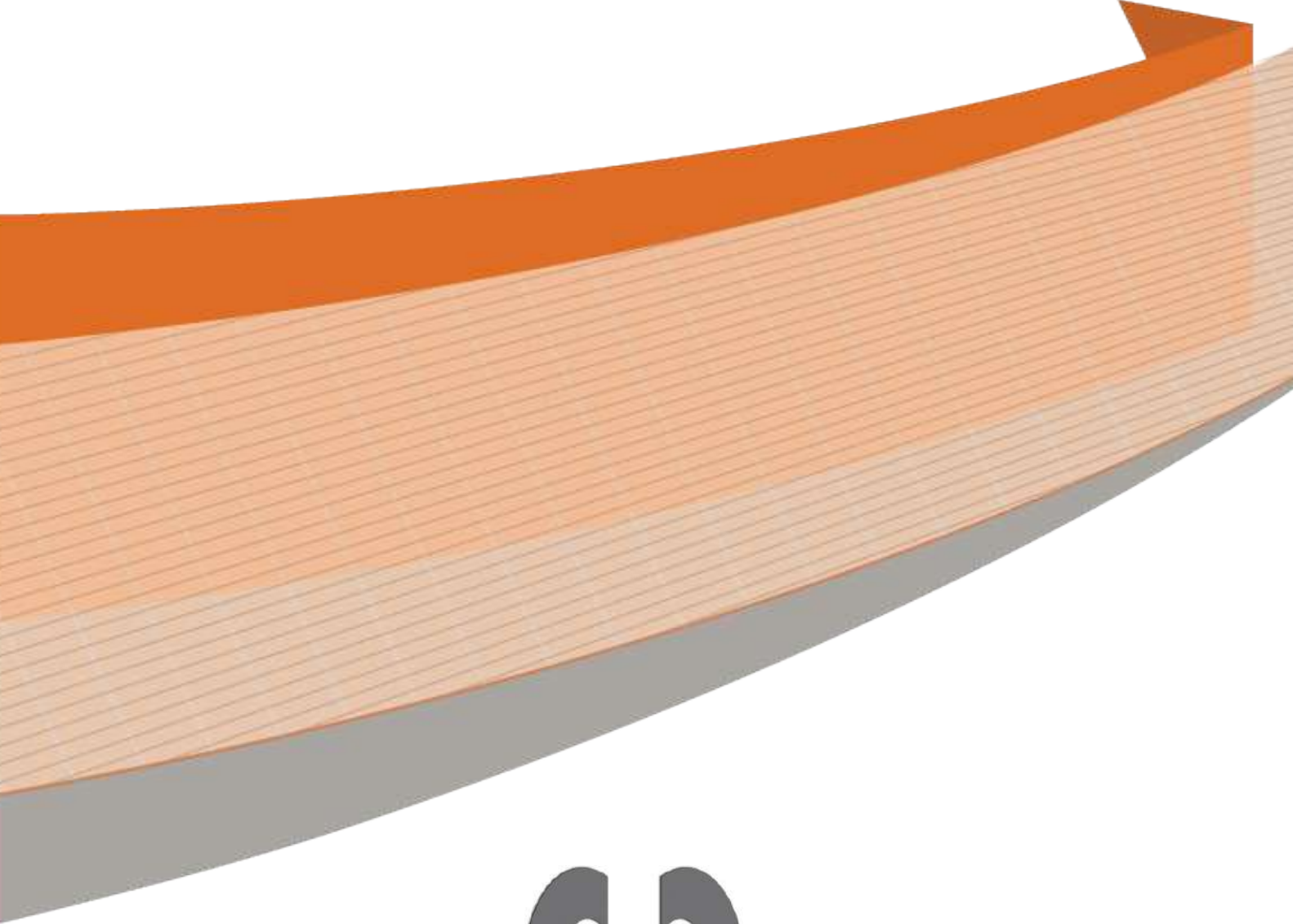


# OUT WITH THE OLD... IN WITH THE NEW

*Spotlight On Talent: Lilian Colpas*



## OUT WITH THE OLD... IN WITH THE NEW

*By Lilian Colpas*

Why is January 1 different from all other days of the year? After all, nothing fundamentally really changes. Nevertheless, most of us see January 1 as a new beginning in which we resolve to renew ourselves and discard undesirable traits. As you return to work from the long holiday weekend what will you resolve for 2017? Popular ideas range from the inevitable gym promises to the optimistic new diet, to clearing out cluttered basements and making room in our garages (admittedly, the last two are mine). Out with old and in with the new. Leave 2016 behind and kick off 2017 with a renewed vigor! And I challenge you to let this renewed vigor extend to your professional life.

“ *It takes 20 years to build a reputation and five minutes to ruin it.*  
*If you think about that, you'll do things differently.* ”  
-Warren Buffett

Chief Compliance Officers sleep with one eye open and have an implausible amount of pressure to keep their firms from being negatively featured on the front page of the Wall Street Journal or as the subject of an SEC enforcement feed. And then there is the bit about personal liability for a mismanaged compliance program so eagerly pursued and prosecuted by the SEC and Department of Justice. An April 2016 report by DLA Piper, a global law firm, revealed that 65% of compliance officers surveyed may hesitate to remain as CCOs or accept a new CCO position due to concerns about increased personal liability<sup>1</sup>. And, interestingly enough, in the same report 66% of compliance officers surveyed considered monitoring of their compliance program as their weakest area<sup>2</sup>. Weak is not an option when faced with prosecutorial action.

So, now that you have toasted the New Year with a fancy bottle of bubbly let's make sure your compliance program is airtight. One of the questions I am often asked by clients is "How can I improve my monitoring"? Simply stated - your policies and procedures are the starting point and what better way to start 2017 than with the annual compliance review. The annual compliance review requirement imposed by Rule 206(4)7, or the "compliance rule", should be the foundation of an adviser's New Year's resolution.

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<sup>1</sup> <http://corporatecomplianceinsights.com/best-2016-survey-finds-potential-personal-liability-impacting-compliance-profession/>

<sup>2</sup> [https://www.dlapiper.com/compliance\\_survey/survey-findings.html](https://www.dlapiper.com/compliance_survey/survey-findings.html)

The goal of 206(4)7 is to ensure your policies and procedures are adequate for your business model, therefore, you should assess each policy every year to identify what is working and what is not working. In the final adopting rule, the SEC recommended several topics an adviser should address<sup>3</sup>. These topics should already be included in your compliance program:

- portfolio management processes
- trading practices
- personal trading activity
- proprietary firm trading
- accuracy of disclosures
- safeguarding of client assets
- marketing
- use of solicitors
- valuation
- client privacy protection
- business continuity plans

Recently we have also seen whistleblowing ([see my article on whistleblowing](#))<sup>4</sup> and cybersecurity as hot topics for the SEC that you should not ignore during your annual review testing.

Certain advisers conduct the annual compliance review on a yearly basis while others steer the review toward a quarterly timetable. In my experience, quarterly reviews allow a firm to determine if there are any red flags that necessitate immediate action. As an example, during the second quarter you discover that your Code of Ethics test shows a lack of personal trading review by your compliance staff. Knowledge of this lapse can help you determine the reason the personal trading reviews were not undertaken and address it instantly.

At the end of the year the quarterly reviews can be analyzed to look for patterns. You can also confirm that any deficiencies previously found were addressed and not repeated. Quarterly reviews do not absolve you from the annual compliance review requirement, however, the greater effect is knowing that you are continuously testing your program and addressing issues head on. Recognizing that you have done your job well may help you sleep with both eyes closed.

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<sup>3</sup> <https://www.sec.gov/rules/final/ia-2204.htm>

<sup>4</sup> <http://compliance-risk.com/crc-buletin/youve-established-tone-top-know-mood-middle>

Some compliance departments contain the annual compliance review in-house while others turn to a third party firm such as mine to conduct the review. A third-party review of your policies and procedures provides you with an impartial and objective assessment of your compliance program. Will you resolve this year to engage a compliance consultant with a proven record or will you continue to test your policies and procedures as you have done every other year? Remember, out with the old and in with the new.

## SPOTLIGHT ON TALENT: LILIAN COLPAS



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*Lilian Colpas is an accomplished compliance professional with over 12 years of global compliance experience. Lilian has held roles as a compliance officer for Harding Loevner, Davidson Kempner Capital Management and AIG Global Investments (now PineBridge Investments). Lilian also worked as a paralegal for Sidley Austin Brown and Wood and AIG.*

*Lilian has extensive knowledge of the rules and regulations of the Investment Adviser's Act of 1940 as well as AML Rules and Regulations. Her IA experience includes: developing compliance calendars, conducting 206(4)7 reviews, managing mock SEC exams and mock audits, reviewing marketing literature, annual, quarterly and monthly compliance testing, U.S. and foreign filing requirements, collaborating with IT departments to automate compliance policies, independent testing of AML programs, updating Form ADV, Code of Ethics compliance, employee training. Lilian's AML experience includes conducting independent AML testing which included an in-depth review of a mutual fund's AML program, interviewing the AMLCO, reviewing CIPs for required procedures, and conducting OFAC reviews and investigating and closing alerts.*

*Lilian received her Bachelor of Arts degree in Criminal Justice from DeSales University and Paralegal Studies Certificate from Fairleigh Dickinson University.*

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