

The Chief Compliance Officer of the Future: Five Key Skills

25,000 +

Compliance professionals in the
global banking sector

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Group Chief Compliance Officer with
a compliance background

The Chief Compliance Officer of the future will need a set of skills that the current Compliance function alone cannot produce.

Compliance professionals are failing to land the top jobs in their own field. There are more than 25,000 Compliance professionals across the major global banks, but only one of these banks has appointed a Chief Compliance Officer ('CCO') who has been career-trained in compliance.

Why is the compliance community not producing credible candidates for the most senior positions?

Compliance has been transformed since the global financial crisis. Banks have consistently responded to increased regulatory pressure by hiring more staff – trying to solve the problem with people rather than technology.

Until very recently, Compliance Officers at all levels were in extremely high demand, with rocketing compensation levels reflecting this sought-after status.

But top CCO appointments have been increasingly going to people from other backgrounds - including Audit, Finance, Legal, Risk and even the Front Office - because traditional Compliance Officers lack the breadth of skills needed for the top role.

At the largest banks, the Group CCO role has been elevated to the Group Executive Committee or just below. The credibility to operate alongside the Board and Executive management, coupled with the ability to lead and transform these very large functions, have become more important than possessing in-depth technical compliance expertise alone.

But is the model sustainable?

Compliance has become very expensive at a time when banks are under tremendous pressure to reduce costs (read headcount). Compliance at many banks has become process-oriented and reactive, meaning less time is spent on proactive risk and threat mitigation.

The Five Key Skills

Compliance will remain of critical importance - but to meet the future challenges banks face, the skillset of the CCO will have to evolve still further and harness the following five skills into the core skillset.

1. Ability to embrace technology

Compliance functions have been slow to adopt technology but are now gradually changing and, on the whole, looking to automate 10% to 30% of their activities within the next five years. The move away from big staffing to better Artificial Intelligence driven automation to perform high-end data analytics will be key to reducing costs and improving performance.

The new breed of CCO will need to understand the strategic opportunities and threats technology and digitalisation brings. For example, no major bank feels it has adequate cyber and fraud controls in place and, despite the pressure on costs, banks are unanimous in the need to bolster Financial Crime Compliance teams globally.

2. Ability to drive efficiencies and evolve with the organisation

The traditional banking model is under pressure, revenues aren't growing and banks are changing their organisational structures. The successful CCO will need to take an innovative approach to address how the Compliance function delivers efficiencies on a continual basis.

3. A breadth of perspective

The strategic nature of the role means that a CCO must understand both the entire organisation and the economic and geopolitical environment in which it operates. Having the bandwidth and judgement to anticipate the behavioural issues that may arise and the reputational damage they will do to the organisation and wider industry is at the core of the job description.

4. An extensive internal network and closer interaction with HR

Everybody in the organisation should know who the CCO is and be acutely aware of the conduct agenda. They need to be seen as an influential and trusted senior leader, with the credibility to influence strategy at Executive Committee and Board level.

The Compliance and HR functions, as key guardians of an organisation's culture, need to interact more closely to deliver on their intricately linked objectives. The importance of this relationship is habitually underestimated.

5. An extensive external network and highly tuned antennae

The CCO needs to interact effectively with regulators and government, as well as be plugged into the public mood in general. They must be able to set a forward-looking conduct and compliance agenda that will stand up to scrutiny from the perspective of the next crisis, not just the last one.

So what next?

Taken overall, these skills will enable the CCO to better exercise judgement on the key strategic issues and align the Compliance function accordingly, while being sufficiently plugged into the organisation's cultural health in order to identify the next future costly crisis.

The CCO role will become less about carrying out specific compliance operations and overseeing very large teams - automation will take over many of the technical and operational compliance tasks.

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Find out more:

Verity Walker

Hedley May, London
+44 (0)20 7858 9434
verity@hedley.com

Harry Chetwynd-Talbot

Hedley May, London
+44 (0)20 7858 9431
harry@hedley.com

Laura McPhail

Hedley May, New York
+1 646 666 9392
laura.mcphail@hedley.com