Rise of the Business-Like CCO

How Compliance Leaders can think and act to deliver results and demonstrate value they create for the company.

PART 1. Value of information, time and money. Common beliefs that keep you stuck.

What you believe about the situation (your job, your company, your stakeholders, your own abilities) determines what is possible for you.

Do you know what almost all compliance officers REALLY want?

They want to work on cool innovative projects, they want to work with simple tools, they love learning new things, they want their recommendations to be implemented, and they want to be appreciated for what they do.

But…

What do they believe? What shapes their reality? – They often believe that most of the following statements are true:

- Solving regulatory problems is hard and complex and must take a long time to make sure we are on the safe side
- I need a lot of money and a lot of people to do what I need to do because compliance is complex
- There are too many regulations and they are changing all the time, I must understand all the details to make sure I don't miss important requirements
- It's hard to find good people to help me.
- My management (in fact – nobody) understands how hard and complex it is.

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- I never have enough time to do what I need to do
- I need to know exactly what is required by all the regulations otherwise I cannot act.
- Auditors are vicious and they are here to kill and destroy my reputation.
- Risks are everywhere and I will likely go to jail if I miss something.
- Technology is confusing and unreliable
- It's a miracle we are still in business.

No wonder compliance feels costly and confusing and takes forever if that's what you believe to be true about our function

Biggest Mistake #1: Sacrifice time to "be sure"

Many struggling compliance officers don't really value their own time and time in general. Based on my observations, it happens because people value clarity and certainty over speed.

They all say they don't have enough time, but you would be amazed if you see how much of their time they volunteer for no good reasons.

Here are some examples of unnecessary time sacrifices demonstrating that your time is not really valuable:

- Agreeing to attend redundant meetings, escalating decisions to committees instead of taking decisions yourself, suggesting to have another meeting on the same topic, because you are not comfortable making decisions today.
- Proposing to do additional research, offering to double-check facts, asking for more data.
- Refusing to make a recommendation or withholding opinion before another team speaks or confirms their position (e.g. let's first get a legal opinion or ask for additional details)
- Sometimes delaying decisions is disguised as a desire to include more people and make sure everyone is on board. It feels good to be inclusive and collaborative. However, more often than not, what people are really afraid of is that someone else will criticize the decision, the assumptions, or them personally.
- Another mis-use of time as a resource is procrastination, not getting started, waiting for the "right time". This is another example of sacrificing time for clarity, not acting because the timing may not be perfect.

Note to self – where are you sacrificing time for clarity?

Biggest Mistake #2: Threats, warning and ultimatums are broken strategies to ask for money

Compliance officers often ask for money or budgets using warnings and ultimatums:

- We need to fund it because it is required by law
- We need this because otherwise we will all be arrested and go to jail
- Let's have self-identified issues as a part of our audit, because then the management will be forced to fund the remediation plan.

Business owners and entrepreneurs love supporting and funding initiatives that have a positive ROI, make money or save time. Even when the chance of success is less than 100%!

Nobody likes paying fees, penalties or taxes that have no benefits.

Then it is no surprise that when compliance officers ask for money and position this cost as "necessary evil" or "required by law", nobody likes that.

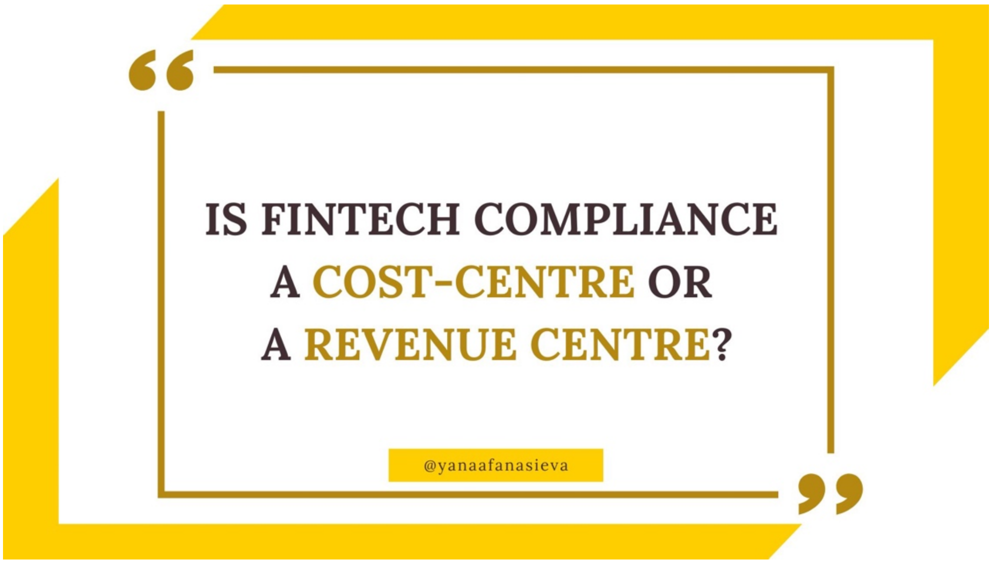
One of the reasons why many compliance officers find it hard to quantify the value of investing into compliance is that they themselves don't actually believe there is a monetary benefit in compliance or they don't believe that others will see compliance as a value-adding function. Finding value in compliance activities isn't trivial. How do you quantify "nothing bad happened".

- You may be thinking that growing the business, saving money, improving customer experience is not the job of compliance, it's the job of the sales or engineering or the CEO.
- You may be thinking that your job is ONLY to make sure that the company follows the law.
- If your interpretation is that money or growth or customer experience is not your job, this could be one of the fundamental reasons why your opinion is not as valued or why you are excluded from certain decisions or why your recommendations are ignored.

In my opinion, the modern compliance function is a profit center, not a cost-center. Compliance is not different from any other function and your success and results must be measured in a same way as they are measured for any other function: making money for the company or saving money (time or other resources) for the company.

We will talk more specifically on how to qualify compliance results during day 2.

Note to self – where are you abdicating your responsibility for the company growth and financial success?



Biggest Mistake #3: Value of information declines rapidly

In the era of Bard and ChatGPT information is a commodity. Information is not power. More information does not empower anyone, more likely than not – it just creates overwhelm and delays.

Which is why, in my opinion, many functions and professions that used to view themselves as just information providers or “decision enablers” (think about traditional compliance, risk, internal control, many areas of finance, such as accounting or reporting) are having hard times re-thinking their long-term organizational value.

Think about it. Most founders and FinTech CEOs are intelligent and curious people, they can read, they can find what the law says.

If compliance’s only value and only role is to set the requirements or review things and find deficiencies (and not be a part of any implementations or solutions), **you could give this job to a fairly junior person**.

Most FinTech founders know what happened to Binance and Coinbase, they understand what it means to be offering unregistered securities. They don’t need more education from me or you. They need someone to determine what needs to be done and go and oversee that it gets done. Implementation.

They expect me to already having done my analysis about whether or we de-list some of our tokens, stop staking programs, what are the implementation options, pros and cons of various strategies, and start implementing.

It is not useful to have more meeting debating the definition of a security. Any function that limits itself to providing information is guaranteed to cause a lot of internal conflicts, simply because there is always more information and more details available.

Note to self - being the “second line of defense” has nothing to do with removing your function from implementation responsibilities.

If you work in FinTech and want to reduce the amount of never-ending time-consuming unproductive debates around compliance requirements and their implementation burden, I am going to share with you my approach to creating compliance function targets (during day 2) and compliance function orgchart (day 3).

Compliance is simple. Litmus test for making decisions.

Remember? What you think about the situation (your job, your abilities...) determines what is possible.

Why so many compliance decisions feel hard, confusing or complex?

Your job exists to solve problems. Onboard customers. Collect documents and explanations. Define and articulate requirements.

Why traditional compliance people complicate things?

- They often solve future problems instead of problems today. This happens when you play the devil's advocates and ask a lot of „but what if' or „just in case" questions.
- They are afraid to get it wrong, make a mistake and lose their reputation. This often happens when they think "I want to be on the safe side" or "we don't know what we don't know".
- They delay the decision until they all the pieces and all the answers, because it feels safer. It creates a cycle of repetitive meetings and repetitive conversations where nothing is decided and everyone is reluctant or frustrated.

How to overcome it?

If today was your last day on this job and you were leaving this company and you honestly wished them well and wanted to make the best possible decision to help them, what would you decide then?

What do you want to think about compliance? (Because you are the one making it harder than it needs to be).

- Compliance is simple – it's a lot of fun.
- Compliance is useful and valuable.
- I and here to help my company grow and make money and serve more customers.
- I don't need to know everything, I need to know very few things to make the next step and then we will evaluate again.
- I make decisions using the principle "what would I do if today is my last day with the company and I want to help"
- Making mistakes is no big deal because most actions are reversible, and most mistakes are just unwanted temporary situations.
- I can do a lot with fewer resources taking one step at a time.
- Auditors and regulators are great and useful, they offer great feedback. They are not scary because they know less than I know about my company anyway.

PART 2. Results over effort. Compliance performance metrics.

2.1. Feeling productive does not mean you actually were productive.

Struggling compliance officers often feel good after a day when they did a lot of work, reviewed a lot of documents, had a lot of meetings, sent a lot of emails.

The problem is that these tasks may keep you busy, but they may not necessarily create tangible outcomes for your business, such as more customers, simpler processes, faster decisions, saved time and money.

As discussed in Part 1, you may be thinking that growing the number of users, attracting customers, making or saving money, improving customer experience is not your job, it's the job of other teams. You may be thinking that your job is ONLY to make sure that the company is compliance and follows the law. If your interpretation is that money or growth or customer experience is not your job, this could be one of the fundamental reasons why you are isolated from many important decisions within the company.

Compliance is not different from any other function and your success and results must be measured in a same way as they are measured for any other function: making money for the company or saving money (time or other resources) for the company.

2023 is not the year to say "financial metrics or growth rates or cost structure is not my compliance problem". Even if (or when) bitcoin reaches the 100,000 USD milestone, it's clear that the financial industry will face a lack of consumer confidence, plenty of uncertainties, contradictory and erratic governmental decisions and conflicting economic incentives, and potentially multiple systemic failures of no-longer-too-big-to-fail organizations and corporations.

FinTech Compliance must stay relevant more than ever. Most founders I work with are currently brainstorming up to 10 different product launch scenarios and setting up various beta-launches, experiments, and trial projects to see what may work. There is no way any of us can be sure which of these projects will grow, but it's important to be able to test the initial customer reaction, questions that come up from regulators, and partner buy-in readiness.

It means that traditional compliance planning is likely going to be ineffective.

Think about it – if you want to take two months to do proper risk assessments for 10 potential projects and present them for board approvals on a 150-page presentation deck, and you know that most likely 8 of these initiatives are not going to work anyway, but you don't know which ones… and you are already on a tight budget… You need to think differently about who does what in compliance and how do you get by with the resources you have available.

What are irrelevant results (that frankly nobody cares):

- How many laws and regulations you know
- How detailed or accurate your policies or reports are
- Spending time researching or questioning customers
- Most internal documents if nobody reads them or follows them
- Spending time reviewing customers who then get rejected
- Number of meetings you attend or number of emails you send
- Opening many legal entities, seeking duplicate licenses, having to maintain legal entities and licenses
- Working harder, knowing more, having more documentation.

Relevant results:

- Approving good transacting customers faster
- Reducing time when customers are waiting for review
- Enabling new products, new partnerships, new money-making opportunities faster
- Producing documents that "open doors" – license approvals, due diligence approvals, investor approvals, bank account opening approvals
- Making decisions faster or simplifying decisions-making (less committees, less escalations, less confirmations)
- Deploying less tools and checks if they don't change the decision

Hard work is the enemy of growth.

The most relevant compliance metrics:

- Compliance cost per customer split by active and non-active customer (tools, checks, direct payroll).
- Time spent per customer. It could be measured as a speed of customer onboarding (from registration to approval), time when the tickets remain open and the customer is unable to transact, customers onboarded per week, number of false positive or redundant alerts as a % of total alerts and cases.
- Compliance cost (and time) per project.

The good news is that the vast majority of compliance officers have a very strong sense of being of service, wanting to help, wanting to be useful. They love the idea of adding value.

2.2. Case Study: Onboarding

Let's look at one FinTech's onboarding flow metrics:

- Started the registration process – 100%
- A confirmed email with a reverse link – 90%
- Started providing KYC information – 88%
- Started video verification – 55% (many of the users did not have the document at hands or came from the wrong countries and were not eligible for the service)
- Uploaded proof of address – 44%
- Successfully completed verification – 35%
- Initiated their first transaction within 30 days after the registration – 10% (out of which about 30% of the transactions failed due to card declines, non-sufficient funds, timeout issues, and other glitches)
- Initiated more than 3 transactions within 30 days after registration – less than 3 %

Is this a compliance issue?

Business and product people would argue that "yes, indeed – this is a compliance problem". However, most compliance people would argue that this is a technical or marketing problem because they are not responsible for user experience, they just provided the requirements of what needs to be collected.

Should compliance nominate a project leader to solve it – absolutely. Just providing requirements in this case will not be enough!

2.3. Which compliance metrics to track?

The FinTech industry is struggling with scaling and profitability, customer churn due to inefficient onboarding design, long approval cycles waiting for regulatory permissions, and ever-increasing costs of maintaining inactive or low-transacting accounts.

You can make a much bigger compliance impact by asking for and getting clarity around the following business metrics (without trying to link it to any compliance issues – just listen – and by the end of this article you will understand why).

So, find answers to the following questions:

- How does business measure success and growth – is it the number of new customers, volume processes, fees collected, new account activation rates?
- If last year performance was good or bad – what were the drivers? Is it a good season? Bad economic cycle? Just one good or one bad strategic partner failure?
- If the reason for poor performance is wrong assumptions or past decisions (e.g. customers did not like the product, non-competitive prices, no market for a certain service, the partnership did not work out) – what will be done differently?
- What are new important projects? Where are you allocating resources to?
- Is the company profitable? Which services or products are profitable?
- What is the cost of compliance and if you plan to have more customers, is the cost of compliance per each new customer getting lower or higher, based on the current projections and existing contracts and existing pricing and fees structure?

Now you hopefully see where I'm leading you: the success of compliance or its impact cannot be measured by how many policies you have or how many reports you produced or how many clean audits you completed.

The success of compliance measured by how it serves and supports the company's strategic objectives and if compliance does not support the company's strategy, everyone is eventually going to fail, get fired, or run out of money.

2.4. Compliance deliverables benchmarks

FinTech Licensing

- Compliance can prepare most policies, risk assessments, fit and proper justifications for core team members, and the structure of the license application (aka regulatory business plan);
- Compliance usually needs input from:
    - Finance - for financial projections, pricing and capital requirements analysis;
    - Business development or marketing - for marketing plan and go-to-market strategy, competitive analysis and research;
    - Product and engineering – for product descriptions and diagrams
    - Security team – for information security details.

- If external help is engaged, compliance team can be a single POC for external advisors;
- **Typical KPI – license approval by quarter X 20XX**.

Relationships with regulators and auditors

- Compliance would normally coordinate all interactions with auditors and regulators and would keep track of all submissions and outstanding responses.
- Compliance usually does not need to be involved in financial audits and financial reporting, which is managed by finance, but needs to provide some disclosures for financial reporting.
- **Typical KPI – "clean audits", permissions to operate planned activities, no findings that require remediation. Time to market**.

Opening bank accounts and closing partnerships

- Compliance can be expected to review responses requested by the bank or a partner, and assemble a list of required policies and attachments.
- Compliance needs input (or finance can directly provide input) with respect to projected volumes, required currencies, credit limits, settlement times.
- **Typical KPI – bank account opened by [DATE]**

Product Developments and Testing

- Compliance should be an integral part of all product design, onboarding flow and customer registration design, as well as product testing, determining sequence of requests sent to customers, transactional limits, customer-facing messaging and escalation path for unusual cases.
- Compliance should be a part of any product testing plans, e.g. who can be beta-testers, how to determine that beta-testing is successful and can graduate to a mature product, what are the transactional limits and monitoring rules for new products.
- **Typical KPI – product launch by [DATE] in [country or region] for at least XX active customers**.

Customer Support: customer questions, disputes and complains

- Compliance can add tremendous value by reviewing or helping to design standard customer-facing messaging, such as account opening confirmations, transaction confirmation, additional document requests, notifications to customers about so issues, etc.
- Compliance is responsible to train onboarding specialists and customer support people on basic compliance requirements, e.g. no tipping of, what to do when you observe suspicious behavior or see indications on online

fraud, which documents, countries or customer categories are supported and not-supported, how to respond to most common frequently asked questions (e.g. failed transactions, expired documents, missing or inconsistent information).

- Compliance is responsible for handling and responding to formal customer complaints and escalating and addressing root causes for recurring issues, where possible.
- **Typical KPI – reduced number of customer escalations, average customer case handling times, customer satisfaction survey metrics.**

2.5. Compliance Tools

The danger of “more details”

Compliance tools, KYC checks, sanctions checks, fraud detection, or blockchain tracing services are becoming a commodity. It means that they compete on price. Unfortunately for the FinTech industry, many of these service providers decided to "differentiate" themselves by offering additional information or more details or more enhanced analytics or reporting capabilities, hoping that this will help them to stand out and charge a little bit more. I don't think it will work even in the mid-term.

Instead of automating processes and saving time, these "data-enhanced tools" are creating more work to review, assess and dismiss the majority of these extra data points.

One of the biggest compliance inefficiencies within any FinTech is the time wasted on manual reviews of redundant alerts and false positives that don't result in any change in the client's account status. So, any tool that's creating more work instead of saving the compliance team's time is counterproductive and does not worth the investment, in my opinion.

Tool creators, however, argue: compliance people tell us they need additional data, they would be interested to see a more granular level of details or additional history or more tags...

Yes and no.

Compliance people in this example are a part of the problem and not a part of the solution. This is the situation when the blinds are leading the blind.

There are many reasons why compliance people tell their compliance vendors or service providers that they need more data or better reporting or analytics:

- Due to their professional background, they automatically believe that more data is good because our profession has a lot of respect for information. Hypothetically. However, it does not mean this additional information will actually add value in a sense of enabling faster decisions about customers or elimination of redundant processes. Typically, more information will result in longer decisions because you would have more data points to document and reconcile.
- They can say "it's interesting". Many compliance people secretly like playing the police and dream of catching bad guys. They also love the process of digging deeper, trying to find "juicy details" or inconsistencies in clients' information. However, let's be honest: this is a personal indulgence, not a must-have.

- Compliance people often like certainty, are risk-averse and want to feel safe about their decisions. When they are not comfortable making a decision with slightly incomplete information, they would rather delay the decision by claiming "additional investigation is needed" or escalate the decision to a committee to avoid personal responsibility. In this case, additional data points serve as a "scapegoat" or a convenient excuse for not making the decision now.

It is my strong conviction, that the main purpose of RegTech and any compliance-focused tools or SaaS products should be process automation and bringing efficiencies into the industry, accelerating and improving customer experience, and reducing the cost of compliance per customer.

Adding random unnecessary features, more data and more elements to consider is a nice Candy Crush office game for the compliance department, but it has nothing to do with the purpose of RegTech.

The purpose of adding any compliance tool is not to “check the box” or “become compliant” or “learn more about your customers”. Regulations are tools-agnostic, they do not prescribe you to use any specific tool or solution.

The only valid reasons to add any kind of tool should be to improve your users' experience, reduce costs and handling time, or eliminate redundant manual processes.

With that purpose in mind, let’s look into how you can evaluate and compare various compliance tools and what kind of metrics would be meaningful.

- How many false positives does this tool generate versus true hits?
- Warning – the tools provider will try to tell you that “it’s hard to measure because it depends on each individual integration…” or “it depends on how you handle alerts using your internal tools”. None of this constitutes a valid answer to your question.
- What can this tool do automatically to help you reduce the number of false-positive alerts? What are auto-dismissal options and trade-offs? What kind of cases are the most common false positive cases?
- What is the process of reducing the number of repetitive and redundant alerts within the tool that does not require spending your company’s own engineering resources (because your engineers do not like tweaking and fixing bugs coming from other people technology)? Is there any machine-learning algorithm in place and what are the specific metrics that can illustrate performance improvement over time?
- How many customers get approved by this tool on the first attempt vs get rejected or pushed for a manual review? How many re-runs or re-submissions by the customer are required on average?
- How does this tool differentiate the handling of inactive vs active accounts in terms of pricing and the number/frequency of the checks performed?

- Many FinTechs have up to 50% (if not more) of registered customers that are inactive, therefore performing the same checks (and paying for them) for all of your active and inactive customers does not make economic sense.
- When the tool finds a “problem”, does it recommend a specific decision or does it simply display a set of facts for the human to follow up?
- How long, on average, does it take for an agent to act on the alert/flag/recommendation in order to dismiss the alert, reconcile information and come to a decision about the customer? Is it different for true hits and false positives?

Now you can clearly see, why pricing-based tool selection is damaging: even if you chose the lowers pricing per check, the tool itself generates a lot of redundant alerts, then you will end up paying a lot of money for checking inactive accounts that don’t transact and wasting the time of your team resolving the false positives, you are massively overpaying.

PART 3. Compliance organizational chart. Who should do what? How to set priorities?

3.1. Solve bigger problems. How to build compliance as an efficient scalable machine

Many CEOs, founders and compliance leaders view compliance as a series of disconnected tasks: onboarding, scanning, reporting, audits, policy creation.

It often happens (as we now know) because they are doing wrong things at the wrong times, overinvest in tools and people, overprepare in some cases, don't delegate in other cases, solve future problems instead of solving current problems.

How to build your compliance function in the most efficient way? – Solve relevant problems and scale to solve bigger problems for more customers faster.

Do not chaise shiny projects too early (e.g. Brexit readiness in 2016, GDPR readiness in 2017, travel rule readiness in 2019 were not useful because they were not timely).

Problems are blessings. If you recommended a policy or a rule and you miss something, then fraud or hacking happens or you discover an honest mistake – this is not a problem.

Seriously.

Problems are blessings.

Many compliance officers are afraid of problems because they believe it means they made a mistake, they were bad professionals, they missed something.

This mostly comes from the belief that your job is to avoid mistakes and always be right.

However, now we know that compliance job is to help the company grow and get more customers and process more volumes while maintaining reasonable levels of risks, your definition of a mistake changes.

Your company was able to get thus far with your help, it did not get stuck.

Thinking you should not have problems or mistakes is the REAL PROBLEM.

You may have unwanted situations, technical bugs, fraudulent customers, bad employees. Those are temporary unwanted situations that will not kill your business. It will help your business solve issues at the right time.

Compliance typically makes the mistakes trying to AVOID FUTURE PROBLEMS by making current decisions more difficult and expensive.

Your function and your business in general will grow to the level of "problems" you are willing to handle. Remember where we started? – If you want to add more value be ready to solve bigger problems.

Let me give you one example. If you are creating a very complex process with a lot of legal disclaimers trying to avoid that your customer may complain or your auditors may not agree with your assessment, you are indicating that you may not be ready to handle the problem of a complaining customer or a difficult auditor. If you know how to handle a complaining customer and a difficult auditor in the future, you are not going to complicate the process of today unnecessarily.

How to get started? How to make a shift?

Most people have a very conditional approach to changes

"Once I have more tine and my boss is less angry and we finish this project and I come back from holidays and the audit is complete, then I can think about how to get ready to maybe start implementing new strategies… if the time is right…"

This is a Have => Do => Be strategy and this is **backwards.**

It's conditional performance.

If you want to change anything in your function or life, the change always begins inside. What do you believe is possible? What can you do differently? You need different actions to see different results, and as long and you use your external circumstances as excuses, nothing is going to change.

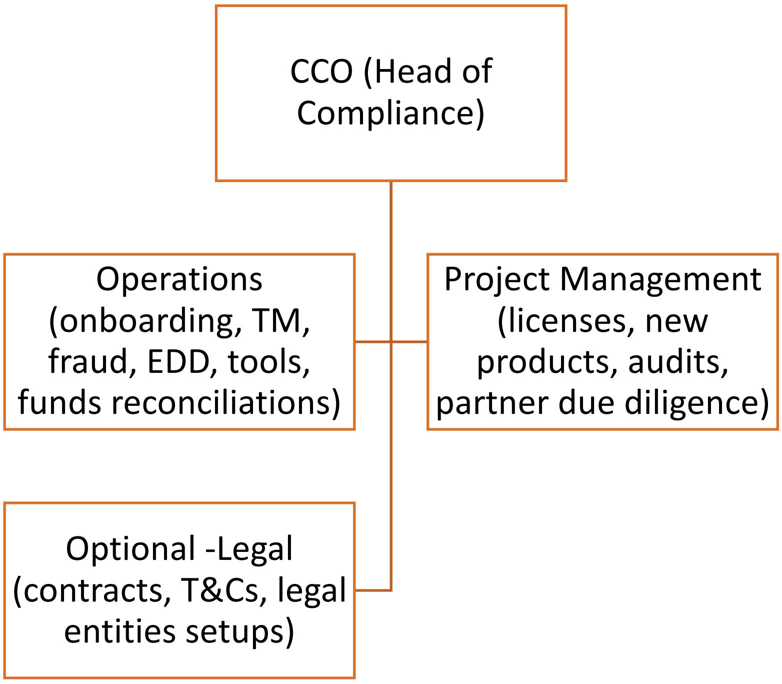
A better strategy is Be => Do => Have strategy, which suggests that the change starts when you adapt different sets of beliefs, take different actions and as a result you will have a different outcome.

What does your company and your function and your team need from you?

Who do you need to be to solve the "issues" of today without worrying the "issues" of tomorrow?

Successful entrepreneurial business-like thinking CCOs see opportunities and create solutions where others can't

3.2. Compliance Organizational Structure



Basic onboarding decisions (e.g. documents collection and documents review can be done by the CS team, only escalations and exceptions can be decided or confirmed by compliance. For an early stage startup 1-2 persons operational team is sufficient. Later on, the team can consist of a team lead + 1-2 junior agents. This team is typically not involved into drafting policies, reviewing legislations or managing larger scale projects. This team is responsible for selecting and testing any compliance tools they use and tools settings as well as for regular analysis of the alerts/rules performance. It is critical for this team to have a very customer-focused bias and customer-focused motivation.

Project management responsibility within compliance covers any types of internal and external projects, such as license applications, partner integrations, new product launches, audits, handling crisis situations and emergencies. During the early days, this is the primary responsibility of the CCO/head of compliance.

There is no need to have a separate person responsible for the risk function.

If legal and compliance are combined, the primary focus of the legal counsel is to handle contractual side, take care of terms and conditions, handle external lawyers engagements, cover necessary formalities related to legal entities.

Hiring too many people too soon is one of the most common mistakes that many FinTech startups make after they get new VC funding. Never (ever) hire more than 3-4 new people a month, otherwise you will over-hire and will be letting go of most of them in 5-6 months.

Once you finally get the funding, everyone feels there is a massive backlog of unresolved issues, technical debt, compliance gaps…There is a sense that "*now we need to behave like adults and get our house in order*". It may feel like with more people you will be able to do more, and it is rarely the case.

After hiring 50-100 new very smart people, you have all done amazingly great things in the past, the founding team may find themselves in a situation where instead of solving issues and making progress, the company spends more time in meetings, decisions are harder to make, the consensus is harder to find, and more and more urgent issues are being created and not resolved. 😩

Most common roles and functions where your FinTech likely needs fewer people?

- Super senior Heads of Risk, Compliance, or Legal with lots of junior people reporting to them. Pragmatic hands-on less institutional people with more startup experience typically get more things done.
- Project managers. Your heads of functions must be able to handle their internal projects by themselves at this stage.
- Too many people within compliance, risk, or transaction monitoring teams, separated by regions and led by fairly senior regional Heads of Compliance. If this is your case, your biggest risk is that every regional Head of Compliance will create their own long list of unique and cumbersome requests for your engineering team, will fight for resources, and ultimately slow down decision-making. Keep your risk, compliance, finance, and InfoSec teams as lean and as consolidated as possible.
- Too many unsupervised interns.
- Too many tools that are not used or not used properly.

Where are startups often "under-hiring" or hiring too late?

- Head of HR or People Ops.
- Sales, PR, and Marketing.

Hiring interns and part-time freelances for compliance

- Most FinTech companies who have engaged interns for customers' file reviews and/or customer onboarding processes ended up re-doing or updating this work later. Don't use interns or inexperienced people if you can help it or make sure you train people well and keep them for the long-term. Inexperienced non-committal people who will leave in 6 months are likely to make a lot of mistakes and just don't care.
- Experienced part-time freelancers are much better and more cost-effective option for customer onboarding, audit remediation or similar lookback-type assignments. They are often motivated to get recurring

assignments or become full-time employees, which is why they do a better job. They bring experience and need less training.

3.3. When to hire your first compliance employee?

If any of the following scenarios are present:

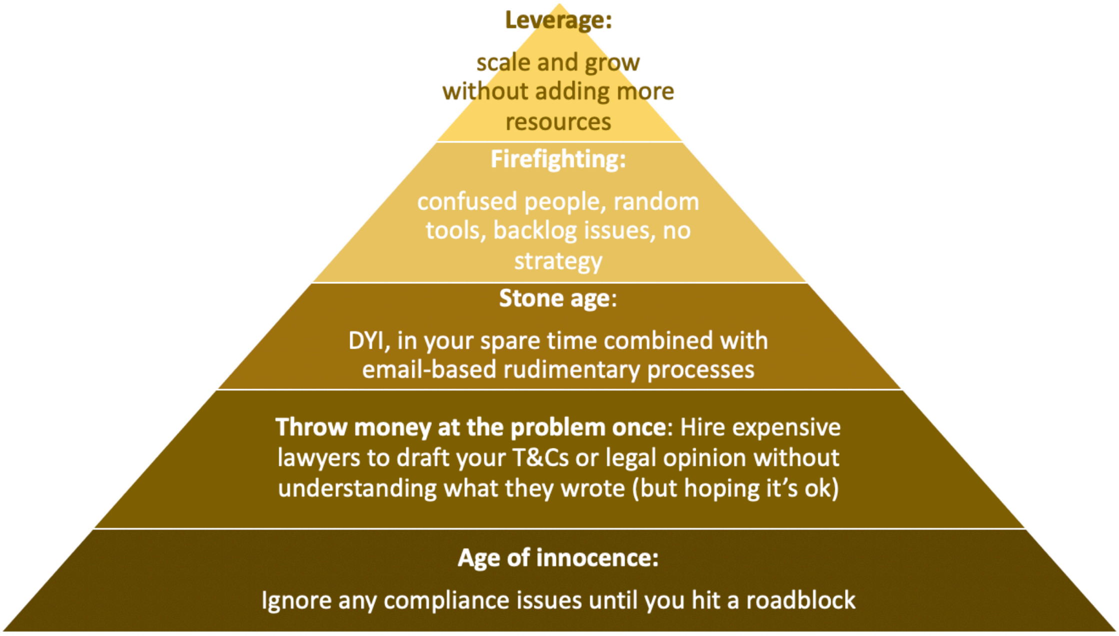
- You regularly need to submit external documents to banks, regulators, investors, business partners or auditors;
- You have more than 20 actively transacting customers at any time;
- When the law says your business model needs a compliance officer and the law requires him/her to be an independent person who is not a part of the management or executive team.

What alternatives are usually on the table?

- **Do it yourself and work harder and longer or ask you Customer Support person or CFO or another team member to "step-up"**: It takes forever for a non-compliance person to draft documents, they are not familiar with basic terminology, they make very basic mistakes, and when the documents produced by non-experts get into the hands of banking partners, auditors or regulators, it's very evident to them that the company is immature.
- **Do nothing**: This happens when there is a compliance person on the team, but they are overloaded and desperately keep asking for help, in which case all projects within and outside compliance are delayed, and the organization is spending a lot of time resolving division-of-labor conflicts.
- **Hire Big 4 consultants for projects**: This solution is most costly of all and takes longer than anything else (because large companies have to follow their own customer approval and quality assurance processes), it does not generate any internal know-how… you may think it's a safer choice or a "safe bet", but in fact it's not, because as a founder you don't actually want to be "safe", you want results and progress, and institutional help is always slow and never innovative or original.
- **Join free webinars, re-use random templates from the internet that look relevant, ask your founder-friends on Twitter** what they do and what can you copy without hiring anyone: You will get even more confused than before, because responses will be inconsistent and not exactly applicable, and if you try to apply random advice, most likely you will not be able to finish things and you most definitely create very inconsistent documents.

3.4. Compliance function evolution

Here are the typical stages FinTech startups go through:



Growth happens in stages. There are different problems that need to be solved at each stage.

- **Age of innocence:** Ignore any compliance issues until you hit a roadblock. Compliance tasks and formalities (contracts, bank account openings, onboarding design, T&Cs) are often covered by the founder. The main problem to solve is to go live or get funding. Mistakes to avoid – do not create too many legal entities, do not worry about taxes, document in writing relationships between founders and what happens when one of them leaves the project, create an entity with a simple generic purpose and simple generic name, so that you have an easier path to bank account approval.[1]
- **Throw money at the problem once** in a while (often as a result of external demands): setup legal entities, engage lawyers to draft your T&Cs, Privacy Policy, legal opinion, contract. Nobody really understands what other options are available or what are trade-offs. Mistakes to avoid: you can safely use templates for T&Cs and privacy policy and most contracts, these contracts and terms will change very often during this stage, there is no need to overinvest in them.
- **Stone age**: DYI compliance, usually led by the CEO/CFO/founder in their spare time combined with email-based rudimentary customer-facing processes done by a customer support person or a junior

[1] How to open bank accounts - https://yana-afanasieva.mykajabi.com/offers/NHPsSLKP

compliance expert or a part-time MLRO. The main goal is to onboard customers and avoid complains. Mistakes to avoid: not knowing which tools to use, second-guessing processes, not establishing basic policies, overthinking every unusual case. At this stage you definitely need a set of basic policies about customer acceptance, formal business plans and descriptions of your services to submit to your investors, bankers, partners. Fintech Compliance Self-Starter package[2] is perfect for this stage.

- **Firefighting:** Lots of overwhelmed people randomly using lots of tools with lots of bugs; the company has plenty of backlog issues and a long to-do list, but without a clear strategy on how to fix it or what's working and what's not. Most common mistake: you are overspending time and money on processes and tools, most likely performing redundant and unnecessary checks and duplicate activities. CCO or the head of compliance is constantly in the firefighting mode, often dealing with a lot of internal conflicts, high level of attrition within the team. Compliance Collective membership[3] is a great place to get your questions answered and realize that most of your 'situations" are not unique and have easier solutions than you think.
- **Leverage:** Your business grows, you launch new products, enter new markets without adding people or significant resources, using an existing team, technology, and minimal external help (if any). When you face an unusual case, challenging audit situation, significant delay with licensing or a regulatory challenge, you can benefit from a Second Opinion[4] advisory. Your biggest challenge at this stage is the risk to become too complacent, too bureaucratic, too risk-averse, especially when facing unusual non-standard situations.

[2] Fintech Compliance Self-Starter - https://yana-afanasieva.mykajabi.com/offers/Xhz4DQyy
[3] Compliance Collective - https:/ /yana-afanasieva.mykajabi.com/offers/gs4Mzgdy
[4] Second Opinion - https://yana-afanasieva.mykajabi.com/offers/Zt9Fo5ec

Key Takeaways

There are no bonus points for perfectionism. In fact, perfectionism will actively slow down your career – whether it means spending too much time reviewing your customer onboarding information, monitoring their transactions, or trying to create a totally risk-free compliance environment.

The success of any function is not proportional to its resources. If that were the case, big banks would never conduct shady or fraudulent operations and would continuously grow their market share, and it's obviously not the case. Elon Musk with Twitter showed us that most tech companies actually hire way too many people.

I have **never seen a FinTech project fail because of compliance or be shut down because of compliance**. Yes, you can get into compliance troubles and overspend, but it's rarely terminal – it's almost always product/market fit, running out of money, wrong partners, poor timing, or bad (fraudulent and incompetent) leadership.

However, in my 13+ years in FinTech compliance, I came to realize that the real path to success in compliance is largely based on your ability to complete small projects and suggest actionable next steps.

In other words: Most compliance professionals hope to get appreciated and valued by trying to demonstrate to their management how complex, difficult, and serious compliance challenges can be. I am making the case that your success in compliance will come easier and faster when you find a way to demonstrate to your management that compliance can be easy, simple, and actionable.

Congratulations – YOU'VE JUST MADE IT!

Checkout my free resources and templates library:
https://competitivecompliance.co/free/

