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A matter of trust: Investment transparency in compliance

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Above all else, chief compliance officers (CCOs) at investment firms dream of consistency, efficiency, and control. Yet, when it comes to offices that allocate to external investment managers, the environments can be nightmarish. Updates are presented in a frustrating range of formats. Information arrives at varying times. Compiling data and making them usable takes on a life of its own. With most software built for a particular purpose, data must be entered into multiple systems.

All this and more can make meeting an equally dizzying array of reporting deadlines a Herculean task.

So it's no surprise CCOs are under a great deal of stress. Amidst this chaos, they must ensure their companies meet a long list of compliance regulations. Rightfully so, managing people's money is serious business, and the industry should adhere to the highest fiduciary standards. Falling short of these standards could result in crippling penalties and permanently damaged reputations.

The vast majority of CCOs make every effort to meet regulatory measures. Typically, when faced with operational challenges, they have three arrows in their quiver to draw. The first is people and tasking them to get the job done by "any means necessary," but data entry, reviews, and revisions consume time and require heroic efforts that aren't sustainable. Next are processes like redefining workflows, assigning clear responsibilities, and creating deadlines, but those will only take you so far at scale. Finally, CCOs will turn to systems, but in the past, it seemed no one solution could do all of what they wanted.

So the only way to gain control of the situation has been with tons of extra manual effort across an operation, and even then, the data can be questionable and difficult to prove. This is why investment teams often lack confidence in reports and analyses. That's also why CCOs get a sinking feeling when they're challenged about compliance-related issues.

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