to be much more agile and nimble relative to the past. As the organizational GRC function, we need to likewise adapt and support the business through all of this.

Lastly, and as a natural extension of the new healthcare dynamic within which we operate, we need to keep up with the high speed of business and our compelling growth and expansion. While we're clearly a governance function, we're also here to partner with, facilitate, and support the business in its continual efforts to grow and scale. It's our business teams' jobs to be as innovative, dynamic, and entrepreneurial as possible in better serving our members, and it's our job to be as anticipatory as possible in keeping up with and supporting them at every step, while of course ensuring that we do things the right way.

K.C. TURAN

Titles: Senior Vice President, Chief Risk, Compliance & Ethics Officer, UPMC Insurance Services & Health Plan

Years of experience: 20+

Areas of Expertise: Corporate governance, corporate compliance, enterprise risk management, corporate ethics, data privacy and cyber-security, corporate investigations, anti-corruption and anti-bribery, fraud, government programs contracting and compliance, insurance risk management, and business continuity and disaster recovery

Quote:

"Healthcare companies, and particularly health insurance companies, need to adjust to the new healthcare paradigm and need to be much more agile and nimble relative to the past. As the organizational GRC function, we need to likewise adapt and support the business through all of this."

What are the more rewarding aspects of being a compliance officer?

At a high level, that which makes it challenging is what also makes it so rewarding. There's literally nothing typical about any given day, and I get to touch and interact with every corner and moving part of our organization, learning a great deal in the process. The business relies on us in myriad ways, and this is both humbling and extremely fulfilling. We have to be knowledgeable, agile, nimble, precise, customer service-oriented, and business-minded, and we get to work in an extremely innovative, dynamic, and entrepreneurial environment. In short, the highly compelling and challenging nature of our work is what makes it so professionally gratifying. We also truly live by our mission of providing quality, choice, access, service, and value to our members, and this is likewise highly personally rewarding.

What do you think tomorrow's greatest challenges and opportunities will be for ethics and compliance professionals? Some of the more compelling challenges are the increasingly demanding nature of regulatory and public scrutiny, which I

don't believe will diminish; the dynamic and singular force of new technology and the various issues this presents (e.g., ongoing balance between convenience and privacy and security); and the changing constitution of the workforce, particularly as more Millennials enter the professional ranks.

While we discuss these elements as challenges, it's important to note that none of these are bad or negative developments. They're simply reality and developing facts, and our GRC programs need to effectively and efficiently adapt to the new paradigm.

Given that you've personally built and led several world-class and award-winning GRC programs, what specific characteristics make for a world-class GRC program from your perspective?

The "how" (how we do things) is just as important as the "what" (what we do). It's important for one to be a subject-matter expert in their given area, but building the necessary partnerships, working relationships, consensus, and coalitions with the business and other stakeholders is equally important, and sometimes perhaps even more so. You're not going to add much value, and you're not going to be very effective, if you narrowly view your role to just be an internal cop. Compliance clearly has a "governance" role to play, but you have to execute it by way of adding value and being business-centric. Things are rarely binary and, like most things in life, our work is fairly nuanced. We need to strike the optimal balance between making sure that we're satisfying the applicable legal and regulatory requirements on the one hand, and also running a healthy, viable business on the other hand. In this vein, I always try to impress upon my teams the foundational value and importance of building the necessary partnerships and relationships with the business and our various stakeholders.

You also want to make sure that your GRC programs are appropriately right-sized and fit-for-purpose and that they're strategically and optimally customized to your company, industry, business model, strategic priorities, and organizational culture. There is no prescriptive, one-size-fits-all set of GRC programs that you pull off the shelf, blow the dust off of, and plug into any given company. Every organization is unique and has its own way of doing things, and business models and strategic priorities can dynamically shift and change, thereby possibly causing the GRC functions' frameworks and models to likewise adjust and change. You need to be mindfully plugged into the rhythm of the business to ensure that you're truly and

effectively supporting, facilitating, and adding value.

I'd additionally recommend getting exposure to a number of different industries, circumstances, and professional opportunities permitting. While I commend and respect those who have worked in the same industry for the better part of their GRC-related careers, I personally feel fortunate to have worked in a number of different industries, which I feel has provided me with an invaluable cross-vertical and holistic lens through which to view things.

While certain specific regulatory requirements are obviously different from vertical to vertical, the fundamental principles and tenets of what makes for robust and effective GRC programs are largely the same and freely transferable from industry to industry. I've had the great opportunity to build and lead a number of highly successful GRC programs in a wide range of some of the most dynamic and heavily regulated industries, including banking and financial services, healthcare, insurance, and technology, and there are definitely certain things that each vertical can learn from the others as it relates to building and sustaining robust and effective GRC programs. I can only speak from personal experience, and it may not necessarily be viable for some GRC professionals to gain experience in different verticals, but I've found the cross-industry, holistic perspective to be invaluable, and this experience has lent itself to truly seamless transitions from one dynamic industry to another.

Lastly, and perhaps most importantly, we need to continually and vigilantly foster an organizational culture of "performance with integrity" as the cornerstone value. As many knowledgeable GRC experts will likewise note, the CEO and senior-most executives need to be singularly dedicated to creating, leading, and sustaining a uniform "performance with integrity" culture throughout the organization.

Any final words or tips you'd like to impart?

We've likely touched on most of these, but it's critically important to be business-minded, as the business is one of our primary stakeholders and this ultimately better serves our members and customers. It's important to be a flexible and nimble all-around athlete, as you'll literally touch upon any given issue or area of the organization in any given day. It's important to keep your head on a swivel and remain vigilant, always being mindful of what's around the corner. Lastly, and perhaps most importantly, it's important to maintain a balanced perspective and keep your sense of humor. **TM**

STEVE Naughton

Steve Naughton has held high-profile compliance and ethics jobs at Pepsi and Kimberly-Clark. As he moves onto a new challenge, he reflects upon a career that has continually evolved and the changing corporate mindset regarding compliance.

BY JOE MONT

Chief Compliance Officer & Ethics Officer,
Kimberly-Clark

Evolving with the profession

Change is both inevitable and an opportunity for reflection. For Steve Naughton, who recently departed Kimberly-Clark as its chief ethics and compliance officer, change is an opportunity to look at the evolution of compliance.

Naughton plans to move on to a new firm with a desire to face new challenges in the near future.

As a leader in the compliance field for over twelve years, his career path reflects the changing corporate mindset regarding compliance. He was formerly vice president of compliance and chief compliance officer, as well as the vice president of litigation for PepsiCo. Before working in the Compliance function at Pepsi, he served as chief litigation, sales, and operations counsel for The Quaker Oats Co. and Tropicana Products, both subsidiaries of the beverage giant. In those roles, he oversaw the legal function for all litigation, supply chain, and manufacturing and purchasing, as well as having responsibility for antitrust compliance and sales counseling. Further in the past, he was a partner with the former Chicago law firm Pope, Ballard, Shepard, and Fowle.

At Pepsi, along with his predecessor, Pam McGuire, Naughton is credited with building a world-class compliance program, despite working with an initial staff of just three people, including himself.

The move to compliance was a good fit, he says. "At the time I thought it was a natural progression first as a trial attorney, then into corporate litigation and, then basically, an in-house generalist, into compliance."

The siren call of compliance led him to Kimberly-Clark in 2013. "I really wanted to get back into compliance and that was the main driver," Naughton says. "Kimberly-Clark is a great company with strong Midwest roots with a great reputation for integrity. That was attractive to me."

"The scope and importance of a chief compliance officer continues to evolve and continues to become that much more important," he says. There is no question that the demands and expectations for CCOs continue to grow. When I started,



we were all trying to sort it out and figure out where we sat. The CCO has changed over the years and is now looked to as a person with high authority and even greater responsibility. If something goes wrong, everyone looks to the CCO. In fact, the CCO is sometimes referred to as the 'canary in the corporate coal mine.' As far as the marketplace is concerned, I certainly think it is recognized by industry as a much more important job and the demand for qualified, dedicated, people of integrity is going to be very high."

He also sees, as many do, compliance split into specializations to meet the unique business sector demands in finance, healthcare, and consumer products.

How has a CCO's skillset changed? "When I started, I did a lot more investigative work myself," Naughton says. "I still do investigations, but what you are seeing now is more on the lev-

el of a strategist and a person who is connecting the dots to identify risk, instead of somebody who, 10-12 years ago may have been more siloed into specific areas like investigations.”

“There is no question that the role of the compliance officer is going to continue to grow,” Naughton adds. “Every time there is a major corporate scandal, we are probably going to see additional legislation in response. The CCO is going to be looked to more and more as the person who really needs to identify risk, not just be in a position where he or she goes back and investigates something after the fact.”

STEVE NAUGHTON

Titles: Chief Compliance Officer & Ethics Officer, Kimberly-Clark

About Kimberly-Clark: A personal care corporation that produces mostly paper-based consumer products.

Years of experience: 10

Areas of Expertise: Litigation, supply chain issues, anti-trust compliance

Quote:

“There is no question that the role of the compliance officer is going to continue to grow. Every time there is a scandal, we are probably going to see additional legislation in response. The CCO is going to be looked to more and more as the person who really needs to identify risk, not just be in a position where he or she goes back and investigates something after the fact.”

Naughton’s advice to his colleagues who are new to the profession: “Establish a good strong network of contacts within the compliance field.”

“You have a lot of people who have a great deal of knowledge,” he says. “To the extent you can, tap into that network so you can rely upon people that have been there and gone through it all. It is also very important to understand roles and responsibilities. Where do you fit? Where does compliance fit within an organization? Know what that role is and be in a position where you can raise issues, and raise them independently.” **TM**



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