

Newsmaker: Doing the right things

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The job of the compliance department has never been more crucial. Kathleen Black, in her new role as head of the ACCP, takes on a pivotal role in a sector facing challenges on many fronts

By Patricia Chisholm | Mid-February 2015

As Kathleen Black acknowledges, she has an "adventurous streak." She displayed that side early, kicking off her career by striking out from her hometown of Peterborough, Ont., at age 18 to work in Alberta.

Almost three decades later, her resumé ranges from co-founding a mutual fund startup to serving in the upper ranks of banks. Positions held include chief compliance officer (CCO) in financial services companies as diverse as a small trust and the exempt-market dealer Pinnacle Wealth Brokers in Calgary, her most recent post, which she resigned in November.

It's a somewhat unusual mix, but well suited to Black's new role: helping members of the **Association of Canadian Compliance Professionals (ACCP)** adapt to a slew of new rules and enforcement procedures being imposed on financial services firms by regulators across the country.

Black took on her most recent new challenge when she became executive director of the ACCP last September. As head of the 15-year-old association, which provides support to those working in compliance at mutual fund companies and exempt-market dealers, Black will be tackling compliance issues on many fronts. From the multi-stage implementation of Phase 2 of the client relationship model to the possibilities of a "best interests" test and a ban on embedded fees, Canadian regulators clearly are not done with overhauling compliance in the financial services sector.

Adding a level of complexity that is almost unique in developed countries, Canada's lack of a national securities regulator also adds the headache of trying to deal with multiple, often parallel sets of rules to be met by compliance departments in each of the 10 provinces, plus the federal government's regimes. Indeed, "fragmented" may be an understatement when describing Canada's securities regulations. It's that patchwork that helped to kick-start the formation of the ACCP in 2000.

"The thought at that time," Black says, "was that the regulators didn't have it together, in that each provincial regulator had a different set of rules. We were extremely confused, in terms of individual rules."

Since then, however, Black says, firms and regulators have come to appreciate the needs of one another and the relationship is much improved. From intensive rounds of consultation to implementation of new rules and audits, Black says, there is now a much more sophisticated and functional regulatory climate in Canada.

"I'm an advocate for regulators now," Black says. "I think we have a lot of things to thank them for. [Regulators and firms] changed the regulatory climate together - it was a dual role."

Among the key areas of concern for compliance professionals now, Black suggests, is the evolving complexity of financial products. In the drive to meet client demands for better returns and lower risk, firms have developed a bewildering array of new financial vehicles. These may combine elements of products that used to be more or less discrete. For example, a new product may include the features of an equities investment as well as fixed-income and a guaranteed payout. Notes Black: "You may have been a compliance officer for 25 years and still spend three or four days really understanding a product."

At the same time, a slew of complex, new regulatory initiatives, such as the client relationship model, *Fund Facts* and point-of-sale disclosure, are requiring compliance professionals to educate themselves and their firms about these initiatives.

It is therefore essential, more than ever, for compliance teams to have the tools they need. And the best way to ensure that, Black suggests, is to obtain the full backing of their firm's executive.

In practice, that means maintaining a culture of strong corporate governance, proper staffing and education - and the freedom for compliance professionals to make the tough calls without fear of losing or compromising their jobs. "If a company is more concerned about sales and revenue and less concerned about risk management," Black says, "it's going to make for a bad situation for compliance officers," Adds Black: "When a chief financial officer is making decisions, are they taking into consideration the risk side of their model, at the same time as revenue?"

Black speaks from experience. After obtaining a certificate in business administration from Mount Royal University in Calgary, she worked as an executive assistant at Olympia Trust, then a small insurance broker and segregated fund dealer. Soon, she was tapped to take on the compliance function - at that time, a relatively new field. By the end of her 15-year stint there, she had helped turn the firm into a trust for self-directed RRSPs and become a shareholder and vice president.

Subsequent ventures include founding a mutual fund dealer in Ontario, then linking up with international bank ING back in Alberta to start a mutual fund division. Black, who is bilingual, then joined the wealth-management division of Alberta Treasury Branches (ATB). Later, she became chief compliance officer for France-based global bank Société Générale SA in Calgary.



This kind of varied experience makes for depth of knowledge, which is needed more than ever. With waves of older, highly experienced compliance officers preparing to retire, Black says, she and her colleagues are increasingly concerned about filling the expertise gap. One way to do that is to increase the requirements for formal education for CCOs. While many older compliance officers have "grown up" over the past two decades of gradually increasing regulatory reform, their younger peers must hit the ground running.

That is not always happening. Black and her compliance colleagues at other firms are noticing that CCOs are approaching similar compliance problems in vastly different ways, depending on their experience. "If I were setting up a dealer today," Black says, "I would make sure that the CCO was a certified financial planner, had the CCO course, the mutual fund course and the branch manager course. They would need [those courses] to operate effectively with today's policing and the sophistication of financial products."

Given Black's record of accomplishment on the compliance front, she is likely to promote what she describes as central to the compliance role: doing the right things, and doing things right.

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