

TOP FIVE DOS AND DON'TS WHEN SELECTING YOUR NEXT RIA CHIEF COMPLIANCE OFFICER

Selecting the right individual to lead and administer your regulatory compliance program can be the difference between a successful program, which adds value and trust with your customers, and one which puts your firm at risk of regulatory failure and fines. In addition, SEC Rule 206(4)-7 under the Investment Advisers Act of 1940, more commonly referred to as the “Compliance Rule,” requires a RIA firm to designate an individual with working knowledge of compliance regulations as the firm’s CCO.

Here are some **common dos and don'ts** to help you select the right CCO for your RIA firm.



#1 DO: FIND AN INDIVIDUAL WITH EXTENSIVE KNOWLEDGE OF THE INVESTMENT ADVISERS ACT OF 1940

In order to act in accordance with the relevant regulations, an individual must have active knowledge of the Investment Advisers Act of 1940, as well as any other regulations which govern your RIA firm.



#2 DON'T: SIMPLY OUTSOURCE THE ROLE

While outsourcing certain functionalities of your compliance program can create efficiencies for your firm, the function of CCO should remain in-house.



#3 DO: ENSURE THE INDIVIDUAL SELECTED HOLDS REASONABLE AUTHORITY WITHIN THE FIRM

The CCO must also hold “reasonable authority” to implement and uphold the policies and procedures which are the backbone of your RIA regulatory compliance program.



#4 DON'T: THINK THIS ROLE WILL BE A SET IT AND FORGET IT

Compliance isn't a check-the-box type of role, and whoever is put in charge of your regulatory program must take an active approach to assessing the program and implementing best practices.



#5 DO: LEAN INTO YOUR RESOURCES – BOTH INTERNAL AND EXTERNAL

While you should not outsource your CCO functionality, you should equip your CCO with the internal and external resources to effectively navigate the complexities of the regulatory landscape.



Make sure when you're selecting the person to come into this role, you are selecting an individual who can effectively fulfill these duties and **protect your firm against potential red flags and risk points.**