

## Baking Compliance into Firm Culture

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*By Mark Opila*

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Boards of directors and senior leadership teams of many businesses still

consider their businesses' compliance programs as an expense rather than an insurance policy against revenue loss. All too often, this leads compliance departments to be the first to fall when a company needs to implement cost cutting initiatives. We have seen too often the damage, both monetarily and reputational, associated with inadequately funded and/or staffed compliance programs.

For businesses to truly succeed in today's highly regulated environment, compliance must be baked into their corporate culture, and it starts at the top. The company's board and senior leadership team need to instill and practice a culture of compliance. The chief compliance officer must have a seat at the table with direct access to the CEO and board of directors, and the business must put employees on notice that compliance is not an option, but a requirement.

Poorly managed compliance programs lead to increased risks in all aspects of business. Non-compliance with a company's securities policies opens the door to data breaches. A lax approach to human resource compliance can lead to employee litigation. And a lapse in compliance with state, federal or regulatory body compliance can lead to enormous fines and reputation damage.

Recently FINRA, the Financial Industry Regulatory Authority, announced that it plans to review how Broker-



Dealers create, communicate and follow through on their "culture" as it pertains to compliance and risk management.

This announcement came a day ahead of FINRA announcing that it had barred broker George Johnson from the securities

industry for stock price manipulation, and sanctioned Christopher Wynne, Johnson's supervisor, and Joseph Mahalick, another broker at the firm Meyers Associates L.P. FINRA estimates that close to \$300 billion has been spent on fines and litigation since 2010 as a result of "cultural" failures. Proof in point that a strong culture of compliance can protect businesses from millions, if not billions of dollars in fines and litigation expense.

Having a fundamentally sound compliance program in place demonstrates a commitment to customers that the business abides by the rules and regulations pertaining to its industry. Shareholders will feel confident that their investments are not at risk due to a lack of corporate oversight, and employees will find comfort in knowing that their employers have their well-being top-of-mind.

The benefits of investing in a strong compliance program far outweigh the associated costs. Not only will a strong compliance program instill confidence with clients and shareholders but, in the long run, it also protects a company's bottom line.

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