Risk & Compliance Journal.
THE WALL STREET JOURNAL

February 27, 2014, 6:12 AM ET

The Morning Risk Report: Mammas Don't Let Your Babies Grow Up to Be CCOs

J.P. Morgan Chase & Co.'s chief compliance officer, Cindy Armine, has left the bank, The Wall Street Journal reported Tuesday, noting that she had been promoted to the top compliance job only in 2013. This is just the most recent of a series of stories of bank CCO's moseying on after short tenure. Last year, HSBC Holdings PLC's U.S. subsidiary's CCO, Gary Peterson, left the job he had taken in 2012, as reported by Risk & Compliance Journal. Hector Sants, former CCO for Barclays PLC, in November left the job he had taken less than a year before, citing stress and exhaustion.

Like cowboys in the famous Waylon Jennings song, CCOs are harder to hold. There's more demand than supply of top hands to fill the increasingly challenging posts, especially at banks. "I think that there is still a shortage of experienced talent in the compliance space but I also think the compliance function is a different function than it was several years ago," said Stewart Goldman, senior client partner and head of the risk and compliance practice at executive recruiter Korn Ferry.

Andrea Bonime-Blanc, chief executive of the consulting firm GEC Risk Advisory LLC, and a former compliance officer at Public Service Enterprise Group (PSEG) and at Bertelsman SE & Co. KGaA, told Risk & Compliance Journal that she expects to see even more turnover in this job in the future. "There is higher pressure now to implement broader and deeper compliance programs because of all the fines and deferred prosecution agreements," she said. As a result, like those cowboys, CCOs may not be easy to love. "Some CCOs only last a short while because they either discover that they cannot get, or will not be given, the necessary tools and support to do the job properly or they are scapegoated," said Ms. Bonime-Blanc.

Readers can subscribe to The Morning Risk Report here. Follow us on Twitter at @WSJRisk.

EXCLUSIVE ON RISK & COMPLIANCE JOURNAL:

Catastrophic solar storm inevitable. The sun erupted on Monday, releasing a powerful flare that happened to point away from earth, a lucky break for earthlings. In 1859, a similar solar eruption knocked out telegraph systems across Europe and North America, and had Rocky

Mountain gold miners up for breakfast at 1 a.m. because they thought it was daytime. Analysts say that another solar storm as severe as that 1859 event is inevitable, will be much more costly– and they note ominously that the sun is now near the peak of its activity cycle.

Universities talk compliance. Businesses have been contending with an ever-increasing number of rules and regulations governing all aspects of their operations. The same is true at universities, especially large state universities that have multiple campuses, hundreds of thousands of students and, in some cases, research components that bring in billions of dollars a year.

COMPLIANCE

Arizona governor vetoes service-refusal bill. Arizona Gov. Jan Brewer vetoed a bill that set off an impassioned national debate over a provision that would have given business owners a legal defense for refusing service to customers on religious grounds, the WSJ reports. The bill "does not address a specific or present concern related to religious liberty in Arizona," Ms. Brewer said in announcing her decision Wednesday evening, adding that she hadn't heard a single example of an Arizona business owner whose "religious liberty has been violated." She also criticized the bill as "broadly worded" and said it had "the potential to create more problems than it purports to solve."

Supreme Court rules Allen Stanford Ponzi victims can sue third parties. The WSJ reports victims of R. Allen Stanford's $7 billion Ponzi scheme can sue law firms and other third parties on allegations they aided the fraud, the U.S. Supreme Court ruled Wednesday. The court, in a 7-2 ruling written by Justice Stephen Breyer, said the victims' class-action lawsuits were allowed even though a 1998 federal law largely prohibits state-law class-action claims for securities fraud. The ruling gives Stanford victims a chance to recover more of their losses. But it likely doesn't open the floodgates for a wave of securities litigation since the holding is limited to products sometimes sold in Ponzi schemes that aren't considered securities.

The fraud behind a $14 million whistleblower award. A record $14 million whistleblower award paid by the SEC last year was for a tip about an alleged Chicago-based scheme to defraud foreign investors seeking U.S. residency, the WSJ reports. The award is by far the biggest arising from a 2010 law designed in part to encourage tipsters to come forward with information about financial fraud. The SEC announced the payment in October without naming the whistleblower or the case, as the law gives tipsters the option to remain anonymous. The case centers on allegations last year that about 250 investors, mostly Chinese, were "duped" by Anshoo R. Sethi and his two companies into paying a total of more than $155 million for a supposed plan to build a hotel and conference center.

U.K. FCA: Commodities houses pose oversight challenges. The WSJ reports commodities-trading houses are posing a challenge to market oversight, the U.K.'s Financial Conduct Authority warned Thursday. As tighter regulatory requirements have reduced banks' activities in the sector, their places have been taken by specialist companies, many of which are closely held and have substantial operations outside direct oversight of market regulators. The update by the U.K.'s financial regulator comes as new regulations, devised to increase scrutiny of the commodities markets, are about to be implemented. Commodities traders say the impact of regulatory changes brought into effect over the last few years are already being felt.

Food labels set for new look. The WSJ reports food labels would have larger-font calorie counts and more realistic portion sizes under an Obama administration proposal to significantly revise nutrition labels for the first time in two decades. The proposed labels, produced by the Food and Drug Administration with input from industry and consumer groups, aren't slated to take effect for at least two years. Industry groups are expected to push for changes, and the proposal is open to a 90-day comment period before being finalized.

U.S. high court sets record for intellectual property caseload. In a sign of the growing struggles that judges face applying old laws to new technology, the U.S. Supreme Court this year is hearing the highest proportion of intellectual property cases in its history, Reuters reports. In the court's nine-month term ending in June, the justices will decide eight cases on intellectual property issues: six on patent law, two of which were argued on Wednesday, and two on copyright law.

AUDIT

Some companies alter the bonus playbook. U.S. companies increasingly are using unconventional earnings measures in determining bonuses, making it easier for them to appear more profitable when they reward executives with big paydays. Last year, 542 companies said they determine compensation using financial measurements that differ from U.S. accounting standards, according to an analysis performed by consultant Audit Analytics for the WSJ. That is more than double the 249 companies that did so in 2009. The practice can be controversial because it strips out various costs—from employee stock payments to asset write-downs—that can depress profits.

DATA SECURITY

Cyberattacks can now turn your hardware into a doorstop. The WSJ reports CrowdStrike Inc. chief technology officer Dmitri Alperovitch demonstrated Wednesday how an Apple Inc. MacBook could be rendered inoperable by a cyberattack. More broadly, attacks like the one Mr. Alperovitch demonstrated could be used to permanently disable a wide range of computer hardware in corporate IT networks from different suppliers.

Firms bank on bitcoin bounce back. U.S. firms are pushing ahead with plans to open bitcoin exchanges catering to professional traders, the WSJ reports. Perseus Telecom, a provider of high-speed telecommunications lines for securities exchanges and trading firms, is joining forces with bitcoin-trading platform Atlas ATS and Strevus Inc., which produces compliance-management tools for financial institutions and other firms, to build one or more U.S.-based digital-currency exchanges in the U.S. and elsewhere. The U.S. firms argue that by bringing in both the Wall Street establishment and regulators, they can offer customers greater confidence in the security of their money.