

C-Suite Survey

July 2014

The following is a compilation of results from a survey of C-suite financial services professionals recently conducted by Cipperman Compliance Services. CCS offers this information to help establish—or at least confirm—a movement towards compliance best practices on the part of those polled.

Respondents described their firm as:

Asset Managers • (50%)

Broker/Dealers • (22%)

Alternative Managers • (14%)

Wealth Managers • (4%)

Other • (10%)

What follows are the responses to twelve key questions, broken down by type of firm, yielding an overall view of how the different categories approach compliance.

(Figures shown are rounded off to the nearest 1%; actual totals may vary by 2% to 4%.)

Asset Managers

What is the amount of approximate assets under management?

- Less than \$500 Million • (11%)
- \$500 Million to \$1 Billion • (13%)
- \$1 Billion to \$5 Billion • (31%)
- \$5 Billion+ • (45%)

Which most closely describes your role within the organization?

- CEO/CFO • (9%)
- CCO • (58%)
- General Counsel • (9%)
- Legal / Compliance Personnel • (15%)
- Other • (9%)

Are you familiar with SEC investigations pertaining to the following companies? (Please select all that apply)

- Aladdin Capital • (16%)
- Diamondback Capital • (35%)
- Liquidnet • (31%)
- Paradigm Capital • (27%)
- SAC Capital • (73%)
- Galleon Capital • (67%)
- I am not familiar with any of the above • (15%)

How long ago was your last SEC exam?

- Within the last 12 months • (18%)
- Within the last 3 years • (29%)
- More than 3 years ago • (36%)
- Unsure • (16%)

What percentage of revenues do you allocate to compliance?

- 10%+ • (2%)
- 5%–10% • (4%)
- 1%–5% • (36%)
- Less than 1% • (25%)
- Unsure • (33%)

When did you last perform a compliance review?

- Within the last 12 months • (80%)
- 12–24 months ago • (5%)
- More than 24 months ago • (7%)
- Never • (5%)
- Unsure • (2%)

Does the firm have a compliance committee?

- Yes, meets regularly • (40%)
- Yes, meets sporadically • (4%)
- Yes, rarely meets • (4%)
- No • (51%)
- Unsure • (2%)

Does the firm or its personnel have any regulatory disciplinary history stemming from an SEC exam?

- None • (85%)
- Individuals from prior employment • (5%)
- Individuals at current firm • (0%)
- The firm itself • (4%)
- Unsure • (5%)

What is your firm's attitude toward compliance?

- Helps us sell business and retain clients • (20%)
- Keeps us honest and on our toes • (16%)
- Protects the franchise • (44%)
- Cost of doing business • (20%)
- Waste of time and money • (0%)

How is your firm managing its compliance effort?

- We need to focus significantly more resources on compliance • (16%)
- We need to focus slightly more resources on compliance • (42%)
- We currently focus enough on compliance • (42%)
- We are over-emphasizing compliance • (0%)
- Unsure • (0%)

Do you outsource part or all of your compliance function?

- All (i.e., third party performs all compliance activities) • (4%)
- Some (i.e., third party handles reviews / specified projects) • (42%)
- None • (55%)

How many employees in your organization are dedicated to compliance?

- 1–2 • (44%)
- 3–4 • (25%)
- 5+ • (31%)

Broker/Dealers

What is the amount of approximate assets under management?

- Less than \$500 Million • (17%)
- \$500 Million to \$1 Billion • (33%)
- \$1 Billion to \$5 Billion • (42%)
- \$5 Billion+ • (8%)

Which most closely describes your role within the organization?

- CEO/CFO • (4%)
- CCO • (63%)
- General Counsel • (4%)
- Legal / Compliance Personnel • (29%)
- Other • (0%)

Are you familiar with SEC investigations pertaining to the following companies? (Please select all that apply)

- Aladdin Capital • (17%)
- Diamondback Capital • (13%)
- Liquidnet • (25%)
- Paradigm Capital • (17%)
- SAC Capital • (29%)
- Galleon Capital • (25%)
- I am not familiar with any of the above • (50%)

How long ago was your last SEC exam?

- Within the last 12 months • (17%)
- Within the last 3 years • (42%)
- More than 3 years ago • (33%)
- Unsure • (8%)

What percentage of revenues do you allocate to compliance?

- 10%+ • (0%)
- 5%–10% • (0%)
- 1%–5% • (63%)
- Less than 1% • (13%)
- Unsure • (25%)

When did you last perform a compliance review?

- Within the last 12 months • (33%)
- 12–24 months ago • (33%)
- More than 24 months ago • (29%)
- Never • (0%)
- Unsure • (4%)

Does the firm have a compliance committee?

- Yes, meets regularly • (8%)
- Yes, meets sporadically • (8%)
- Yes, rarely meets • (33%)
- No • (46%)
- Unsure • (4%)

Does the firm or its personnel have any regulatory disciplinary history stemming from an SEC exam?

- None • (96%)
- Individuals from prior employment • (0%)
- Individuals at current firm • (0%)
- The firm itself • (0%)
- Unsure • (4%)

What is your firm's attitude toward compliance?

- Helps us sell business and retain clients • (13%)
- Keeps us honest and on our toes • (4%)
- Protects the franchise • (25%)
- Cost of doing business • (58%)
- Waste of time and money • (0%)

How is your firm managing its compliance effort?

- We need to focus significantly more resources on compliance • (25%)
- We need to focus slightly more resources on compliance • (58%)
- We currently focus enough on compliance • (17%)
- We are over-emphasizing compliance • (0%)
- Unsure • (0%)

Do you outsource part or all of your compliance function?

- All (i.e., third party performs all compliance activities) • (13%)
- Some (i.e., third party handles reviews / specified projects) • (42%)
- None • (46%)

How many employees in your organization are dedicated to compliance?

- 1–2 • (50%)
- 3–4 • (42%)
- 5+ • (8%)

Alternative Managers

What is the amount of approximate assets under management?

- Less than \$500 Million • (27%)
- \$500 Million to \$1 Billion • (47%)**
- \$1 Billion to \$5 Billion • (13%)
- \$5 Billion+ • (13%)

Which most closely describes your role within the organization?

- CEO/CFO • (13%)
- CCO • (47%)**
- General Counsel • (0%)
- Legal / Compliance Personnel • (20%)
- Other • (20%)

Are you familiar with SEC investigations pertaining to the following companies? (Please select all that apply)

- Aladdin Capital • (7%)
- Diamondback Capital • (27%)
- Liquidnet • (20%)
- Paradigm Capital • (13%)
- SAC Capital • (53%)**
- Galleon Capital • (47%)
- I am not familiar with any of the above • (47%)

How long ago was your last SEC exam?

- Within the last 12 months • (20%)
- Within the last 3 years • (7%)
- More than 3 years ago • (33%)
- Unsure • (40%)

What percentage of revenues do you allocate to compliance?

- 10%+ • (0%)
- 5%–10% • (7%)
- 1%–5% • (40%)
- Less than 1% • (47%)
- Unsure • (7%)

When did you last perform a compliance review?

- Within the last 12 months • (53%)**
- 12–24 months ago • (0%)
- More than 24 months ago • (7%)
- Never • (33%)
- Unsure • (7%)

Does the firm have a compliance committee?

- Yes, meets regularly • (0%)
- Yes, meets sporadically • (7%)
- Yes, rarely meets • (0%)
- No • (93%)**
- Unsure • (0%)

Does the firm or its personnel have any regulatory disciplinary history stemming from an SEC exam?

- None • (80%)**
- Individuals from prior employment • (0%)
- Individuals at current firm • (0%)
- The firm itself • (0%)
- Unsure • (20%)

What is your firm's attitude toward compliance?

- Helps us sell business and retain clients • (7%)
- Keeps us honest and on our toes • (7%)
- Protects the franchise • (27%)
- Cost of doing business • (33%)**
- Waste of time and money • (27%)

How is your firm managing its compliance effort?

- We need to focus significantly more resources on compliance • (27%)
- We need to focus slightly more resources on compliance • (40%)**
- We currently focus enough on compliance • (33%)
- We are over-emphasizing compliance • (0%)
- Unsure • (0%)

Do you outsource part or all of your compliance function?

- All (i.e., third party performs all compliance activities) • (7%)
- Some (i.e., third party handles reviews / specified projects) • (60%)
- None • (33%)

How many employees in your organization are dedicated to compliance?

- 1–2 • (80%)**
- 3–4 • (13%)
- 5+ • (7%)

Wealth Managers

What is the amount of approximate assets under management?

- Less than \$500 Million • (17%)
- \$500 Million to \$1 Billion • (17%)
- \$1 Billion to \$5 Billion • (50%)
- \$5 Billion+ • (17%)

Which most closely describes your role within the organization?

- CEO/CFO • (17%)
- CCO • (67%)
- General Counsel • (0%)
- Legal / Compliance Personnel • (17%)
- Other • (0%)

Are you familiar with SEC investigations pertaining to the following companies? (Please select all that apply)

- Aladdin Capital • (17%)
- Diamondback Capital • (0%)
- Liquidnet • (17%)
- Paradigm Capital • (33%)
- SAC Capital • (17%)
- Galleon Capital • (33%)
- I am not familiar with any of the above • (50%)

How long ago was your last SEC exam?

- Within the last 12 months • (33%)
- Within the last 3 years • (17%)
- More than 3 years ago • (50%)
- Unsure • (0%)

What percentage of revenues do you allocate to compliance?

- 10%+ • (0%)
- 5%–10% • (0%)
- 1%–5% • (83%)
- Less than 1% • (0%)
- Unsure • (17%)

When did you last perform a compliance review?

- Within the last 12 months • (67%)
- 12–24 months ago • (33%)
- More than 24 months ago • (0%)
- Never • (0%)
- Unsure • (0%)

Does the firm have a compliance committee?

- Yes, meets regularly • (67%)
- Yes, meets sporadically • (0%)
- Yes, rarely meets • (0%)
- No • (33%)
- Unsure • (0%)

Does the firm or its personnel have any regulatory disciplinary history stemming from an SEC exam?

- None • (100%)
- Individuals from prior employment • (0%)
- Individuals at current firm • (0%)
- The firm itself • (0%)
- Unsure • (0%)

What is your firm's attitude toward compliance?

- Helps us sell business and retain clients • (17%)
- Keeps us honest and on our toes • (17%)
- Protects the franchise • (33%)
- Cost of doing business • (33%)
- Waste of time and money • (0%)

How is your firm managing its compliance effort?

- We need to focus significantly more resources on compliance • (17%)
- We need to focus slightly more resources on compliance • (83%)
- We currently focus enough on compliance • (0%)
- We are over-emphasizing compliance • (0%)
- Unsure • (0%)

Do you outsource part or all of your compliance function?

- All (i.e., third party performs all compliance activities) • (0%)
- Some (i.e., third party handles reviews / specified projects) • (67%)
- None • (33%)

How many employees in your organization are dedicated to compliance?

- 1–2 • (83%)
- 3–4 • (17%)
- 5+ • (0%)

Other

What is the amount of approximate assets under management?

- Less than \$500 Million • (9%)
- \$500 Million to \$1 Billion • (0%)
- \$1 Billion to \$5 Billion • (27%)
- \$5 Billion+ • (64%)

Which most closely describes your role within the organization?

- CEO/CFO • (18%)
- CCO • (55%)
- General Counsel • (0%)
- Legal / Compliance Personnel • (27%)
- Other • (0%)

Are you familiar with SEC investigations pertaining to the following companies? (Please select all that apply)

- Aladdin Capital • (27%)
- Diamondback Capital • (45%)
- Liquidnet • (18%)
- Paradigm Capital • (36%)
- SAC Capital • (73%)
- Galleon Capital • (82%)
- I am not familiar with any of the above • (18%)

How long ago was your last SEC exam?

- Within the last 12 months • (45%)
- Within the last 3 years • (18%)
- More than 3 years ago • (27%)
- Unsure • (9%)

What percentage of revenues do you allocate to compliance?

- 10%+ • (0%)
- 5%–10% • (9%)
- 1%–5% • (18%)
- Less than 1% • (18%)
- Unsure • (55%)

When did you last perform a compliance review?

- Within the last 12 months • (91%)
- 12–24 months ago • (0%)
- More than 24 months ago • (0%)
- Never • (9%)
- Unsure • (0%)

Does the firm have a compliance committee?

- Yes, meets regularly • (73%)
- Yes, meets sporadically • (9%)
- Yes, rarely meets • (0%)
- No • (18%)
- Unsure • (0%)

Does the firm or its personnel have any regulatory disciplinary history stemming from an SEC exam?

- None • (100%)
- Individuals from prior employment • (0%)
- Individuals at current firm • (0%)
- The firm itself • (0%)
- Unsure • (0%)

What is your firm's attitude toward compliance?

- Helps us sell business and retain clients • (36%)
- Keeps us honest and on our toes • (9%)
- Protects the franchise • (36%)
- Cost of doing business • (18%)
- Waste of time and money • (0%)

How is your firm managing its compliance effort?

- We need to focus significantly more resources on compliance • (9%)
- We need to focus slightly more resources on compliance • (45%)
- We currently focus enough on compliance • (27%)
- We are over-emphasizing compliance • (0%)
- Unsure • (18%)

Do you outsource part or all of your compliance function?

- All (i.e., third party performs all compliance activities) • (9%)
- Some (i.e., third party handles reviews / specified projects) • (36%)
- None • (55%)

How many employees in your organization are dedicated to compliance?

- 1–2 • (27%)
- 3–4 • (9%)
- 5+ • (64%)

Total Responses

What is the amount of approximate assets under management?

- Less than \$500 Million • (16)
- \$500 Million to \$1 Billion • (23)
- \$1 Billion to \$5 Billion • (35)
- \$5 Billion+ • (37)

Which most closely describes your role within the organization?

- CEO/CFO • (11)
- CCO • (64)
- General Counsel • (6)
- Legal / Compliance Personnel • (22)
- Other • (8)

Are you familiar with SEC investigations pertaining to the following companies? (Please select all that apply)

- Aladdin Capital • (18)
- Diamondback Capital • (31)
- Liquidnet • (29)
- Paradigm Capital • (27)
- SAC Capital • (64)
- Galleon Capital • (61)
- I am not familiar with any of the above • (32)

How long ago was your last SEC exam?

- Within the last 12 months • (24)
- Within the last 3 years • (30)
- More than 3 years ago • (39)
- Unsure • (18)

What percentage of revenues do you allocate to compliance?

- 10%+ • (1)
- 5%–10% • (4)
- 1%–5% • (48)
- Less than 1% • (26)
- Unsure • (32)

When did you last perform a compliance review?

- Within the last 12 months • (74)
- 12–24 months ago • (13)
- More than 24 months ago • (12)
- Never • (9)
- Unsure • (3)

Does the firm have a compliance committee?

- Yes, meets regularly • (36)
- Yes, meets sporadically • (6)
- Yes, rarely meets • (10)
- No • (57)
- Unsure • (2)

Does the firm or its personnel have any regulatory disciplinary history stemming from an SEC exam?

- None • (99)
- Individuals from prior employment • (3)
- Individuals at current firm • (0)
- The firm itself • (2)
- Unsure • (7)

What is your firm's attitude toward compliance?

- Helps us sell business and retain clients • (20)
- Keeps us honest and on our toes • (13)
- Protects the franchise • (40)
- Cost of doing business • (34)
- Waste of time and money • (4)

How is your firm managing its compliance effort?

- We need to focus significantly more resources on compliance • (21)
- We need to focus slightly more resources on compliance • (53)
- We currently focus enough on compliance • (35)
- We are over-emphasizing compliance • (0)
- Unsure • (2)

Do you outsource part or all of your compliance function?

- All (i.e., third party performs all compliance activities) • (7)
- Some (i.e., third party handles reviews / specified projects) • (10)
- None • (54)

How many employees in your organization are dedicated to compliance?

- 1–2 • (56)
- 3–4 • (28)
- 5+ • (27)