

## Diversified Management Resources in the News

### *Selected press commentary*

#### Funds Resists Agreements Until Redemption Rule Is Clarified

**Fund Action, November 4, 2005**

**By Julie Segal**

Mutual fund companies are reluctant to strike agreements with intermediaries until particulars of the redemption fee rule are made clear. As part of the rule, funds are to enter into agreements with intermediaries to receive data on the aggregated accounts of dealers so they can better peer into suspicious activity. According to a survey from **Diversified Management Resources**, of the funds that will get agreements with a limited number of dealers, one in five reports that the benefits do not justify the costs of the agreements.

Of funds that are waiting to get agreement, 12% are waiting for clarification.

"There is a large part of our fund community that is waiting for changes from the SEC before they start planning," said Chip Miller, executive V.P. at Access Data.

The SEC is expected to issue so-called technical amendments to the rule, which goes into effect in October 2006, on such issues as the definition of financial intermediary and other exceptions for the 401(k) industry, but has so far given no guidance.

No respondent cited cost or liability as a reason to put the kibosh on an agreement, although the survey did point to cost and liability as concerns, not barriers. **Charlie O'Neill, principal at DMR**, said, "Although they told us there is clearly a concern about liability and expenses, these will not prevent them from executing an agreement."

Miller added that the survey's findings are particularly eye-catching as 50% of the 40 companies that responded had more than \$50 billion in assets under management. More than 37% had \$100 billion or more. According to the survey, 74% of fund companies said they would enter into agreements with intermediaries, and of those, 14% said the number would be more than 500. Fifty-seven percent said they would strike between 100 and 500 agreements. The survey is the third in a series published by DMR in partnership with NICSA.

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#### Mutual Fund Online Job Postings Rebound

##### **Mutual Fund Careers.Com and Indeed.Com**

Employers posted more than 1,000 new mutual fund-related jobs online in October—16,402 vs. September's count of 14,886.

This resets the Mutual Fund Online Jobs Index © to 105 against the baseline of 15,663 jobs posted when the Index was started in July.

The Mutual Fund Online Job Index © is powered by Indeed, the most comprehensive search engine for jobs.

The Indeed search tool was added to Mutual Fund Careers.Com in June 2005. It enables site visitors to quickly view jobs offered through hundreds of other web sites, including major job boards, leading newspapers and employer sites.

The current Mutual Fund Online Job Index © 105

Median number of online job postings - October 2005: 16,402\*\*

\*\*Source: Mutual Fund Careers.Com and Indeed.Com. Not adjusted for any multiple postings of the same job. Number is median job posting count for September 2005. Reflects mutual fund industry jobs as well as jobs for which mutual fund training and experience are required (e.g. Financial Consultant positions.)

Index baseline = 100, representing median number of daily job postings in July 2005. (15,663)

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## Pay-for-Performance Climbs Corporate Ladder

Ignites, October 31, 2005

By Marc Hogan

Performance-based pay has been a growing trend among wholesalers and portfolio managers for some time, but at least one financial services firm is also emphasizing it for top executives.

The head of the Bank of America division that oversees mutual funds, Brian Moynihan, has scrubbed his employment contract, according to a recent regulatory filing. B of A says the decision by Moynihan, president of its wealth and investment management business, is consistent with the bank's pay-for-performance principles.

Moynihan agreed to the now-canceled contract on April 1, 2004, following B of A's merger with FleetBoston Financial, where he had been an executive vice president. The agreement was scheduled to remain in effect until April 1, 2007.

By canceling the arrangement, Moynihan gives up all severance and other benefits he would have received, except for a possible payment involving merger-related taxes, according to the filing. He also ceases participation in the FleetBoston Supplemental Executive Retirement Plan, or SERP, a form of deferred compensation.

"He wanted to send a clear signal of his support for Bank of America's pay-for-performance philosophy," says Terry Francisco, a B of A spokesman. "He's sacrificing his safety net in order to have his future compensation based solely on his performance as a leader."

B of A Chairman Ken Lewis made a similar move in December 2003. Shortly after unveiling the Fleet merger, he announced that he would be scrapping his own employee agreement.

Moynihan is the only former Fleet executive listed in B of A's nine-member senior management on the bank's website. Other top Fleet execs tapped for roles at B of A following the merger have since departed with big payouts, including Eugene McQuade, Bradford Warner, Chad Gifford and Jay Sarles.

"He's surely an optimist and he's confident about his ability," **Charlie O'Neill**, principal at recruiting firm **Diversified Management Resources**, says of Moynihan.

Performance-based compensation has been an ongoing theme in recent years in the fund industry, particularly for portfolio managers and wholesalers. For example, Janus revealed earlier this year that it would start linking its portfolio managers' variable compensation to one- and three-year fund performance.

"Performance-based pay is clearly where management's hearts lie today," says Lawrence Lieberman, executive director with recruiting firm the Orion Group.

B of A was probably just looking to make its compensation structure more consistent, according to Lieberman, who suggests that Moynihan may be getting something in return for his concessions.

Either way, performance should be only part of the compensation equation for senior executives, according to recruiter Donald Dzurilla of Donald F. Dzurilla International. That's because they ought to be taking a long-term, strategic view. But it makes sense, he says, that an executive might give up some compensation following a big merger.

"It never really surprises me when consolidation occurs between firms that compromises must be

made between senior employees and employers," Dzurilla explains. "These compromises might be more prevalent in an environment of cost-cutting."

Bank of America's Columbia Management Group has trimmed its fund family and consolidated its operations since the merger, aiming to pass on lower costs from economies of scale.

According to the filing, Moynihan will still receive benefits from his SERP account that have accrued through Dec. 31, at which point the account will be frozen. This amounts to \$613,708 a year, which Moynihan will be eligible to receive following his retirement. The SERP agreement provided Moynihan a retirement benefit based on a percentage of his final average compensation.

Recently, corporate America has been taking a harder look at SERPs. A generous SERP was a factor in the 2003 ouster of former New York Stock Exchange Chairman Richard Grasso. The recent firing of MassMutual Financial Group CEO Robert O'Connell also involved a ballooning SERP.

"SERPs are one of the areas that are being examined more closely for compensation issues because a lot of times they have gotten fairly rich," says Ronald Mueller, a partner with law firm Gibson, Dunn & Crutcher. "To completely give it [the SERP] up in my experience would be unusual, but often there is some cutting back or some kind of rationalization of benefits."

The increased scrutiny on SERPs stems not only from high-profile scandals, but also from a growing corporate-governance emphasis on compensation in general, Mueller says. Recent changes to the tax code have also impacted deferred compensation, including SERPs.

Companies that have gone through a number of mergers, in particular, are starting to revisit their SERPs, according to Mueller.

"There are a number of executives who are taking the lead on saying, 'I have more than I need here,'" he says.

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## Fund Jobs Way Up For Oct

### Fund Action, October 21, 2005

Mutual fund jobs have posted substantial gains this month, already hitting a median of 16,000 even though October is not yet finished. **Charlie O'Neill**, principal of **Diversified Management Resources**, said, "This reflects preparation for the New Year and determination to fill open positions prior to year-end." The Mutual Fund Online Job Index, an index reflecting fund jobs posted on the Internet, was flat for the month of August. The baseline job index figure--15,663--was established Aug. 1, using the median number of job postings in July. Fund companies are increasingly using online job boards to find even the most senior of executives, said O'Neill, who added that a number of mutual fund companies have recently signed on for a subscription to Mutual Fund Careers.com to post senior executive positions.

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## Boards Grapple With CCO Bonus

By Beagan Wilcox October 18, 2005

With bonus season around the corner, many fund boards are now tackling the thorny issue of chief compliance officer bonuses.

A recent study of CCO compensation has found that 96% of more than 100 CCOs surveyed were eligible for an annual performance bonus. The study was conducted by **Diversified Management Resources** (DMR) and the National Investment Company Service Association, or Nicsa.

Since boards are required by the SEC to approve the CCO's compensation, they must also approve the bonus. Yet, like most compensation issues, setting the CCO's bonus has proved more of an art than a science.

While some boards are approving a higher base salary and a lower bonus, most boards are nonetheless awarding a bonus because of competitive pressures. In other words, boards fear that a CCO who does not receive a bonus might be more tempted to work elsewhere.

"I think for sure if [boards] have a CCO who they think is doing a really good job, and in light of the very competitive market for CCOs, I know they have an interest in making sure that CCO is paid well," says Paul Dykstra, partner at **Bell, Boyd & Lloyd**.

Boards recognize the competitive market for CCOs. Paying a bonus is one way to make sure that the CCO knows his or her work is valued.

"You don't want to lose your people over money," says Marcia Wallace, independent chairman of the **North Track Funds**.

That puts boards in a tough spot, because determining how the bonus is determined is proving to be a challenge. At the center of boardroom discussion about the CCO's bonus is a potential conflict of interest. The concern is that if the bonus is linked to the advisor's success, such as profits, the CCO might be less inclined to raise compliance issues that are problematic for the advisor.

The competitive market for CCOs has led some boards to approve stock options and restricted stock as part of the officer's compensation package. About 27% of the more than 100 CCOs surveyed for the DMR and Nicsa study said they were eligible for stock awards; about 35% said they were eligible for stock option awards.

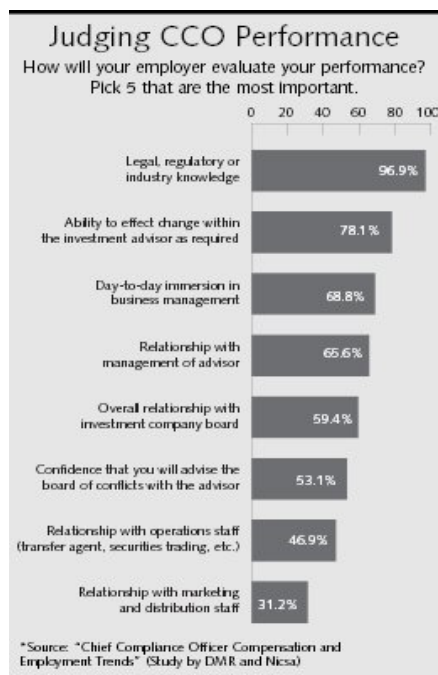
"I've seen a portion of the compensation tied to stock options or restricted stock," says André Brewster, partner at law firm **Howard and Rice**. "And in many cases, the options and stock have vesting periods which preclude the CCO from realizing the value of the stock or the options until the vesting period terminates." The vesting periods vary, but are often from three to five years, he adds.

This raises a conflict of interest, because with stock options or restricted stock the compensation of the CCO is directly linked to the financial success of the advisor or an affiliate of the advisor.

Boards have questioned advisors about the appropriateness of this practice, says Brewster. The advisor may respond that its success is related to the success of its compliance efforts. "You've seen great losses because of compliance problems," says Brewster.

For some directors, learning more about how the CCO's bonus was determined can make a difference.

“The conflict of interest will be there, but if the board understands how the CCO is being compensated, it can go a long way to alleviating the concern that the conflict of interest is affecting the performance of the CCO,” says Brewster.



Due to the potential for conflict of interest and the need to maintain the independence of the CCO, there seems to be a trend in complexes in which the CCO serves both the fund and its advisor to structure the CCO's compensation such that the base salary is relatively high and bonuses are small or not a part of the compensation scheme, says Diana McCarthy, partner at **Drinker, Biddle & Reath**.

At many fund complexes, a big part of an advisor employee's compensation is the bonus, says McCarthy, but that's probably not the best compensation structure for the CCO.

Another issue for boards is whether the advisor or the funds pay the bonus and, if so, how much each one pays. At the North Track Funds, the advisor and funds split the CCO's base salary. They also split the bonus, says Wallace. (The officer is CCO to the funds and the advisor.)

In an unusual move, the board pushed to award the CCO a bonus last year, after he had been on the job only three months. The advisor agreed to the bonus.

“He got off the ground running faster than I thought he might,” says Wallace.

In many other cases, the advisor suggests the bonus amount and the board reviews it. However, boards are not blindly approving those suggested amounts.

“I've seen boards push back. They certainly want to know how the bonus was determined,” says Howard and Rice's Brewster.

On the other hand, some boards are setting the bonus amount and then seeking the advisor's input. Brewster says he's seen cases where the board sets a range of possible bonuses, which the advisor then reviews. In this way, the advisor knows that the bonus won't be way outside of its

expectations.

A central part of determining the bonus is drawing up the criteria upon which the CCO's performance is judged.

The qualitative criteria that some boards rely upon include the CCO's effectiveness within the organization, the officer's quality of reporting to the board and the quality of oversight of the service providers. Just as the CCO has dual reporting lines to the advisor and board, the criteria the advisor uses to evaluate the CCO's work will probably differ from what the board uses.

A number of boards have already put the issue of the CCO's bonus behind them. If the advisor is on a fiscal year schedule, the CCO's bonus may have already been determined and awarded. However, for advisors on the calendar schedule, deciding the CCO's bonus is still in the works.

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## **Umm, Not Quite Mutual Fund Execs Say They Lack Resources To Support CCO Job**

**Julie Segal October 14, 2005**

Only 38% of chief compliance officers, compliance staff and other senior managers of mutual fund firms believe their company has provided or has specific plans to provide the CCO with adequate resources to do their job effectively. Forty-four percent said resources are "generally adequate" and 18% said flat out that resources are generally insufficient, according to confidential poll results from **Diversified Management Resources**.

DMR recently conducted the online poll of CCOs and other executives to determine their concerns about resources, staffing and hiring plans. The largest segment of respondents was CCOs, representing 46%, followed by compliance staff members at 18% and CEOs and COOs at 11%. Twenty percent of respondents were from the largest firms, those with \$100 billion in assets under management. Participants represented 40 investment firms overall.

DMR also found that 25% of respondents did not feel they would have sufficient resources, even once they hired staff for 2006. What's more, when asked to describe their firms' compliance efforts and whether they are "activist" or passive/reactive, only 33% said they were activist or aggressive in rooting out problems rather than reacting to issues as they arise. Sixty-seven percent said the programs were "generally proactive."

**Charlie O'Neill**, principal, said, "An activist compliance program would get the various business units to accept accountability for compliance in day-to-day operations. Whereas, in a more reactive environment, the "CCO is the backstop." O'Neill added that respondents are generally finding it more difficult to find experienced staffers than they anticipated. In addition, few firms plan to hire additional senior level staff, but are looking for entry and mid-level professionals. He said that makes sense as most top officials are likely already on board and firms want mid-level staffers to execute plans and lower level employees to deal with the flurry of paperwork required for new regulations.

O'Neill said respondents at the largest firms--those with \$100 billion in assets--were less likely to say they had adequate resources once they hired staff. Fifty-percent of this group said "yes" they were adequately resourced, while 75% of the group as a whole believed that was so. O'Neill explained that CCOs at the larger firms might feel they are in regulators' cross-hairs so "they are sheepish about saying they have all the resources they need. They have the most at stake and the most to lose," he said. About 50% of these firms describe their compliance efforts as "activist," with the other 50% saying that they are "generally proactive."

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## CCOs to Be Surveyed On Resources

### Fund Action, September 30, 2005

**DMR Financial** is planning to survey chief compliance officers on year-end resource planning starting this week. **Charlie O'Neill, principal**, said the online survey will question CCOs about the resources that they have to do their jobs, whether these resources are adequate and if they are not adequate whether they create risks for the firm. In addition, DMR will question CCOs about whether they have multiple job responsibilities within the firm, such as chief operating officer, and whether they are comfortable with those roles.

"We want to determine whether CCOs wear multiple hats in their organizations," said O'Neill. DMR's survey will also ask about staffing, and whether additions to staff will be entry level, mid-level or senior professionals.

DMR, a marketing, research and executive recruiting firm, earlier this year completed a CCO compensation study in conjunction with the National Investment Company Service Association. Among the findings was that one-half of newly installed CCOs had worked in operations at some point in their career

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## Fund Jobs Flat For August

### Fund Action, September 23, 2005

The Mutual Fund Online Job Index, a newly created index reflecting fund jobs posted on the Internet, was flat for the month of August. The baseline job index figure--15,663--was established Aug. 1, using the median number of job postings in July. **Charlie O'Neill, principal at DMR Financial**, the sponsor of the index through Mutual Fund Careers.com, said the index numbers were essentially flat for the month. He expects hiring to pick up throughout the fall.

Last month, according to the index, 15.59% of the more than 15,000 mutual fund jobs posted online were based in California ([www.fundaction.com](http://www.fundaction.com), 8/19). Those figures were followed by Massachusetts at 9.93%, and New York and New Jersey with a little more than 7% of all postings. Fund companies are increasingly using online job boards to find even the most senior of executives. O'Neill said 29% of new chief compliance officers at fund firms found their jobs by using online job boards. That is a close second to the 36% of mutual fund companies using executive recruiting firms.

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## New Index Suggests Flat Job Market

**September 12, 2005**

A new job index from **Diversified Management Resources**, a Boston-based human resources consulting firm, shows that total count of mutual fund industry job postings online was flat for the month of August.

The new index, which will be published on the first of every month going forward, is meant to show the percentage change in the median number of postings at corporate and career Web sites for the prior month. In August, the median job count was 15,301, an insignificant change versus July, officials said.

California, Massachusetts and New York continued to lead in job postings, accounting for 14.8%, 11.3% and 9.7%, respectively, they said.

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## California Leads Way With Fund Jobs

**Fund Action, August 19, 2005**

Those interested in a mutual fund job may want to consider moving to California, given that the state ranked first in the number of fund positions available. According to a new job index from **Mutual Fund Careers.com**, 15.59% of the more than 15,000 mutual fund jobs posted online were based in California. Those figures were followed by Massachusetts at 9.93%, and New York and New Jersey with a little more than 7%. As of July, 2005, the median number of jobs posted online was 15,663, according to the created index. **Charlie O'Neill, principal of DMR**, said he created the index in part to watch how jobs in the industry fluctuate over time. The index will be published at the first of every month.

The Mutual Fund Online Job Index uses the Indeed job search engine to find jobs online. The 15,000 mutual fund jobs are part of three million jobs posted online in the last month in the U.S.

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## Cyberspace Want Ads

### Online Job Boards Gain Traction In Search For Senior Execs

**J.S. August 12, 2005**

Fund firms looking to hire chief compliance officers are almost as likely to attract them through the Internet as through a search firm. The costs of recruitment could run as high as six figures, according to some estimates. Twenty-nine percent of new chief compliance officers at fund firms found their jobs by using online job boards, according to a survey. That is a close second to the 36% of mutual fund companies using executive recruiting firms, according to proprietary findings on CCO compensation and other issues from **Diversified Management Resources** and the National Investment Company Service Association. **Charlie O'Neill, principal at DMR**, said that the findings point to the increased use of online methods of finding jobs in the mutual fund industry, even among the most senior of executives. He said that the survey results apply to the broad range of senior executive searches, from chief operating officers, counsel, and other top line leaders.

Most firms traditionally have used prestigious search firms to seek out company leaders, but now many are using the Internet as top candidates are seen reviewing online resources for open positions, said a senior executive at a major fund firm. The findings are somewhat surprising, said O'Neill, as many in the industry believe online job boards are the territory of only lower level staffers.

One recruiter at a major search firm said online job boards could never replace the vetting done by an executive recruiter. "The risk of finding new execs is not about missing out on any potential candidates. It's about not vetting individuals that could pose a reputational or financial risk to your company. Only a live network can fully vet candidates."

O'Neill said many companies are routinely posting jobs online and then using an executive recruiter. Using online resources allows companies to cast a wider net for applicants. Candidates found online may be forwarded to recruiters for referencing. "Not that long ago, the perception was that job boards were for blue collar or lower white collar posts," added O'Neill. He said he thinks the trend may be particularly apparent with CCO searches as these posts require an in-depth knowledge of many areas. "It's not who you know. Now it's what you know."

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## **CCO Outsourcer Sees Pick-Up in Activity**

### **Fund Action, August 5, 2005**

Fund Compliance Services, which provides chief compliance officer outsourcing and is a sister company to Gemini Fund Services, has seen a recent pick-up in activity. Michael Miola, co-chairman of NorthStar Financial Services, the parent of both companies, said five managers, which do not use Gemini Fund Services for administration, have signed on after initially using an internal CCO. The deadline for funds to have a CCO was last October. Jeff Unterreiner, president and portfolio manager at Proactive Asset Allocation Funds, a new FCS client, said his in-house CCO did not have a direct compliance background. Unterreiner said Fund Compliance Services offers an expert in the area as well as independence.

Also, it is a cost effective move to outsource the post to a third party, which can then share costs with other clients. The decision was also driven by growth plans, he said. Proactive is merging with Illington Fund Management in New York and creating another mutual fund. An industry recruiter said many companies have not supplied CCOs with adequate resources and that many of these compliance officials have not gotten the needed support from other areas of the firm.

**Charlie O'Neill, principal of DMR Financial**, said a recent survey of CCOs pointed to the majority of these officials being unhappy with compensation, a factor that could lead to turnover and prompt companies to review their CCO decision.

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## **Half Of All CCOs Have Ops Background**

### **Fund Action, August 5, 2005**

One-half of all newly-installed chief compliance officers at investment managers, including mutual funds, have previously worked in an operations role at some point in their careers. What's more, 40% of compliance staff members said they came into the compliance department directly from operations, according to undisclosed results from a new survey from Diversified Management

Resources, a marketing, research and executive recruiting firm. The survey was completed in conjunction with the National Investment Company Service Association. The findings in the new report, NICSA- D.M.R. Chief Compliance Officer Compensation and Employment Trends, are important as CCOs have only been on the job for about a year and fund firms are still feeling their way with the new hires, including reporting structures, responsibilities, support, experience and pay.

**Charlie O'Neill, principal at DMR**, said the results, while seemingly counterintuitive, make sense as an understanding of the inner workings of a fund firm is crucial to a CCO being effective with respect to implementing and monitoring policies and procedures. The survey also found that while 40% of compliance staffers came directly from operations, more than 60% said they had worked in operations at some point. "Operations is a pipeline for compliance staff members," O'Neill said.

O'Neill added that about half of hiring executives, predominantly human resource professionals, said that operations experience would be desirable for CCO candidates.

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## **Marsh Non-Deal May Help Putnam Find Footing**

**Ignites, June 15, 2005**

**By Marc Hogan**

**Putnam** stands to regain some much-needed stability now that a possible sale or spin-off is apparently off the table, according to industry observers.

With deal rumors quashed, Putnam can focus on bolstering its funds' performance and asset flows as well as holding on to key personnel.

Last Friday, parent company Marsh & McLennan issued a statement indicating that the insurance giant "has no plans" to unload any of its principal business units.

Talk of a possible Putnam sale or spin-off had been circulating for weeks following reports that parent company Marsh was evaluating all of its business units. Putnam CEO Ed Haldeman said that the insurer was indeed considering unloading its fund unit.

That notion was put down, at least for now, with the firm's most recent announcement that no deal is in the works. That should be welcome news for the firm, according to Lou Harvey, president of Dalbar.

"They're probably going to relieve some of the anxiety that's been there depending on who the potential buyer is," Harvey says. "My hope is that it is true and permanent."

However, Harvey says that just because a deal is off the table at the moment doesn't mean that the firm won't go back on the block.

A Putnam spokeswoman referred calls to Marsh. Marsh spokeswoman Barbara Perlmutter declined to comment on the likelihood of a deal taking place in the coming months. However, in the long run she says anything is possible.

Either way, stability is a positive for the firm at this point in time, according to Morningstar director of fund research Russ Kinnel. He says Putnam needs stability to turn around its performance, due to changes in strategy and personnel.

Haldeman, Putnam's CEO, has tried to change the firm's culture since taking over amid the market-timing scandal in late 2003. This year, the firm has seen several fund managers come and go, and investment chief Steven Oristaglio has stepped down.

"It's probably healthy to have this issue resolved," Kinnel says. "It takes years of working together for a team to really click. They need that to happen."

Ultimately, Putnam must improve its performance, according to Kinnel, because it's competing against firms that have better returns and were largely untouched by the scandal. Performance and the ensuing fund sales take time and stability to build, he says.

Putnam had \$28.8 billion in outflows in 2003 and \$26.3 billion in 2004, according to Financial Research Corp. Money continued walking out the door in the first four months of 2005, accounting for another \$6.8 billion in outflows. The firm's assets under management have declined from \$130.7 billion at the end of 2003 to \$104.4 billion through April 2005.

Flows may not return overnight, but putting the sale rumors to rest should be good for morale, according to **Charlie O'Neill, a recruiter with Diversified Management Resources** and former Putnam managing director.

"It's very positive for a firm of that stature to be determined to maintain its independence," O'Neill says. "As Putnam's performance story strengthens, which Ed Haldeman seems determined to achieve, money will flow back that might have left them."

Jeff Keil, vice president of global fiduciary review at Lipper, says Marsh's decision not to sell Putnam may reveal that the insurance giant sees a recovery in Putnam's ability to generate income.

Marsh's revenues fell last year due to the company's own regulatory troubles as well as problems in its other units. Marsh's operating income dropped 74% in 2004, to \$648 million, according to regulatory filings. That amount includes settlements at Putnam and the costs of Marsh's \$850 million regulatory bid-rigging settlement.

Marsh may still sell or spin off Putnam down the road, Keil speculates. If Putnam can improve fund sales, the fund shop will likely command a higher sales price than it can now. "I would guess they're keeping their options open," Keil says. "I doubt they have made the decision to definitively proceed one way or the other."

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## **AIM CEO Resigns**

**Ignites, May 18, 2005**  
**By Andrew Greene**

Mark Williamson is stepping down as CEO of AIM Management, according to an internal company memo acquired by *Ignites*.

The memo, which was sent yesterday to employees of AIM's parent company, Amvescap, said Williamson will remain with the company until a replacement is found. The memo was signed by Amvescap executive chairman Charles Brady.

"Mark Williamson has shared with me his belief that, in the best interest of his family, and in

recognition of the needs of Amvescap, it would be best to begin the process of identifying his successor as CEO of AIM Management and the AIM Division," Brady wrote in the memo.

A spokesman for the firm would not comment further on the reasons behind Williamson's departure. But according to the memo, Williamson will help with the search for his successor while continuing in his current duties.

"To minimize the impact to our business and clients, Mark will continue to guide these groups as we search for a new CEO and provide for an orderly transition over the next 18 months," the memo states.

The search for Williamson's replacement will not begin until Amvescap names a new CEO of its own. The firm has been hunting for a chief executive since Brady gave up his dual role as chairman and CEO of the firm. A new Amvescap CEO is expected to be named by mid-summer, according to the spokesman.

Williamson joined Amvescap in 1998 and served as CEO of its North American retail business, including Invesco Funds Group, AIM Management and the AIM Division.

During that time, Williamson has been in charge during a difficult period in the company's history. He oversaw Invesco's merger with AIM and was at the helm during the firm's involvement in the fund trading scandal. AIM and Invesco's combined settlement with state and federal regulators totaled \$451.5 million, making it one of the largest settlements of the scandal.

The firm has also struggled with outflows and diminished assets recently. Its U.S.-based AIM and Invesco units have been especially hard hit. AIM finished last year with \$137.6 billion in assets, down from the \$151.1 billion it held at the end of 2003. Meanwhile, Invesco's assets climbed to \$121 billion from \$118.5 billion for the same period. However, \$8.1 billion of that gain was capital appreciation.

The firm's involvement in the scandal also resulted in an executive shakeup. Several top executives left the firm, including Raymond Cunningham, Invesco's former CEO. Cunningham paid a \$500,000 civil penalty for allegedly allowing select investors to engage in market timing. Other executives who left because of their role in fund trading scandal include Timothy Miller, Invesco's former chief investment officer, and Thomas Kolbe, an Invesco senior VP for sales.

Industry recruiters say Williamson's resignation is not all that surprising given AIM and Invesco's troubles over the past couple of years.

"This is an industry in flux at the moment, and change almost breeds change," says Lawrence Lieberman, executive director with recruiting firm the Orion Group. "In general, I'm not surprised. They've had their troubles."

Another factor in the change is the incoming Amvescap CEO. It makes sense that whoever assumes that position will want to appoint the people directly reporting to him, says **Charlie O'Neill, a principal at Diversified Management Resources.**

Williamson cited his family's interests as one of the reasons for his resignation. That's not typically a reason cited for an executive's departure unless there really is a serious issue that individual is dealing with, according to another industry recruiter who wished to remain anonymous.

Either way, there will be a changing of the guard at AIM.

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## DMR Develops Job Index

**Fund Action, May 13, 2005**

**Diversified Management Resources**, an executive recruitment and marketing firm, is developing a job index that will track the mutual fund industry. The Belmont, Mass.-based firm will use quantitative methodology to calculate the index, which will include results such as the type of firms hiring, desired qualifications and the types of jobs, said **Charlie O'Neill, principal**. "We want to come up with a useful benchmark to show from one period to another where the activity is taking place with new job creation," he said.

O'Neill noted that while a calculation of the number of jobs available might show simple expansion or contraction of the job market, the firm hopes to come up with something that will show positions in more or less demand than others in an accurate way. "It's always useful to... figure out where the puck is going rather than where it's been," he said. The index will likely be available in a few months.

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## Compliance Staff Pay On CCOs' Minds

**Ignites, May 9, 2005**

**By Chris Frankie**

Demand for qualified chief compliance officers has made the position a hot commodity, driving up salaries for talented CCOs. Now the same thing is happening for staffers on the CCO's team.

After all, in order to be effective, especially at some of the bigger shops, CCOs need highly skilled and competent compliance professionals working under them. With demand for such individuals on the rise, retaining talented staffers has become more difficult.

Contributing to that problem is the lack of current data on compliance-professional compensation, according to Charles Park, CCO at American Century. He says it is his sense that pay is going up, but that the data on the subject is "lagging" or outdated.

He says there is anecdotal evidence indicating that lower-level compliance staff members are leaving for significant salary bump-ups.

Park, who has a compliance staff of 26 and is in the process of filling four new slots created this year, says no one on his staff has left yet and none have suggested they are unhappy with their salary.

"But we want to get a handle on it," he says. "We want to make sure we adequately compensate our staff and fill the open positions in a way that is appropriate for the marketplace."

He is not alone.

Joe McGill, executive director and chief compliance officer at UBS Global Asset Management, has spoken several times at industry conferences about the challenges in this area.

"I think what it comes down to is to keep your core team intact," McGill says. "You are only as good as your staff." He says you have to keep them satisfied in terms of both money and career development.

One of his compliance staffers left UBS to join the SEC, only to return a short time later to the shop for a hefty salary increase.

"You have to put the best people you have in your highest risk areas," he said at a recent conference. "It's just difficult to retain quality people."

Fund industry recruiter Barry Emen of MJE-ICS Associates says the going rate for compliance professionals is only going up and demand will continue to grow. He says there are a limited number of quality people who are trained and willing to do certain compliance jobs. Add to that the fact that hedge funds are increasingly competing for these individuals, and the ranks of available, highly skilled candidates become even thinner. Says Emen, "The demand is just way outpacing the supply."

Emen says he recently placed one individual in a mutual fund compliance analyst job for a salary of \$110,000 annually. The position was originally supposed to fetch \$85,000 but was bumped up to nab the individual. He says the going rate for such a job is anywhere from \$100,000 to \$125,000 in base salary and that it could be bumped up to \$150,000 once a bonus is factored into the mix.

Another compliance staff position that is fetching a pretty penny is the person who is in effect serving as deputy CCO. That job generally pays a base salary of anywhere from \$100,000 annually to \$150,000, he says.

"There has been a lot of movement," Emen says. "Firms that don't recognize how competitive the market is are going to end up losing compliance professionals to better offers from the competition."

**Charlie O'Neill, a principal at Diversified Management Resources**, says that unfortunately for smaller firms, the cost of retaining compliance executives may be on par with that at bigger shops. He says that because the demand is so high, the price tag for CCOs is going to continue to remain high. Smaller shops tend to have fewer resources, and therefore the CCO is likely to end up doing more work. O'Neill says many of these principles are likely to translate to CCO staff members as well.

"Just generally speaking, across the board, this is probably the best period compliance professionals have seen in a long time just because of the huge demand for regulatory and compliance skills sets," says Larry Lieberman, managing director with executive recruiting firm the Orion Group.

He says need is so high that "for the moment even the journeyman candidates are in demand. When the dust truly settles, you will see less of that desperation you are smelling," and less of an inclination to fork over inflated salaries.

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## Springtime Arrives for Industry Job Market

### Marc Hogan, Ignites, May 5, 2005

After a long freeze, the job market in the fund industry looks like it might be starting to thaw.

Industry professionals are looking around for new jobs and fielding calls from potential hirers. That's according to the results of an unreleased survey conducted by the National Investment Company Service Association (NICSA) and recruiting firm Diversified Management Resources.

Of the 1,000 executives who responded to the survey, 46% say they're currently employed but open to new employment opportunities. One factor that might be driving employees' willingness to look around is dissatisfaction with compensation. Approximately 42% of the survey's respondents indicated that they feel their compensation is less than what it should be.

Further, nearly 59% perceive the job market to be stronger than it was a year ago. Two-thirds report that they've been contacted by search firms or another employer over the past six months.

The survey results show the job market in the industry is starting to heat up again, says **Charlie O'Neill, an executive recruiter with Boston-based Diversified Management Resources**. As recently as a few months ago, anecdotal evidence suggested the market was flat.

"I am encountering more and more qualified people who have more than one potential employment opportunity in various stages of review," O'Neill observes.

Of the survey's respondents, roughly a quarter indicated that they are operations directors, and another 20% hold various general management roles. Roughly half have been in their current job function for more than 11 years. The survey was sponsored by compliance software provider PA Compliance.

There's definitely been an uptick in the job market, agrees Orion Group recruiter Larry Lieberman, though hiring is still far from frenzied. Firms are more eager than they were a year ago to start tackling senior-level strategic changes.

"We're getting past the initial shock of Spitzergate," Lieberman says. "It's allowing new management teams to finally refocus on business-building, as opposed to business-fixing."

Much of the recent hiring spike has been on the investment side, with sales opportunities still to come, according to Paige Scott of Sextant Search Partners. Portfolio manager searches and even full-team lift-outs to add new products or expand existing products have been popular.

It doesn't hurt that February and March are traditionally busier hiring months because annual bonuses have been paid, she observes.

The study also reveals that firms don't necessarily need to throw money at employees to keep them aboard. The survey asks respondents to identify the five most important factors in a job's attractiveness. Three-quarters cite "quality of employees" and 72% point to achieving "a better work/life balance." Higher compensation, the choice of 67% of participants, ranked third.

"What we often do is run our businesses as though compensation was the only thing that mattered to people," DMR's O'Neill says. "Quality of life and related issues are a key determinant in employee satisfaction."

Last year hiring stayed virtually flat in the fund industry, and compensation rose only slightly, according to a report from Russell Reynolds.

Across the U.S. economy, hiring was strong in March, with positive projections for April, according to the Society for Human Resources Management. The organization compiles a monthly index of hiring data in conjunction with Rutgers University.

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## Boards to CCOs: Are You Happy with Your Pay?

By Amanda Gerut, May. 03, 2005

Fund boards concerned with the rising stress levels of their chief compliance officers (CCOs) will approve higher pay packages to keep them content in the post, directors say.

Many in the industry say a good CCO is hard to find, so once directors have an effective CCO, they don't want to lose him. Without a diligent CCO, boards could be open to compliance problems and enforcement actions from the SEC.

Boards recognize the professional risk and hardship of the CCO's job. Accordingly, some increased their CCOs' compensation at the outset, says Jonathan Zeschin, an independent director on the ICON Funds board. (Under the SEC's new compliance rule, boards must approve the CCO's compensation.)

"No board will want its good-performing CCO to leave just because he or she is feeling overworked and underpaid," says Zeschin. "I think boards will be quite sympathetic to CCOs' concerns and will be willing to work with them and advisor management to solve issues as they arise."

The SEC rule mandating fund CCOs went into effect last October. It has bolstered the traditional compliance position long held at fund complexes with new responsibilities and added pressure. A footnote in the rule says the SEC will shine a brighter light on a firm that hires a CCO who has been dismissed from another firm. The rule doesn't discuss whether CCO turnover due to resignations will be scrutinized.

Boards have been closely involved with CCO compensation all along. Jim Angelos, CCO to the Evergreen Funds, says he's perfectly happy with his current compensation. But if he felt he needed more money or resources, he would go straight to his board.

"That would not be an issue at all," Angelos says. "They have been extremely clear with me that if I do need anything, I should go to them. They ask me that question every quarter."

Other boards have also sought to reassure their CCOs in this regard. The Selected Funds board last fall reviewed its CCO position in terms of performance and salary, says James McMonagle, the board's independent chairman. The board consulted with its auditor and reviewed the advisor's pay schedules to determine the CCO's salary, he says.

"When she took the job as a CCO, we pledged to her that she should be able to get whatever resources are necessary," McMonagle says.

Still, with a shortage of highly skilled CCOs in the industry, boards remain concerned about retaining them. The results from an unreleased study may add to those concerns: Approximately 65% of the CCOs polled think their compensation is less than what the job deserves.

The study, performed by **Diversified Management Resources** and the **National Investment Company Service Association**, began in late February to gauge how comfortable CCOs felt in their posts thus far, says **Charles O'Neill, a principal at DMR**.

As part of the study, CCOs were asked how they felt about their compensation. Out of hundreds of responses, about 65% said they felt it was less than it should be, considering the personal risk; about 21% said their compensation seemed adequate; and 13% said they'd consider walking away from the job if their salary remained flat after their next review.

O'Neill says the news that CCOs were feeling underwhelmed by their compensation was hardly surprising, considering the continuing investigations in the industry and the newness of the role. He notes that an unhappy CCO could represent an area of vulnerability for boards that want to keep their CCOs content in their positions and safe from recruiters.

"The overall implication for senior management is that number one, a lot of firms are looking for compliance professionals," says O'Neill. "If you want to retain the people, you should be pretty close to them and understand what their needs are."

O'Neill adds that CCOs who responded to the survey questions anonymously online might gripe more easily about their pay. He suspects their complaints have more to do with the equity of pay within their firms than with the dollars CCOs are paid in the marketplace. Plus, it's important to benchmark the early opinions of CCOs as their positions are evolving, he says.

Boards are still debating the issue of CCO compensation. The structure varies from firm to firm, but sometimes pay packages follow the customary structure used for senior management: a base salary, a bonus piece and an equity piece.

In small fund shops, the pay range for CCOs starts at \$100,000 to \$150,000, and larger shops have packages in excess of \$1 million, says Lawrence Lieberman, senior managing director of the Orion Group. Salaries tend to be proportionate to the size of the organization.

Lieberman, who thought the survey was done too early to get reliable results, says that because companies had to comply with the SEC rule in such a short period of time, some fund complexes had to hire less seasoned candidates than they would want, given the broad range of skill sets required for the job.

When it comes to possible stock options in the advisor, CCO pay packages could get tricky. Stock options could theoretically threaten the CCO's independence. On the other hand, a long-term package could be important to retain a highly visible, highly coveted CCO, says Paulita Pike, partner with Bell, Boyd & Lloyd.

"A really good CCO, someone who's a good speaker and makes the rounds, could be sought after by other complexes," says Pike. "I think boards do struggle with how the CCO's compensation might be structured to retain the CCO."

Some directors and fund attorneys say that CCOs who are wilting in the heat shouldn't wait for their yearly meeting to communicate their concerns to the board. Issues with compensation and other problems should be relayed to the board as they arise, says Robert Kurucz, a partner with Morrison and Foerster.

Directors and CCOs alike say their relationship is still evolving and will take time to become routine. But, says Zeschin, as with any new position, there will likely be a few people who leave the job.

"I think there will be some situations in which CCOs simply say they no longer want the job because the stress, workload and exposure are all too great and that no amount of compensation and additional resources can make up for those negatives," he says

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## CCO Outsourcers Unhappy, Says Survey

**Fund Action, April 15, 2005**

Firms that outsource their Chief Compliance Officer function to a third party are unsatisfied with the service, according to a survey from **DMR Financial** that is set to be released in the coming weeks. **Charlie O'Neill, principal of DMR**, said all the respondents to the survey said they were unsatisfied with outsourcing. But he cautioned that the number of respondents to his survey that outsourced the CCO function was small, around 10%. O'Neill said the results should be taken as anecdotal evidence that outsourcing is not going as well as anticipated. When asked why they were unhappy with their outsourcing relationship, respondents said that the problems had to do with conflicts with other clients. O'Neill said another reason for the dissatisfaction was that the service is more expensive than anticipated. The findings, although anecdotal, are interesting because outsourcing has been touted as an inexpensive solution for smaller fund firms that may not be able to cost effectively hire one CCO, say industry officials. The survey is being jointly offered by the National Investment Company Service Association. The survey also found that 77% of newly installed CCOs are unhappy with their compensation packages

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## Most New Fund Management CCOs Unhappy With Pay

Compliance Reporter, April 14, 2005

By Julie Segal

Three-quarters of new chief compliance officers at investment management firms are unhappy with their compensation packages, according to a soon-to-be-released survey obtained by *CR* sister publication *Fund Action*. Of the 77% who cited disappointment, 65% said their compensation is less than it should be considering the personal liability, risk and complexity involved with these new positions, but only 13% said they will leave their current positions if their salaries are not increased. The results of the survey are startling to officials who said CCOs are central to the Securities and Exchange Commission's record number of rules put into force this year and last, and given that compensation for CCOs has been fairly lucrative relative to other compliance positions. Some estimates have put CCO compensation at \$500,000 at a large firm, including bonuses (*CR*, 8/16).

**Charlie O'Neill**, principal of **DMR Financial**, a marketing, survey and executive recruiting firm, said the survey, which is jointly offered by the **National Investment Company Service Association**, said the results are surprising, particularly because the dissatisfaction level for CCOs is well above the 46% average for all mutual fund industry positions. The CCO Compensation and Employment Survey will be released for sale in the coming weeks. The SEC required funds and investment advisers to have appointed CCOs as of last Oct. 5.

The survey also questioned respondents on whether they would have taken the CCO position if they knew then what they do now. Forty-three percent of respondents said yes, if certain conditions were met, while 14% said no. The other 43% said yes they would have taken the job. O'Neill said 81% of respondents who would have taken the job given certain requirements, named a larger budget as the first condition. Fifty-eight percent said they would have wanted more support from other areas of the firm. "This suggest that there will be a certain amount of turnover as other firms start soliciting for these positions." O'Neill said the data also point to firms sending a message to their employees that compliance is a firm-wide priority not just the CCO's job.

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## Back-Office Vets Ready to Switch Firms, Reports Research

Operations Management April 11, 2005

Operations executives are dissatisfied with their firms, and most are open to pursuing opportunities at competing firms, according to a survey that has not been released from the National Investment Company Service Association, a trade association representing the operations sector of the mutual fund industry, and **Diversified Management Resources**, a Boston-based recruiting firm. The results of the research show that 61% of back-office execs are open to entertaining offers, compared to just 47% of staffers in other areas of the business. "Operations executives think the job market is stronger, they are paid poorly and are open to opportunities," said **Charles O'Neil**, president at **Diversified Management Resources**. He was quick to point out that 60% of those responding have received calls from recruiters.

Despite dissatisfaction with their current positions, employees are not looking to merely fatten their wallets. Instead, they consider the quality of employees and of management and the opportunity to attain a better work-life balance, as more important factors than the size of their paychecks. But that does not mean that respondents are satisfied with the size of their salaries.

In fact, 43% feel they are underpaid, 38% described their pay as adequate, and 8% admit they are overpaid, said O'Neil.

All told, operations professionals are less satisfied with their positions than people of equivalent rank in other functions on Wall Street, noted O'Neil. Approximately, 11% of back-office people think they are underpaid and may switch jobs, a figure that crests at a paltry 4% for the rest of the financial industry.

More than a 1,000 people were surveyed, with operations executives accounting for 30-35% of respondents. Of those polled, 61% work for firms with assets under management of over \$100 billion, 42% have worked in their current jobs for 11 years.

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## **Few CCOs Would Accept Post Again: Thin Budgets, Lack of Support Give Legal Eagles Pause**

**By Joseph Checkler, April 11, 2005**

Less than half of the chief compliance officers hired in the past year would unconditionally accept the same jobs today, according to survey data provided exclusively for Money Management Executive.

The survey, a joint venture by the recruitment firm **Diversified Management Resources** and the National Investment Company Service Association, asked chief compliance officers who started a year ago whether they would take their job again if it was offered to them today. Of those surveyed, 43% gave an unequivocal "yes," while another 43% said they would take the job only if certain conditions were met. Another 14% said no.

Of the 43% who said they would take the job again only on certain conditions, 81% listed a larger budget as one of those conditions, and 58% said they wanted co-workers to be more proactive in helping combat compliance issues.

"They want support," said **Charles O'Neill, president of DMR**.

Companies hiring those CCOs said that lack of qualified candidates, and not excessive salary demands, was the key issue in finding a new chief compliance officer.

"There are just not enough compliance professionals to go around," O'Neill said.

Besides the evaluation of CCOs, a part of the survey that will be sold separately, DMR and NICSAs evaluated compensation trends and career issues across all segments of the investment management industry. Some of the numbers drawn, while not startling, underscore the need for better understanding among employers of what their employees covet most. What makes that problem especially immediate is the reality that most respondents feel that the investment industry job market is getting beefier, causing them to talk to recruiters and other managers.

"It's time for employers in our industry to think about staff retention again," O'Neill said. While most investment managers think that their employees care about money only and leave their jobs mostly because of it, O'Neill continued, this and other surveys prove the hypothesis is simply not true.

On 75% of the surveys, the quality of the employee and management team was listed as something that makes a job more attractive. Seventy-two percent of the respondents called the

desire to achieve a better work/life balance as one of the most important things, while 67% listed opportunity for higher compensation as a top factor.

"Money is a motivator to a certain extent," O'Neill said, adding that "if an experience with a supervisor is poor, they won't stay."

The reason they won't stay is that 59% feel that the job market is stronger now than it was a year ago, while just 4% think it is weaker. They must have gotten those feelings for a reason, it seems, because 68% said a search firm or another employer had contacted them within the past year. In turn, nearly half the respondents, 47%, said they would be open to a new employment opportunity.

O'Neill compared the employer who just offers money and little else to the wife or husband that buys a new fancy car for his or her spouse every six months. It's good at first, but wears off real fast.

The survey showed that while 42% felt they were underpaid based on their experience and the value of their work, only 4% said they were extremely unsatisfied with their pay. In other words, more than half were at least satisfied with their pay.

In light of the scandal and its subsequent fallout, people working in operations have faced perhaps the greatest deal of pressure in their jobs. So, not surprisingly, 61% of the people in operations, compared to 47% overall, called themselves open to new job opportunities. Similarly, 87%, compared to 75% among other areas, valued quality of employer and management as a top priority in a new job opportunity.

"That stands to reason," said O'Neill of the operations area results. "Who's been in the vortex of all that change?"

More than half of the 1,000 investment industry professionals polled work for firms managing \$100 billion or more in assets. Nearly half have worked in their current job function, although not necessarily the same position or firm, for more than 11 years. Sixty percent said they have worked in the securities industry for more than 11 years.

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## Survey: CCOs Say They Are Underpaid

**Ignites, Apr 8, 2005**

**By Chris Frankie**

The majority of chief compliance officers feel they are underpaid, and a significant percentage say that in retrospect, they would take the job now only with certain caveats.

That's according to a sneak preview of a yet-to-be-released study, conducted by **Diversified Management Resources** and **Nicsa**, focusing on general industry attitudes and career trends. The full report is based on hundreds of responses and is expected to be released sometime in the first half of May.

When asked about compensation, a whopping 65% of CCOs said their pay is not commensurate with the personal liability they assume and the complexity of the work involved, according to **Charlie O'Neill, principal at DMR**.

Two factors have helped elevate CCOs' blood pressure. First, a footnote in the CCO rule states

that the SEC will "enhance its scrutiny" of any firm that hires a CCO who has been dismissed from that role at another firm. That has raised concerns that a CCO who loses his job may wind up getting blackballed from the industry.

Second, shortly after the rule was passed, there was a perception among some that the SEC was intent on refining the new rule through enforcement actions rather than by issuing guidance.

The stress of the job has some CCOs now considering whether their job is worth the aggravation.

"I would have probably asked for more money, and then I would have still taken the job, but I would have braced myself," says one CCO, who did not participate in the survey, when asked the same question.

But some of the tension and fear has subsided. The SEC has made a concerted effort to communicate with CCOs and has even established an outreach program.

Nevertheless, more than one out of every eight polled said he would consider leaving his post if his compensation level is not increased. Meanwhile, about one in five, or 21%, said he feels he is compensated adequately.

A large number of CCOs also didn't anticipate what they were getting themselves into when they accepted the job, according to the study.

Less than half, or 43%, said they would have accepted the role of CCO at their current shop if they had known prior to accepting the position what they know now. About one in seven, or 14%, said he would not have taken the job.

Max Rottersman, CCO of the Guinness Atkinson Funds, says that before taking the job he didn't appreciate how much complexity it entails. He says it is difficult to decide where to focus exception reports.

"There are a number of moving parts in a mutual fund, and it is impossible to watch them all," Rottersman says.

*The Los Angeles Times* has a story today quoting several compliance officers saying much the same thing. First Pacific Advisors' Chris Thomas, for instance, likens the job in the *Times* report to operating in the Bermuda Triangle, due to the three different parties that CCOs have to work with — the boards they report to, the advisors who pay them and the SEC.

Bibb Strench, a partner at Sutherland, Asbill & Brennan, says that those most likely to be experiencing the biggest disconnect between their perception of the job and what it actually entails are those completely new to the position. The shock is probably not as great for those who served as compliance managers or heads prior to the rule.

"The bigger surprises are to those people, and just the extreme amount of regulations that apply to mutual funds and the new wave of regulations," he says.

Another 43% responded that with the benefit of hindsight, they would still take the job, but only if certain conditions were met. Of that subset, 81% said they would require a larger budget for compliance. More than half, or 58%, also said they would demand more proactive efforts by others in the firm.

"In other words, people need to help out elsewhere in the company, too," O'Neill says.

The survey also asked CCOs where would they spend the extra money if given a larger budget. More than two in three, or 67%, said they would add staff. However, in reality, far fewer expect to hire new employees in the next year. Slightly more than half, or 51%, say they plan to do so, while 49% said they are not anticipating adding to their compliance staff in that time frame.

Strench says CCOs' wanting to add resources is not too big of a surprise.

"They will always want more resources, just like any industry or any government agency whose job it is to ensure compliance. There are a lot of vendors out there with great products that I'm sure CCOs would love to have, but they are expensive," he says.

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## Majority of CCOs Unhappy With Compensation

**Julie Segal, April 8, 2005**

Seventy-seven percent of newly-installed chief compliance officers are unhappy with their compensation packages, according to a soon-to-be-released survey. Breaking that 77% down, 65% said their compensation is less than it should be considering the personal liability, risk and complexity involved with these new positions but only about 13% said they will leave their current positions if their salaries are not increased. The results of the survey are startling to officials who say CCOs are central to the Securities and Exchange Commission's record number of rules put into force this year and last, and given that compensation for CCOs has been fairly lucrative relative to other compliance positions. Some estimates have put CCO compensation at \$500,000 at a large firm.

**Charlie O'Neill, principal of DMR Financial**, a marketing, survey and executive recruiting firm, said the results of the survey, which is jointly offered by the National Investment Company Service Association, are surprising, particularly the 65% dissatisfaction level for CCOs which is well over the 46% average for all investment management industry positions. The CCO Compensation and Employment Survey will be released for sale in the coming weeks.

The survey also questioned respondents on whether they would have taken the CCO position if they knew then what they do now. Forty-three percent of respondents said 'yes,' if certain conditions were met, while 14% said 'no.' The other 43% said yes they would have taken the job. O'Neill said 81% of respondents who would have taken the job given certain requirements, named a larger budget as the first condition. Fifty-eight percent said they would have wanted more support from other areas of the firm. "This suggests that there will be a certain amount of turnover as other firms start soliciting for these positions." O'Neill said the data also point to firms sending a message to their employees that compliance is a firm-wide priority not just the CCO's job.

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## Firms Hunting for Interim CCO Replacements

**By Chris Frankie, April 07, 2005**

The hunt for a chief compliance officer continues at many firms, even though the deadline to name an executive to that position expired six months ago.

A good number of firms that rushed to fill the position in order to meet the SEC's Oct. 5 deadline last year are now looking to trade up for a candidate who is more qualified to fill the CCO spot, industry recruiters and executives say.

There are a couple of reasons why firms are still looking for a permanent CCO. First, many smaller firms found it difficult to compete for top-notch talent right out of the gate. Larger firms had the deep pockets to outbid them for the quality candidates. Second, firms may have struggled with the deadline and simply named someone in-house to meet the rule's requirements.

Either way, recruiters say they have searches under way for chief compliance officers and that compliance overall has taken a much more prevalent position in the executive recruitment world.

"There are a lot of firms that are frankly going to have to make moves because their stopgaps are not adequate," says Larry Lieberman, managing director with executive recruiting firm the Orion Group.

Lieberman says his firm has a couple of clients that have begun to make changes to their CCO structure. "We are working with them now," he says.

U.S. Bancorp Asset Management is an example of a firm that named an interim CCO before finding a candidate that fit its needs.

David Lui was named the CCO for both U.S. Bancorp Asset Management and its First American Funds, replacing Doug Paul. Lui came to the firm from Franklin Advisors, where he was CCO, and Franklin Templeton Investments, where he served as chief compliance counsel.

Paul was named CCO of the funds and the advisor last June, says Charlie Manzoni, the firm's general counsel. Manzoni says Paul is still with the firm in a consulting role but is semi-retired and had no desire to take on the role in a permanent capacity.

"We wanted to bring in a very seasoned compliance person. Doug was available, but not on a permanent basis. Getting him on an interim basis was better than not having a strong CCO," Manzoni says. "You could find someone, but we were more interested in getting someone of more experience and stature in the industry."

Such an approach may make sense. Firms now have a better sense of what the SEC expects of the CCO and they can search for the right candidate to fill that role, according to Orion Group's Lieberman.

"As firms get more comfortable with what the CCO will do on a day-to-day basis, and with what the commission expects, they will get a clearer sense of the best type of individual that will be successful within their organizations," he says.

Lieberman says some interim CCOs have outstanding technical skills but lack the managerial skills necessary to interact at the board level.

"It's pretty tough to take a 26-year-old '40 Act attorney and elevate that person to CCO, because they don't have sufficient experience and confidence to have those conversations," he says. "There is a tough component to this job, and in order to execute those responsibilities effectively, you need to be a pretty seasoned manager."

Those factors may have been behind John Hancock's appointment of Mitchell Karman as its U.S. CCO. The firm did not return a call seeking comment as of press time, but the move was announced months after the rule took effect.

Other evidence suggests that Hancock and U.S. Bancorp are just two of the many firms still on the CCO hunt, according to **Charlie O'Neill, principal at Diversified Management Resources**, a Massachusetts-based business development consulting firm.

Responses to a study his firm conducted last year, which was taken by individuals at more than 150 companies, indicated that a significant number of firms had interim CCOs in place just to comply with the rule.

The demand for compliance professionals has extended beyond just the CCO. At recruiter Russell Reynolds, associate Kim Raynor says the firm has conducted a number of CCO searches of late. But compliance searches don't include only the top compliance officials. "There has been a lot of noise about what do you need and how much bench strength do you need," she says.

In fact, some firms are looking for strong supporting cast members in case CCOs unexpectedly leave or are unable to fulfill their duties, she says. "The SEC is not going to give firms any slack," she adds.

Recruiter Don Dzurilla says his firm has also seen an increase in senior compliance people sending their resumes to the firm on an unsolicited basis.

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## **And the Survey Says: Independent Chair Rule Panned...**

### **Fund Directions March, 2005**

One third of securities industry professionals who participated in an informal poll by **Diversified Management Resources** believe that independent chairmen should be required only for boards whose management company violated compliance rules. A nearly two-thirds majority said the requirement will have little or no effect on investment performance and 26% even thought it would cause expenses to rise.

The Boston-based firm is planning to survey directors to find out how they have been impacted by the recent scandals and legislation. "In the overall context of compliance, many of the changes we've seen directly affect investment company directors," said **Charles O'Neill**, a principal with DMR.

The informal poll was open for a little less than two weeks and had a small sample size. "If we really wanted to build out something with more data I would have left it open longer and announced it to a larger list," O'Neill said.

The fund governance survey will be conducted mostly through telephone interviews and the results will be reported in aggregate form only in order to protect participants. DMR plans to talk to board members and chairmen from all size mutual funds.

The survey will look at:

- board composition
- independent chairmen
- annual self-assessment
- independent staff
- record keeping for approval of advisory contracts
- director recruiting.

It will also examine the role of independent directors in managing conflicts of interest, approving advisory contracts and advisory fees and selecting candidates for independent directors. O'Neill said the survey will most likely be out by the end of June.

DMR did its first survey on compliance last year. Officials from more than 150 money management firms participated in the lengthy and detailed online survey.

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## DMR Conducts CCO Comp Survey

**Fund Action, February 25, 2005**

**Diversified Management Resources**, an executive recruitment and marketing firm, last week started asking about 1,000 industry executives about compensation and recruitment of chief compliance officers. The National Investment Company Service Association and PA Compliance are sponsors of the survey. **Charlie O'Neill, principal at DMR**, said the questions are addressing such issues as recruiting methods and firms, structure of the CCO position, who is doing the hiring, and whether the advisor or fund itself is paying the CCO. O'Neill said that to maintain objectivity, any answers that refer to DMR will be thrown out of the survey results. In addition, he said CCOs are being asked if they would have structured the position differently or asked for additional resources if they "knew then what they do now" about the CCO requirements. Fund companies had to meet an Oct. 5, 2004 Securities and Exchange Commission deadline to hire a CCO. Other questions concern staffing, training and reporting lines. O'Neill said the survey would also like to determine the career paths of "interim" CCOs, CCOs' overall industry experience and whether the CCO has operations expertise. The firm recently launched a business to conduct compliance surveys, given the industry's interest in best practices, pay and other intelligence on how firms are responding to regulatory initiatives.

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## Diversified Management to Launch Compliance Survey Biz

**Fund Action, January 14, 2005**

**Diversified Management Resources**, an executive recruiting and marketing firm, is launching a business that will provide comprehensive compliance surveys to the mutual fund and securities industry. **Charlie O'Neill, principal of DMR**, said the surveys, the results of which will be quantitative rather than narrative, will assess specific compliance issues. O'Neill said the current regulatory environment has mutual fund complexes, brokerages and other firms scrambling for answers on such pragmatic issues as what to pay new chief compliance officers. The firm's first survey on compliance topics included 100 questions and received detailed answers from executives at 150 different companies. The survey addressed such questions as CCO pay, monitoring of marketing timing and trading, and expectations of the Securities and Exchange Commission.

O'Neill said DMR required participating executives to spend a significant amount of time answering questions, but laid the groundwork for a comprehensive study of the issues. He said the initial work will allow the firm to provide broad-based benchmarks for future surveys focusing on individual topics.

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## Scandal to Continue to Boost Fund Hiring in 2005

**Money Management Executive January 10, 2005**

Recruiting experts are predicting a relatively flat job market for the fund industry in 2005, although the trading scandal continues to reshape the boardrooms and executive suites of fund management firms, big and small.

In its annual investment management recruiting report released last month, New York executive placement firm Russell Reynolds Associates indicated that overall hiring slowed in 2004. While 2005 should provide greater opportunities for top-line managers in some investment areas, the industry is still far from its heyday of the late 1990s.

"Compared to 2003, [2004] hiring wasn't off drastically, but our recruiting work, as a whole, was probably half the rate of 1999," said George Wilbanks, managing director of the investment management practice at Russell Reynolds.

In 2004, according to Russell Reynolds research, recruitment activity within the executive suites of many asset managers was up between 12% and 15% versus 2003. Half of the appointments at the CEO or president levels were filled via internal promotions, while 85% of chief investment officer appointments were external hires.

But arguably the hottest seat of 2004 was that of the newly mandated chief compliance officer. That should continue, predicts **recruiter Charlie O'Neill at Boston-based Diversified Management Resources**, as fund groups seek to remove the "interim" title from their internal appointees.

"As far as the job of the CCO goes, that was the prominent position in 2004, and it will be again in 2005, largely because most of those appointments were interim," said O'Neill, whose firm examined the post through an industry survey prior to the Oct. 5 appointment deadline.

It's too early to accurately determine the day-to-day duties of the typical CCO. In fact, one industry insider called the post a "misguided" effort to restore consumer confidence in the industry after 16 months of intense media scrutiny. Nonetheless, experts agree that a regulatory chief at an average fund company could command a salary upwards of \$250,000 annually. A firm with a checkered past might pay even more, while a 25-year industry veteran could readily win \$500,000 annually from a leading investment firm. Smaller fund companies, experts agree, will be the most challenged in filling the position.

"They simply don't have the resources," O'Neill remarked.

Compliance officer backgrounds will also vary tremendously; some are lawyers with regulatory experience, others are operational veterans from the controller's office, and a handful could even be from the sell-side of the industry.

As far as an independent board chairman, fund companies must have one in place by the first quarter of 2006. The percentage of independent board members must also be increased to 75% to satisfy new federal regulations. Funds currently are required to have 40% of their board members be independent of the investment advisor, and, if the fund charges a 12b-1 fee, 50% be independent.

Russell Reynolds officials said that among the board appointments in 2004, most were executives with close ties to sitting CEOs, but that trend is quickly moving toward true process-driven searches.

O'Neill pointed out that many investment firms are meeting their independent percentages through addition by subtraction. In other words, board members with company ties are stepping down and those seats are going unfilled.

Alternative investments, according to Russell Reynolds findings, continue to hold appeal with professionals who have felt the weight of increased oversight and regulation and who are drawn by the expectation of a much greater financial upside. Recruitment activity, Russell Reynolds said, has been focused on general management operations and compliance, as hedge funds, in particular, begin to understand that the entrepreneurial spirit must be tempered by the need to have sound systems in order to attract institutional assets.

A handful of hedge fund executives, however, are quietly returning to traditional mutual funds under the pressure of unrealistic expectations from investors and themselves. "Many executives overestimated the market and are finding that their income is not what they imagined," said Debra Brown, managing director of the investment management practice at Russell Reynolds. "Other

factors include cultural issues and the length of the investment time horizon. Frequently, investors are seeking a return to the safety and security of a more traditional investment firm."

But as more traditional mutual fund firms diversify their portfolios with alternative options, O'Neill expects that back-and-forth movement to continue.

"It's more of a talent shift than new hires," O'Neill added. "Money management firms are nothing, if not innovative, even the traditional mutual funds. The best talent gravitates to that."

O'Neill also thinks that demand for highly skilled marketing professionals will continue in 2005. Astute strategists will be particularly popular. "We're working in an industry where you cannot see, grasp or taste the product," he said. "Who makes it real? The marketing people."

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## **Funds Bolster Screening of Job Seekers**

**January 10, 2005, By Marc Hogan**

Fund execs on the job hunt should be ready to have their histories investigated more thoroughly than ever before, industry recruiters say.

Over the past 10 or 20 years, employers and recruiters have stepped up the legwork they do to check out candidates' backgrounds. The fund trading scandal has only intensified that trend, according to sources in the executive search industry.

"Firms have been digging deeper where they hadn't gone before," says Glenn Buggy, a senior consultant at recruiter Christian & Timbers, where he heads the asset management practice.

Such heightened scrutiny may include detailed checks of a potential employee's credit history, criminal record, education and work history, according to Buggy. At his firm, candidates are asked to sign paperwork authorizing such background checks before they can meet with an employer.

"If someone doesn't give us authorization to do that, then it's a red flag," Buggy adds. Not only are background checks growing more extensive, they're being conducted earlier, some recruiters observe.

"Firms are worrying about getting so far down the path and getting to the offer stage only to have to rescind it because they found out that something wasn't accurate," explains Paige Scott, a recruiter at Korn/Ferry International.

Recruiters also offer simple advice about fudging on resumes: Don't do it. Lying on resumes is on the rise, according to Scott, providing firms another reason to be careful in an already-sensitive regulatory environment. Korn/Ferry posts on its intranet a list of "diploma mills," which churn out fake college degrees for a fee.

Fund firms, for their part, generally say hiring practices have always been exacting. But the level of inquiry could still surprise anyone who's spent some time out of the job market.

Dreyfus, for one, runs pre-hire checks of a candidate's employment, social security number, residential history and court records, according to a statement. After hiring, the firm enlists a third-party vendor to delve into similar data.

The Capital Group, parent of the American Funds, verifies not just references but also everything presented on a resume, says spokesman Chuck Freadhoff. The hiring process involves long blocks of back-to-back interviews with multiple executives.

If a job-seeker has an ethically questionable past, Freadhoff says, "enough people will ask about previous employment and about your work habits, and all of that stuff will come out."

T. Rowe Price also relies on an extensive interview process, according to spokesman Steven Norwitz. That's in addition to vetting references and credentials.

Candidates can also count on most firms verifying any licenses or certifications and searching public records for SEC and NASD violations.

Still, there's always the possibility that the documents uncovered in a background check could be wrong. Barclays Global Investors spokesman Lance Berg recalls one case where the human resources department came upon an unflattering detail that turned out to be false.

"Instead of just dismissing it, we looked into it and learned that it was an error," Berg says. "It was taken off and as a result we hired a good individual."

When outside investigative firms enter the picture, they sometimes run "reputational inquiries" in addition to more standard checks, according to Peter Turecek, a managing director at Kroll, a consulting firm that handles background searches. Much of Turecek's work has been in the financial services and investment management industries.

Such inquiries are mostly undertaken at the C-suite level, he says, and aim to uncover any problems that may not have made the public record. For instance, if several former co-workers recall that two secretaries quit suddenly, or that an executive couldn't keep his hands to himself, employers can ask the candidate to explain.

Even in publicly available information, a pattern of DUIs could indicate a drinking problem, while sometimes there might be liens and judgments indicating financial distress.

"You look for the million dollar house or the fleet of antique Ferraris," Turecek explains. "You want to see that someone's living within their means."

Firms' current background checks have evolved over the past two decades, according to Donald Dzurilla of recruiting firm Donald F. Dzurilla International. In the 1980s, employers mostly just confirmed the dates on the resume and called a few references, he says. In the 1990s, high-profile cases of phony degrees caused firms to start double-checking educational backgrounds.

The sheer wealth of information available today on the Internet has allowed firms to glean further details such as exactly how involved someone was in a trade group, or what specifically they wrote in a white paper.

"The level of due diligence on a specific potential candidate has increased significantly over the last 15 to 20 years, and then doubled over the last five years," Dzurilla points out.

With more executives listing their publications and media appearances on resumes, employers are poring over those materials, as well. For one client, Dzurilla says he called the producer's of Louis Rukeyser's TV show to request a copy of an episode. After seeing the job candidate's appearance on the show, the employer decided not to make an offer.

Another area that recruiters or firms are vetting is compensation, according to **Charlie O'Neill**, an executive recruiter with **Diversified Management Resources**. Anyone who is paid on commission should expect to be asked to show a copy of either their 1099 or W2 tax forms to prove they earned the level of compensation they claimed they did.

While many fund shops have policies prohibiting employees from providing references, employers, recruiters and third-party investigators generally have little trouble getting people to talk, O'Neill says.

"The truth has a way of coming out," he notes. "Even when companies will not discuss such matters with outsiders, it does happen."

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## Two Groups Team Up To Conduct Compliance Surveys

### Compliance Reporter January 7, 2005

The **National Investment Company Service Association** is teaming up with **Diversified Management Resources** to conduct surveys on various aspects of securities industry compliance practices. This is the second project of its kind that NISCA has participated in. Last fall, the association joined three other groups in a compliance project to review firms' readiness for new regulations. "Compliance and investment company governance remain the most significant issues in the securities industry today," said **Barbara Weidlich**, president of NISCA in a statement.

**Robert Goldberg**, former NISCA president and now a principal of DMR, said the firm plans four major research projects in 2005, including updates to many of the key topics explored in depth in last October's "Compliance 2004" study. Goldberg said the next project will focus on investment company governance as well as explore steps investment company directors and trustees are taking to prepare for the more significant responsibilities they will assume under additional regulations effective in January 2006.

"A significant part of the study will examine implications for money managers who must support and work closely with the directors in responding to the new regulations," according to NISCA.

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## Back to the Future

### *Compliance professionals again take center stage*

### Money Management Executive November 8, 2004 Column by Charlie O'Neill

Much as we'd like to move along to something else, we're forced by current events to end the year with yet another discussion of compliance jobs. One year ago, we thanked Mr. Spitzer for moving the noble profession of compliance professional out of the wings and directly onto center stage. Here we go again.

What the mutual fund scandals started, the new compliance program requirements, effective October 5, finished. Not much more than a year ago, compliance professionals could have expected to earn respectable compensation. Now those with the right skills and experience can more or less write their own tickets.

With the kind support of NISCA, PA Compliance, PFPC and SalesLink, D.M.R. recently conducted a survey of industry compliance trends and practices. One interesting finding had to do with CCOs' previous experience and compensation prospects.

More specifically:

- We learned that most incumbent CCOs were appointed to the role from within their firms. This was not particularly surprising, given the immense amount of effort money managers were required to expend in preparing for the October 5 requirements, and the time involved in recruiting qualified people from outside. Also, to perform the compliance management function, you need to have an intimate knowledge of the way things work, and the learning curve for outsiders can be pretty steep.
- Most current CCOs, we found, moved into the role from their employer's Operations area. Interesting, though logical, too. Operations professionals are nothing if not focused on the details, and they're exposed on a daily basis to the trade processing, accounting and other basic infrastructure functions that support all aspects of a money management firm. Attend an ICI Operations Conference or a NICSA meeting and you'll see quickly enough that these are people who know how to get the job done. By nature, they pay attention to the details. Unlike many other functions – sales and marketing, for example—operations experts have a pretty clear sense of the quality of their work: it is either right or wrong. Processes perform as expected or they don't. All of this is good training for the CCO role.
- Unsurprisingly, when firms recruit CCOs from elsewhere, they will target people who have previous compliance or regulatory experience; some operations exposure is desirable, but not as important as a directly comparable work history.
- Compensation is strong. We asked industry professionals how much they expect to pay a Chief Compliance Officer. Nearly one third of our survey participants say they expect to pay cash compensation of \$300,000 or more.
- Recruiting CCOs will be quite a challenge. Larger firms are most concerned about the fact that qualified people have many competing job opportunities; smaller firms are concerned about cost.

CCOs will surely have their hands full, too. Which area of the business will continue to require close attention and supervision? Sales, closely followed by Marketing. Both were ranked as least likely to proactively support compliance requirements. Operations and Portfolio Management were ranked in first and second place, respectively.

How will the new-found prominence of compliance departments affect the mutual fund business? Substantially, we'd say.

Watch for new value added marketing programs more focused on customer needs than product performance. Watch for more educational efforts. Watch for even more emphasis on web sites as platforms to deliver information that can be updated more quickly than traditional print. Watch for simplification of the alphabet soup of fund share classes, and in-depth, customer-centric due diligence as new products are developed. Watch for continued product and service innovation, but with a more conservative twist.

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## **Tech Requirements Toughest Compliance Issue**

**Institutional Investor News November 4, 2004**

**By Stuart Wise**

Tech Requirements Toughest Compliance Issue: Survey  
Dealing with systems and technology requirements is the most difficult compliance issue facing the securities industry, according to a survey by

## **Diversified Management Resources.**

The study, which identified 27% of respondents as compliance officers or operations directors with mutual funds shops, found that 41% picked systems and tech requirements as the No. 1 difficulty in complying with the USA Patriot Act's customer identification program (CIP) requirements.

In other results, the firm's survey found –

\*59% added to their compliance staff this year.

\*Compliance staff spends more than 60% of their time on developing new compliance procedures.

\*More than 70% rated securities industry compliance programs as "very good" or excellent."

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## **Firms Still Struggling to Identify Customers**

### **Ignites, November 3, 2004**

Fund firms have been spending mightily on the know-your-customer programs required by the new anti-money laundering rules. But according to a new compliance survey from **Diversified Management Resources**, many still have more work to do.

The survey was sent to members of the National Investment Company Service Association (NICSA) and represents views of compliance pros and other execs at about 150 firms. The executive summary of the study was released earlier, but the full results only just became available.

Customer Identification Program requirements went into effect more than a year ago. They are part of the Patriot Act, which Congress passed in 9/11's wake. They require fund firms or intermediaries to confirm a new customer's identity by obtaining and verifying their name, street address, date of birth and Social Security number.

Many appear to be struggling with the new requirements, however. In fact, about a fifth of those surveyed, says **DMR principal Charlie O'Neill**, aren't currently satisfied with their success rate in identifying new customers. The majority ranges from satisfied to very satisfied.

Most folks are concerned primarily with accuracy and the ability to generate an audit record.

The fact that firms are having some problems is surprising, considering that firms aren't pinching pennies to leverage the latest technologies.

More than 70%, O'Neill says, are using automated programs to comply with the customer identification program (CIP) requirements. More than 60% have spent upwards of \$50,000 so far on those programs, and 8% have spent more than \$1 million. Price, however, is a consideration but not nearly as important as accuracy. In fact, only 20% cited price as a key impediment to implementing the programs.

O'Neill thinks that much of the higher spending is from larger firms upgrading their technologies.

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## CCOs Culled from Ops Ranks

### Operations Management 10-25-04

*(Excerpt)*

A majority of mutual fund companies polled in a recent survey have hired chief compliance officers with back office experience. "Most business processes...can be monitored most readily through Operations," said **Charles O'Neill, principal of Diversified Management Resources, Inc.** A CCO culled from the ranks of operations can monitor trading activity and market timing, for instance, activities that are performed in the back office. "I think ops exposure is valuable in serving as CCO," said John Gilner, director of compliance at T. Rowe Price, who has been designated chief compliance officer for mutual funds and domestic advisors.

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## Compliance Unlikely To Get Support From Sales, Says Survey

**Julie Segal, October 1, 2004**

Senior managers are pessimistic that the new compliance regimens that firms have to have in place this week are going to get the support of sales and marketing. Forty-five percent of respondents to a survey on compliance completed by **Diversified Management Resources** said their sales divisions were unlikely to be proactive in supporting compliance. **Charlie O'Neill, principal of DMR**, said 27% of respondents thought marketing "unlikely" to support compliance. He said this was likely attributable to a feeling that sales was at fault in leading the mutual fund industry into the current scandals and they were unlikely to lead the industry out of the current quagmire.

The survey received the participation of 150 securities industry firms, including investment advisory firms, mutual fund managers and broker/dealers. The respondents were all v.p. and above, with 20% of answers coming from managing directors. The National Investment Company Service Association and a number of service providers were sponsors of the survey. The survey, which has not yet been released in its entirety, also found that 50% of senior managers believed that portfolio management would "likely" support compliance efforts, and 90% of operations was likely to support new efforts. O'Neill believes the figures were high on operations because violations can be easily tracked. "You can't systematically violate compliance rules without someone noticing," he said.

Mike Rosella, partner at Paul, Hastings, Janofsky & Walker and chair of its investment management practice, said, "Many of our clients didn't realize how much discretion the sales people had in terms of contracts, bringing in new clients and other issues. Now there's a real separation of church and state. People had more authority than they realized." Rosella added that now sales documentation is being done separately and contracts have to be overseen and monitored by compliance. "Lines between compliance and sales are clearly drawn," he added.

The survey also found that the majority of compliance staffers had operations backgrounds. "Compliance leadership is a career track for operations," O'Neill said. He explained that most of the reporting, data gathering, measuring and monitoring of new compliance policies and procedures rely on systems and technology. In addition, the survey pointed to most CCOs coming from in-house appointments and 30% of respondents saying they expected to pay at least \$300,000 in compensation to a CCO.

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## Firms Name Interim CCOs to Meet Deadline

**Ignites 9-23-04**

By Alison Sahoo

(Excerpts)

As the October 5 deadline for funds and advisors to appoint a chief compliance officer approaches, some have come up with an innovative way to meet the deadline while continuing their search. Instead of trying to find the best CCO right away, some are hiring an interim CCO with plans to replace him with a more appropriate candidate next year.

“The deadline is so short that the industry has not had a good chance to find the best people,” says **Adviser Compliance Associates** senior principal consultant Nick Prokos. “Budgets are already used up, so bringing in another compliance person is expensive.”

The solution for many firms is promoting staff from within existing ranks to fill the role, he says.

A stopgap solution to the CCO role is not necessarily a problem, says **Drinker, Biddle & Reath** partner Diana McCarthy.

“I haven’t seen advisors proffering people who aren’t qualified,” she says. “These positions are brand-new and it will take a while for there to be an experience level developed among CCOs.”

The [rule](#) was passed last December and takes effect in less than two weeks. It aims to ward off future compliance problems by requiring funds and advisors to tighten their internal controls. That includes adopting and implementing extensive new written compliance policies and procedures and reviewing those practices each year.

In addition, mutual funds and their advisors must also appoint a chief compliance officer who will be responsible for administering those policies and procedures.

The rule was not, however, without its share of liability. A provision in the SEC’s rule states that any CCO fired at one fund complex will face added scrutiny from regulators if they move on to another firm. Plus, given the prevailing attitude toward reform in the fund industry, the position will likely be watched closely by regulators.

That notwithstanding, firms are tapping homegrown talent. Charlie O’Neill, a principal of **Diversified Management Resources**, says the company’s recent 150-firm survey of compliance with the new rule indicates that many of the new CCOs are being promoted from within.

“It’s a lot easier to promote an internal candidate than to start a search from outside,” he says.

O’Neill estimates that more than 60% of new CCOs were internal candidates and many of those came from operations functions rather than legal groups.

That makes sense, he says, since many surveillance issues require in-depth knowledge of technology.

About 30% of firms, however, haven’t yet determined where the CCO will report in their organization, says O’Neill. They’re still working out the myriad issues relating both to the CCO’s authority and his liability for problems caused by those he supervises.

O'Neill also estimates that another 5% or 6% of firms haven't filled the job yet at all.

Smaller fund firms seem to be having the toughest time.

"We got several comments from smaller firms saying they're feeling the pressure," says O'Neill. "They had too little time to get ready for October 5. It's also been very costly for them since they tend to have smaller staffs."

More than 35% of respondents, he says, expect to pay their CCOs at least \$300,000 between salary and bonuses.

On the bright side, though, respondents generally seemed optimistic about their progress.

The vast majority, he says, expressed confidence in their ability to be in full compliance with the rule by the deadline.

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## Funds Scramble to Meet Compliance Rule Deadline

### Board IQ 9/28/04

By Beagan Wilcox

(Excerpts)

The impending Oct. 5 deadline to meet the new compliance rule has set off a maelstrom of activity in the fund world. In the final weeks and days before the deadline, fund firms and boards have been scrambling to put their proverbial ducks in a row.

Fund firms and boards have faced two main challenges in complying with the rule: the enormity of the task and time pressure, due to the tight October deadline.

One of the rule's required measures - finding the CCO - has been a major hurdle for many fund firms and boards. The compliance rule has taken on greater importance in the wake of the trading abuse scandal, which erupted in the industry one year ago. As a result, the new compliance programs and CCOs can expect to be watched very closely by the SEC. Fund firms and boards are acutely aware of this and want the best possible candidate to fill the CCO position.

"The demand for the chief compliance officer has gone sky high, and so there's a limited supply of highly qualified people available," says William Kearns, independent director of the EQAT Funds.

As for compensation, CCOs didn't come cheap. According to a recent survey carried out by **Diversified Management Resources**, a Massachusetts-based business development consulting firm, more than 35% of respondents (who represent 150 firms) plan to pay their CCOs at least \$300,000 between salary and bonuses, says Charlie O'Neill, a principal at Diversified.

However, only a few fund firms have not yet named their CCOs. In mid-September about 5% or 6% of the Diversified Management Resource survey respondents had not filled the job, says O'Neill.

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## Firms Going Back to School to Hire New Stars

### Ignites 9-20-04

By Marc Hogan

(Excerpts)

Fall rush is on for fund firms recruiting at business schools across the country. That's the word from business school career service directors, who say they expect another competitive year for their best and brightest students.

Fund firms hone in on preferred candidates through presentations, interviews and sometimes dinners. But even though this extensive selection process sweeps campuses in the fall, like certain undergraduate traditions, don't mistake MBA recruiting for the film *Animal House*.

In most cases, the firms will interview with a few students whom they'd already been eyeing, as well as a few students with perhaps less polished resumes who express a strong interest in the company.

Jobs are often also posted on university web boards for students and alumni to apply.

After the presentations and career fairs, when companies have possible candidates in mind, the interview process begins. That's usually around October for large firms, although smaller companies often wait until winter or even spring, career services directors say.

In most cases, the firms will interview with a few students whom they'd already been eyeing, as well as a few students with perhaps less polished resumes who express a strong interest in the company.

Students at many business schools are involved in investment and finance clubs, which bring in senior-level speakers and additional networking opportunities.

An MBA is becoming increasingly relevant in the mutual fund industry, notes **Charles O'Neill**, **president of Diversified Management Resources**, a recruiting firm.

"I have certainly found in recent years particularly that an MBA has become an expected credential for many kinds of positions," he says, "where in the past it was a nice to have but not a necessity."

While portfolio management and portfolio analysis positions often required an MBA degree in the past, that requirement has spread to marketing and other roles as well, according to O'Neill.

In the spring, fund firms again scour university campuses, this time for first-year MBA students to hire as summer interns. Next fall, the hunt will begin anew.

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## As Deadline Nears, Fund Managers and Advisers Report Good Progress Preparing for New Compliance Regulations

*Boston - September 16, 2004.* Industry professionals say they are well on the way toward responding to new federal securities regulations effective October 5. Nearly all those who participated in a survey conducted by Boston-based consulting firm **Diversified Management Resources** said their firms had appointed a Chief Compliance Officer, required under the regulations. However, 30% said their employers had not yet confirmed details of the reporting structure for the role.

The regulations require mutual funds and investment advisers to adopt and implement a Compliance Program and designate a Chief Compliance Officer. Mutual funds must also obtain the approval of the fund board.

The survey is not yet complete. Results are preliminary.

**Charles O'Neill, principal of D.M.R.**, reported firms said their internal audit departments and anonymous compliance 'hotlines' would be used to police compliance in the future. Both internal and external audit firms - and in some cases, special committees created by the COO-- will in turn keep watch over the compliance department.

The New Year will be a good one for compliance professions looking for a job, with 60% of responses indicating their employers will add to the staff next year. Most seek professionals with previous compliance experience -not a JD-for the CCO spot. Operations experience was cited as important by 30% of respondents. More than 35% of those involved in staffing decisions for the compliance department said they expect to pay CCO's \$300,000 or more.

Though they are on schedule, professionals say preparation for the upcoming deadline has not been without its challenges. Many participants commented that the new regulations, broad in scope, put pressure on existing staff and pose a special burden to smaller firms.

Participants in the survey, open for two more weeks, will receive an executive summary of results. A complete report will be available for purchase.

The project is sponsored by NICSA as well as by PA Compliance, PFPC and SalesLink, all securities industry service providers.

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## Pay Packages Shift with Market

**Ignites, 08-16-04**

**By Marc Hogan**

(Excerpts)

Fund companies are changing the way they pay their best and brightest. That's in response to the bear market, competition from hedge funds and the continuing regulatory watchfulness.

Increased competition, ongoing regulatory scrutiny, and the all-too-recent bear market are changing the way mutual fund firms compensate their executives.

This year, a growing number of fund shops have been taking new steps to retain top employees, industry recruiters say. These measures include changes in how portfolio managers receive bonuses, longer employment guarantees for senior-level executives and even reimbursements if an executive is caught up in legal action.

For portfolio managers, compensation is becoming less mysterious, says Marc Baranski, senior vice president at Sibson Consulting.

“A lot of organizations are really attempting to be more explicit about the performance measurement within their portfolio management plans,” he says.

In the past, most portfolio managers have said their pay packages were basically subjective. That’s according to a study earlier this year by two Washington University professors.

In the study, respondents said roughly 45% of their compensation comes through bonuses. But 54% of managers said they thought that their pay packages weren’t tied to any quantitative measurement.

The shift to performance-based compensation is largely a reaction to the bear market, according to recruiter Larry Lieberman with the Orion Group.

“Not a lot of people paid attention to how portfolio managers were compensated in the 1980s and 1990s,” he notes.

In the most recent study by the CFA Institute (formerly AIMR), the median total compensation for portfolio managers in 2003 was \$148,000, down from \$190,000 in 2001. The CFA Institute said the decrease was largely due to the drop in market performance and assets under management at fund firms.

Meanwhile, the job market is growing more competitive across the fund industry, recruiters say. For one thing, there’s the ever-dangling lure of hedge funds.

Some mutual fund firms are responding by giving senior-level types multi-year job guarantees.

“Today executives who have proven themselves and who are scandal-free have perhaps more negotiating power than they did not long ago,” says **Charles O’Neill, president of recruiting firm Diversified Management Resources**. “Stability is a very important factor to these people, and therefore to the extent that they can do so they are negotiating longer employment contracts.”

Hedge funds are tempting for not just portfolio managers, but also for high-level marketing and distribution executives, according to O’Neill.

Along with lengthier contracts, executives are also increasingly seeing heftier counter-offers, recruiters say.

“I’ve had a number of people actually not take positions because of that,” says Barry Emen, a recruiter with MJE Recruiters. “It’s kind of like a war for talent.”

The trend toward guarantees fits with recent survey results by Netshare, a networking service for executives earning \$100,000 or more. The survey finds that 42% of executive recruiters polled want four- to five-year commitments from job candidates. A one- to three-year commitment would suffice for 21% of recruiters.

One group that may be able to negotiate these deals is senior compliance staff, according to O'Neill, and not just chief compliance officers.

That's due, of course, to the continuing regulatory scrutiny.

Another compensation-related development from the fund scandal is an increasing emphasis on potential legal costs.

Contracts for fund executives often require the employer to pay the cost of defense against legal charges. The usual exception is that the company doesn't have to pay if the executive is found guilty.

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## **NICSA Partners with Diversified Management Resources for Compliance Practices Survey**

### **Money Management Executive 8-19-04**

Boston – August 16, 2004. The National Investment Company Service Association (NICSA) announced today that it is partnering with Diversified Management Resources (D.M.R.) to conduct a survey to confirm the state of the securities industry's preparation for federal securities regulations that require mutual funds and investment advisers to adopt and implement a Compliance Program and to designate a Chief Compliance Officer. Mutual funds must also obtain the approval of the fund board. The compliance date is no later than October 5.

Corporate sponsors are [PA Compliance](#), [SalesLink Corporation](#) and [PFPC](#).

The new regulations are among the most far-reaching to be introduced in recent years. The Chief Compliance Officer for a mutual fund must certify the adequacy of compliance policies and procedures of a fund's service providers, including its investment advisers. For this reason, a significant fall-out effect of the regulations is that many transfer agents, custodians, administrators and broker-dealers - which are not directly subject to the new regulations - must also prepare for the October 5 deadline if they provide services to mutual funds.

The Survey will assess steps firms have taken to date to put in place the policies, procedures and controls necessary to ensure compliance with the regulations. Also included are questions concerning securities firms' experience with the Customer Identification Program and Anti-Money Laundering provisions of the USA PATRIOT ACT.

"This is a very timely project," says Barbara V. Weidlich, president of NICSA. "More than ever, compliance is a concern not only to compliance officers but to all executives in the money management business. Operations professionals, represented in the NICSA membership, have significant responsibilities for many business functions directly affected by new requirements."

Charles O'Neill, principal of Diversified, noted that as was the case when the Anti-Money Laundering regulations were strengthened last year, the new rules are largely risk-based. Firms will need to determine, in the context of their own business activities, how to best meet the new requirements.

Key aspects of the new regulations include:

- Each mutual fund or investment adviser must designate a Chief Compliance Officer to administer its compliance program. Mutual fund CCOs will report directly to the fund's board.
- Each mutual fund or investment adviser must adopt and implement written policies and procedures reasonably designed to prevent violations of the federal securities laws specified in the new rules. A mutual fund's compliance program and the policies and procedures of any service providers must be approved by the fund's board.
- For mutual funds, the compliance program and the CCO must be approved by the fund board prior to October 5.
- A mutual fund's or investment adviser's compliance policies and procedures must be reviewed at least annually for their adequacy and the effectiveness of their implementation. The first annual review must be completed no later than 18 months after the adoption of or approval of the compliance policies and procedures.

The survey which will be launched within the next week, with top line results tabulated and reported immediately thereafter. Participants will receive an executive summary of results at no cost. A more in-depth report will be available for purchase.

### **About NICSA**

The National Investment Company Service Association (NICSA) is a not-for-profit trade association providing leadership and innovation in educational programming and information exchange within the operations sector of the worldwide investment industry.

NICSA membership totals more than 400 companies operating in major financial centers in the United States, Europe and Asia. The membership represents all segments of the mutual fund industry including mutual fund complexes, investment management companies, custodian banks, transfer agents and independent providers of specialized products and services.

NICSA's services to members include education, training and networking opportunities through conferences on a wide range of industry issues and developments; specialized publications, and access to NICSA's membership directory. NICSA also offers an On-Line Learning Center featuring the Certified Mutual Fund Specialist Program, the first-ever certification program of its kind.

NICSA's website ([www.nicsa.org](http://www.nicsa.org)) offers up-to-date information about all of the Association's programs and activities.

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## **Adoptions, Mergers Thinning Ranks of Funds**

**Ignites, 08-12-04**

**By Tom Lesswing**

(Excerpts)

Mergers and acquisitions, increased regulatory burdens and belt tightening across the industry continue to cull the overall number of funds available to investors.

While the number of funds are declining, so too are the number of investment firms that offer their own products, due to a steady wave of firms putting their funds up for adoption. Fund mergers and liquidations are gobbling up a large number of funds. So far this year, 234 funds, not including share classes, have been either liquidated or merged out of existence, according to data from Lipper. That's on the heels of the 597 funds that were liquidated or merged away in all of 2003.

The Investment Company Institute's numbers show a similar phenomenon. At the beginning of last year, there were a total of 8,244 funds. By the end of last year that number had been whittled down to 8,126.

While the trend of mergers and liquidations shows no signs of abating, fund adoptions are continuing to move full steam ahead.

"I think it's safe to say that interest in fund adoptions is at an all-time high," says Neil Bathon, president of Financial Research Corp.

Most funds that are put up for adoption are smaller, with decent performance track records but weak distribution outlets. A larger company with access to distribution will adopt the fund, taking over the fund administration, distribution and recordkeeping responsibilities. That lifts a huge cost burden off of the fund's erstwhile advisor who is generally retained as a sub-advisor to continue managing the fund.

Helping drive the fund adoption trend is an onslaught of new rules and regulations being issued by the SEC. In July alone, a handful of firms began the process of handing their funds over to other companies.

Hillard Lyons agreed to have Constellation Investment Management take over its \$36 million Large Cap Quality Growth Fund. The fund received four-stars from fund tracker Morningstar. As part of the arrangement, Hillard Lyons, which is the fund's current advisor, will serve as sub advisor to the fund and Constellation Investment Management, the advisor to the Constellation Funds, will become the advisor.

The arrangement will allow Hillard Lyons to focus on asset management rather than on fund distribution, shareholder service and administration, says James Allen, chairman and CEO of Hillard Lyons. While being able to focus on asset management, Hillard Lyons will also benefit from distribution through Constellation.

Hillard Lyons began evaluating putting its funds up for adoption two years ago, primarily to get better distribution and to have another firm handle the non-investment functions of running funds. Costs of complying with a wide range of regulations stemming from the market timing scandal only increased Hillard Lyons' interest in being adopted, Allen says.

Many other fund sponsors are in a similar boat, says **Charlie O'Neill, with Diversified Management Resources**. One recent rule, for example, requires fund firms to appoint chief compliance officers. It's not unusual for such executives to command a \$300,000 salary. Fund firms are also facing increased distribution costs.

As more fund firms agree to adoptions, some industry observers question if jobs will be eliminated.

Bathon, however, maintains that most fund firms that are putting their funds up for adoption are staffed to a bare minimum. That means they have few, if any, employees to cut after handing over their funds.

"I think the two groups of people who are impacted are the compliance and distribution people," adds John Grady, CEO and president of the Constellation Funds. "Most of the time, you have adoptions because firms don't want to invest in compliance and distribution."

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**Ignites, Aug 3, 2004**  
**By Tom Leswing**

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"This gives us an opportunity to open up that process on a much broader scale," Allen says. "And

in this case, we think shareholders will see an improvement."

As part of the change, fund shareholders will be able to exchange fund shares for other Constellation funds and vice versa, he says.

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Hillard Lyons, of course, isn't alone in putting its funds up for adoption.

The World Funds of Richmond, Va., are preparing to merge the Chase Mid-Cap Growth Fund<sup>1</sup> into the Adviser Series Funds of Milwaukee. The fund, which is not affiliated with JP Morgan Chase, held only \$6.7 million in assets as of March, according to the fund's semi-annual report. For the year ended June 30, it had posted a solid 22.89% return.

An SEC filing says that the fund's advisor, Chase Investment Counsel Corp., believes that handing the fund over to Adviser Series will help it achieve economy of scale savings. That may help the fund lower its fees over time. Chase Investment Counsel Corp., which is the current advisor to the fund, will continue to manage the portfolio.

Other recent fund adoptions include Pitcairn Financial Group's decision to hand its funds over to Constellation. In March, Cooke & Bieler also joined in the fund adoption party. It handed its C&B fund family, which had approximately \$529 million, over to Wells Fargo.

Mergers are serving to shrink the ranks of funds. Affiliated Managers Group's Managers Funds recently announced that it was acquiring the Fremont Funds, holding approximately \$3 billion in assets. The Seix Classic Funds are also disappearing as a result of a merger. The funds have been acquired by Trusco Capital Management, which is part of SunTrust Bank. As part of the deal, the Seix Funds will be merged into Trusco's STI Classic Fund family.

The \$390 million Golden Oak Funds also decided to throw in the towel on running funds. Rather than put its funds up for adoption, however, it decided to have the funds merged into funds from Goldman Sachs and Federated.

Federated isn't stopping there. It's planning to acquire three additional funds from Banknorth Funds. According to SEC filings, Federated is planning to merge the Banknorth Large Cap Core

Fund<sup>2</sup> into the Federated Capital Appreciation Fund<sup>3</sup>. It also wants to merge the Banknorth Small/Mid Cap Core Fund<sup>4</sup> into the Federated Kaufman Fund<sup>5</sup>. Federated is also proposing to merge the Banknorth Intermediate Bond Fund<sup>6</sup> into its Federated Total Return Bond Fund<sup>6</sup>.

National City, meanwhile, has acquired Provident Financial Group and is gearing up to absorb fund assets from Provident's Riverfront Fund family. Under that arrangement, assets from six Riverfront funds will be merged into existing funds offered by National City's Armada Funds.

Other moves to trim fund lineups represent firms cleaning up their existing line of products.

Last month, for example, ING proposed merging its High Yield Opportunity Fund<sup>7</sup> into the High Yield Bond Fund<sup>8</sup>.

Scudder is also shedding the number of funds it offers. In July, it started the process of merging its Scudder 21st Century Growth Fund<sup>9</sup> into the Scudder Small Company Value Fund<sup>10</sup>. According to an SEC filing, board members for the Scudder funds believe that both funds have similar investment mandates. The funds also use the same portfolio manager.

Also last month, Scudder proposed merging its Scudder Municipal Fund<sup>11</sup> into the Intermediate Tax/AMT Free Fund<sup>12</sup> and the Scudder Technology Innovation Fund<sup>13</sup> into the Scudder Technology Fund<sup>14</sup>.

It also wants to merge the Scudder Large Company Fund<sup>15</sup> into the Scudder Large Cap Value Fund<sup>16</sup>.

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## **Morningstar has never been afraid to bite the hand that feeds it**

**Newsday** (7/11/04)

By Tami Luhby

(Excerpts)

When trading scandals embroiled the mutual fund industry over the past year, the Chicago-based research firm blasted the companies involved.

Invesco Funds "don't deserve investors' money," it told investors.

Putnam Investments' actions, Morningstar said, were "absolutely appalling."

And it lambasted Federated Investors for its "shocking lack of oversight," which Morningstar said "defies belief."

The fact that Morningstar levels such withering criticism may not surprise individual investors, who have long looked to the 20-year-old firm for its frank opinions of funds. What's less obvious is that those three mutual fund companies are also Morningstar clients who pay the firm hefty fees for services such as advice for their retirement plan clients and for data and research.

But Morningstar is much more than just a fund-rating firm these days. It now serves hundreds of financial institutions, which represent a growing portion of its income. What's more, Morningstar recently announced plans to go public to fuel further expansion -- and likely put its shares in the hands of the same companies that it rates.

These dealings raise the possibility of conflicts of interest since sales of services and data to fund families and other financial firms now account for the largest chunk of Morningstar's revenues. This could mean Morningstar will start lobbing softballs at the fund companies instead of grenades.

"It creates a perception and credibility problem," said Burt Greenwald, a Philadelphia-based mutual fund consultant, though he believes Morningstar remains objective. "It's a very difficult tightrope to walk." ...

### A good reputation

At this point, Morningstar's reputation for objective advice remains intact, industry experts say. But the company must be vigilant in protecting that image as it grows and as it faces new pressures of being publicly traded.

This is especially critical if Morningstar wants to capture a share of the \$432.5 million that Wall Street brokerage houses set aside for independent research as part of the global analyst research settlement, as it is hungry to do. As part of a deal finalized last year, the big brokerage firms agreed to distribute independent research, alongside their own, to retail clients. The settlement came after New York Attorney General Eliot Spitzer uncovered evidence the brokerage houses were issuing biased research reports in hopes of boosting their investment banking business.

Morningstar has already scored its first deals under the settlement. Merrill Lynch and Goldman Sachs will distribute the firm's independent stock research to their clients. To get more of these, Morningstar must stay above question.

"The value of their brand is their biggest asset," **Charlie O'Neill**, principal at Diversified Management Resources, a Boston-based financial marketing firm, said of Morningstar. "There's never been any evidence that their rankings, ratings or information services have been anything less than objective." ...

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## Market Upswing Does Not Buoy Fund Hiring

### Fund Action, May 23, 2004

(Excerpts)

Despite a swinging stock market that has translated into hiring in other areas of the financial services industry, hiring at mutual fund companies has remained flat to slightly up. According to investment management executive recruiters, the market upswing has translated into a frenzy of placements in alternative investments and wealth management, including separate accounts...

**Charles O'Neill**, president of Diversified Management Resources, said hiring is up, but most positions have shifted from marketing roles to general management and administrative positions. He said hiring in alternatives reflects growth in this market segment. "If mutual fund hiring is lower on a relative basis, that is a reflection of the fact that the tough revenue environment of the past few years has taught management to run a lean ship. I see fee reductions, and the tentative economic recovery, as wild cards," he said.

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## Fund Executives Likely to Rebound After the Fall

By-lined column in **Money Management Executive**, Charlie O'Neill, 5/10/04

Have you wondered what will become of the rascallions who are guilty of ripping off mutual fund investors?

The answer is to be found in the jumpsuit locker. If there is an orange jumpsuit in their future, as in going to jail, their prospects are bleak, indeed. Despite the popular impression that white-collar criminals enjoy a life of ease, that's not quite the way the world of criminal justice works. But you already knew that. Maybe once they've done their several months behind bars, the more resilient members of the gang can write books that will no doubt say their failure was Mommy's fault, their fifth-grade teacher's fault or just the result of an uncontrollable addiction to cash.

For better or worse, most market-timing schemers have faced civil, not criminal charges. However, if you are a fund shareholder you lost money either way.

Assuming that these and other fraudsters yet to be named won't have to exchange their wardrobe of pinstripe suits for a closet of tailored, zippered suits, what will become of them?

The first penalty is almost certain. They'll lose their securities licenses and they will be banished from the business for three years to life. But this is small change for many of these people. And, in any event, they will surely bounce back. Here's why:

1. Most of these executives already are very wealthy. They sleep very comfortably, since it's been a long while for most of these executives when several million dollars seemed like a lot of money. Unless they've had the rare misfortune to have been named personally in a class-action suit that finds its way to trial, it's unlikely that these people will lose it all. Lawyers are expensive, but at the net-worth level we're talking about here, they will have many dollars left.

2. They made some bad calls, but they know the business and are smart. Too smart for their shareholders' good, perhaps. Nonetheless, these are people whose average intelligence is off the top of the charts. They were either chief executives or close. Rising to that level of prominence takes many years of effort, lots of verified business success and an abundance of intellectual horsepower.

3. They are consummate salespeople. Even junk bond king Michael Milken did his time and shamelessly emerged into a successful, new career.

4. Make no mistake about it. Some of these characters aren't very nice people, but they'll still have friends and hangers-on who will believe they did nothing wrong.

5. Someday, they'll be able to rationalize their misbehavior as little more than a violation of books and records, not stealing money. They'll say with a straight face that they didn't really do it. They'll start believing that they were sacrificed on the altar of Eliot Spitzer's political ambition. So much blather, perhaps, but someday all of this will feel like the truth.

6. At some point, when they've finished grieving about getting caught, some will unearth the Rolodex, pick up the phone and re-emerge as business consultants. Admittedly, money managers who hire them as such will keep them well hidden away, off to the side, where they can't do any damage and where the trustees won't run into them. But their advice, offered over occasional lunches at Boston's No. 9 Park Street or other four-star watering troughs, will be useful to other executives who are determined to grow their business.

7. With their wealth, intelligence, drive, contacts and renewed sense of self-worth, they can buy a Laundromat or a corner news store. A bodega, perhaps, where they'll sell The Wall Street Journal to customers who will listen with rapt attention to tall stories about their days at the helm of a runaway ship of sales. In fact, many already own enterprises beyond Spitzer's grasp. It's a better than even bet that several of the alleged schemers already own businesses together. Bars, pool halls, restaurants, you name it.

8. They can bare their souls on the speaking circuit: "I had it all, but was that enough for me? Nope."

9. They can post their resumes on Monster.com and apply for jobs as fraud-detection experts, right alongside computer hackers who have managed to escape the dark side.

In sum, if you are guilty as charged, you will probably work again. Whether this is just or likely remains to be seen. In this business, as in any other, falling from grace is humiliating, inconvenient and expensive, but not often fatal. The very skills and talents that brought those named in the fund scandals to the top may yet prove the source of their redemption.

Charlie O'Neill is president of Diversified Management Resources, an executive search and business development consulting firm in Boston.

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## Compliance Staffing To Be Long-Term Investment

**Jessica Toonkel & J.S., March 21, 2004**

Industry officials expect compliance staffing to be a long-term investment rather than a one-time hiring boom. As Congress and the Securities and Exchange Commission look to issue more rules and regulations that will permanently affect the industry, fund companies will have to ramp up their compliance groups to double and triple check procedures and documents, officials said. "We are hearing that there will be a continued need for worker bees on the compliance level," said Dan Kreuter, president of DAK Associates, a Conshohocken, Pa.-based recruiting firm. "This is not a fad. It is a secular trend and there is going to be a lot of hiring going on because of what happened."

**Charlie O'Neill, president of Diversified Management Resources**, said there has been a significant uptick in the hiring of compliance reviewers in marketing departments. He said firms want to avoid any regulatory scrutiny, even small mistakes that may occur, for example, in advertisements. O'Neill added that compliance reviewers could earn about \$60,000, a small tab compared to reputational risk or even fines levied by regulators. He added that his recruiting firm is currently looking to fill at least two compliance reviewer positions, noting that his background research for the searches turned up about 50 such open positions industry-wide, including large and small fund firms.

Janus Capital Management, whose chief compliance officer, Tom Early, announced his retirement earlier this year, said it expects to replace Early soon and grow its compliance staff after that. "Beefing up our compliance department will be a priority," said Shelley Peterson, a spokeswoman. "We want to make sure that we look at everything from every angle. We are making sure we have many sets of eyes on everything." Janus, which was one of the first firms to be named in New York Attorney General Eliot Spitzer's probe, does not have an exact number of how many people it will hire. Peterson could not say when the firm would announce a new

compliance director, but did say that the firm has begun its search and Early has agreed to stay on during the transition.

The Calvert Group also is looking to hire a director of compliance--a new position, and expects to continue to grow the group in months to come, said Bill Tartikoff, general counsel and senior v.p. Tartikoff noted that in the new environment, fund boards are going to be more demanding of compliance officers, and thus it is important to have a strong staff in place. He declined to elaborate on when the director of compliance position would be filled.

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## Finding Success with Succession planning

**Fund Action's** Suzanne McCoy quoted **Charles O'Neill** and other industry observers on the value of well organized succession planning. (03/06/04) (Excerpts)

Many fund firms don't think beyond their current organization chart.

There are plenty of reasons behind fund firms' lack of succession planning. As the industry has grown, firms have focused more and more on fast-paced change and keeping up with competitors. In turn, many firms focused only on their most immediate goals and the executives heading them, says Charlie O'Neill, an executive recruiter with Diversified Management Resources.

For executives at short-sighted firms, then, job security was often minimal, at best. If a firms' key initiatives failed suddenly, or an M&A deal loomed, any number of executives could be pressured out the door. Thus, top executives couldn't say when, exactly they planned to retire and hand over the reigns.

In facing that kind of uncertainty, many top-achieving executives were reluctant to stay at a firm in hopes that they would eventually make it to the top, O'Neill says. So, many executives kept a close eye on job opportunities elsewhere.

But, while that may be standard operating procedure at many firms, such a culture can take its toll on a firm and its executives.

"One prominent firm, for example, sharply limits the number of people it will send to the ICI General Membership Meeting, because they don't want their people to learn about job opportunities from recruiters and competitors," O'Neill says. "But what better way is there to keep abreast of many significant changes than the ICI meeting?"

Indeed, a lack of succession planning and a fear of executives jumping ship can hurt companies in numerous ways. According to Hewitt Associates, highly successful firms spend much more time identifying potential leaders and developing their skills than less successful firms.

In a recent study, Hewitt found that 100% of top-performing firms polled identify potential leaders from inside their ranks, while only 55% of all firms polled did so. Top-performing firms were defined as those with the top 75% of total shareholder return.

That same study showed that 83% of top-performing firms develop leaders internally, while only 30% of all firms do. And, of top firms, 88% track potential leaders' performance, while only 44% of all firms do.

While many fund firms don't develop future leadership, some clearly do. At Franklin Templeton, top executives started planning in 1999 for the eventual retirement of CEO Charles B. Johnson, which was finalized in January 2004.

Franklin's planning took many steps. First, the firm created an office of the president and an office of the chairman to begin a gradual transfer of duties. At the time, Johnson's sons, Greg Johnson and Charles E. Johnson, and Martin Flanagan were named to that office as co-presidents. All three were considered possible successors to the CEO position.

At the time, Greg Johnson was named president of U.S. retail and institutional distribution; Charles E. Johnson was named president of portfolio management and the international division, and Flanagan was named chief financial officer and chief operations officer. Those three men oversaw day-to-day operations of the firm, and helped Charles B. Johnson and the office of the chairman make long-term strategic decisions.

Sharing that power internally, and gradually determining each executive's future role served the firm well, says O'Neill. In fact, when Charles E. Johnson left the firm following domestic violence charges in October 2002, the firm continued with its succession plans. In January, Greg Johnson and Flanagan took over as co-CEOs of the firm.

Flanagan is now responsible for investment management, finance, technology, risk management, corporate planning, and legal departments. Johnson is responsible for global retail, institutional, private client and retirement businesses, shareholder services and human resources.

"Franklin is interesting because most people in the industry are probably not well aware that the changes were made, or what they were," says O'Neill. "This is a great example of effective succession planning in action."

Throughout the planning, Franklin raised executives through the ranks to take C-level positions. In May, 2003, Jim Baio took over as chief financial officer, and Jennifer Bolt was named chief information officer. Both Baio and Bolt had been with the firm for more than a dozen years each.

By many accounts, Franklin has seen a successful decade. With nearly \$200 billion in mutual fund assets as of December 31, the firm weathered the bear market better than most.

Franklin saw bear market outflows of \$6.8 billion in 2000 and \$740 million in 2001, according to Financial Research Corp. It then bounced back with inflows of \$4 billion in 2002 and \$10 billion in 2003.

Indeed, Franklin has done well by many financial benchmarks, says Dan

Culloton, an analyst with Morningstar.

"Their performance didn't drop off a cliff during the bear market, and their assets under management and their earnings have been steady coming out of the bear," Culloton says.

Also telling, Culloton says, is the fact that the firm is facing only minor charges of improper trading, while much of the industry fights charges of a much more egregious nature.

"To their credit, they didn't allow it to get out of control," he says. "It doesn't appear that it was their business plan to allow market timing."

For some firms, good succession planning may engender success. But, for some, it can be a matter of survival. There are times to when it's essential to have competent leaders ready to take the helm at a moment's notice.

That's what executives at Oak Value found when their CEO, George Brumley died in a plane crash in Kenya in July, 2003.

Brumley was not only chairman and CEO of the Durham, N.C. firm; he also co-managed one of its larger funds. The firm managed roughly \$1.3 billion in assets at the time.

When Brumley died, the loss was clearly a shock, but its executives had a succession plan in place. The fund Brumley managed had an investment committee, which assumed its portfolio management duties. Per the plan, David Carr took over as chairman, and Larry Coates took over as president and CEO.

"After something happens, it's obviously too late to start planning," says Oak Value's director of marketing, Andrew Marino.

The firm had so-called key man life insurance, which allowed the remaining executives to buy out Brumley's shares of the firm. In Brumley's shareholder contract was a stipulation that his shares would be kept within the company, and not assumed by his estate.

"Our success with this is a function of having people want to think about a rainy day when it's not raining," says Marino. Similarly, Rydex had a succession plan in place when its CEO and founder, Skip Viragh stepped down amidst a battle with cancer. In September, Mike Byrum, who had been with the firm since its founding in 1993, was named chief operating officer, and Carl Verboncoeur, who had been with the firm since 1997, became CEO.

O'Neill says such plans are essential for firms, large and small. And, they'll likely be more important in the months and years ahead. Indeed, he says, things are already changing at many firms.

"Firms will conduct more detailed, in-depth due diligence on potential hires than they're ever conducted before," he says. "I already see this among my clients."

But, he says, top-level executives must have the will to make successful succession planning work. He looks at Strong Financial as one example of a case in which there was little thought or effort was put into succession planning. The firm had one clear leader, but no one within its ranks to fill founder Dick Strong's shoes in the event of his departure.

As a result, the firm was caught flat-footed when Strong was forced to step down as chairman of the board and CEO as a result of his alleged involvement in questionable trading schemes at the firm.

Outsider Kenneth Wessels, the former president of the RBC Dain Rauscher's capital markets division, had to step in and take over.

"Dick Strong was Strong," says O'Neill. "At one point, he hired a very effective dynamic marketing executive-who Strong in turn, apparently pushed out the door. If a senior executive-much less a founder-doesn't want a successor-well, there won't be one."

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## **“Show me the Money”**

### **Charlie O'Neill's Career column in Money Management Executive (03/01/04)**

First, the good news: Today's job seekers are pretty clear about why they would choose one job over another.

In the most recent poll published on my web site, [www.dmrcareers.com](http://www.dmrcareers.com), job seekers had no trouble deciding what matters most: Hands down, they say they are seeking “career advancement”, (34%) or they want to “earn as much money as possible” (26%). That leaves 40% looking for something else—like “intellectual challenge.” (18%).

A “fair, ethical employer?” These days, people think about this, too, right?

Or “working for a company that treats its people with respect.” Another compelling factor?

“Having a life outside of work.” That's something the career gurus say people hold as most important, too.

Wrong, wrong and wrong. Each of these factors was described as most important by a whopping 5%.

This contradicts virtually all of the large scale job satisfaction surveys conducted in the past.

While there could be any number of reasons why our job seekers are motivated differently, the most likely reason is probably self-evident. Most employee surveys are just that, conducted among people who are already working. They are already being paid, so their basic needs are covered. Now, with a way to pay the mortgage, and with a health insurance company ready to pay for their video game addicted, squinting kids'

new, tinted contact lenses, they are seeking affection, companionship, emotional satisfaction and respect.

But if you are not working, and especially if you are among the growing ranks of people who have all but given up looking for gainful employment, just earning enough money to get by is compensation enough. A good work place? Any work place would be fine, thank you. A life outside of work? I'm all too familiar with life without work. An ethical employer? We can exchange war stories when I can afford to meet you at Starbucks.

As important as it is to work, job seekers are making a mistake if they fail to put some real thought into the environment they are about to walk into. Here's why: Because with any luck at all, they will not be unemployed again any time soon, but they will be working for their next employer for years. That could be tens of thousands of hours working with people you don't like, who don't care about you and who truly demand that you share their obsession with this month's revenue forecast at the expense of all else.

That's a lot of time beneath the grinding wheel. Especially when it seems unlikely that the heady days of the last decade, when job seekers held all the cards, will return any time soon. This means you may have a lot less opportunity to change employers of your own free will. Ask wholesalers who have been consolidated out of work or IT people who have watched their jobs migrate to India. They're looking straight over the cliff at a truly vexing career future. But once they find a new job opportunity, they will undoubtedly again value stability and common courtesy (and dare we say respect?) as somewhere near the top of their list of needs.

Or ask the people who work at firms that are now ensnarled in open-ended SEC and state regulatory exams how much they wish they could turn the pages of a calendar back a few years and ask the right questions about their employer's code of ethics. Or for that matter, to ask any questions at all about their employer's business practices.

So yes, be concerned about how much you are paid. Consider whether a job will propel you up a rung or three on your career ladder. But tread carefully. Make sure the ladder is real and that you truly understand where it will take you.

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## **Corp Gov Proposals Spur Trustee Searches**

**J.S., February 22, 2004**

The swirl of corporate governance proposals, including rules on independent chairmen, is spurring searches for board members, even while those searches are also becoming more complicated. Alex Thomson, partner at Russell Reynolds Associates, said searches are complicated by liability issues and boards now looking for trustees with very specific skill sets. Thomson added that fund trustee searches are now looking much more similar to searches for public company directors. "There's no more room for a 'friend of the firm,'" he said. Thomson said many firms now want recently retired 40 Act lawyers, partners from the large accounting firms or officials versed in Sarbanes-Oxley. "No generalists, they say," he said.

The industry's focus on culpability and setting up systematic governance systems has boards searching for members who will limit how many boards they actually sit on. Thomson said from

the candidate side, he has seen many people be much more cautious before going forward. "Potential board members are much more circumspect," he said. Russell Reynolds is seeing momentum building in its trustee search work. Last year, only three or four of its 200 board searches were on the fund side. Thomson and George Wilbanks, another partner at the firm, expect the trustee search business to grow significantly, particular as the year progresses. Wilbanks said many big questions still need to be answered, such as how many boards a trustee can sit on and the level of pay.

Jane Marcus, partner in charge of the global asset and wealth management practice at Heidrick & Struggles in Chicago, said she is just starting to see activity in the trustee area. She said potential candidates being discussed are '40 Act lawyers, and accounting firm partners with strong regulatory and compliance backgrounds. "There's no cookie cutter approach," she said, adding that specific funds may want very different things depending on their audience, distribution and other issues. She said board members are still doing clean-up, such as looking for market timing, but the bigger subjects are uncovering yet-to-be-thought-of issues. Potential candidates need to think about this when evaluating positions, and boards need to think about this when surveying potential trustees, she said. Marcus said fund companies are now focusing on high-level management changes within the advisor, and she expects trustee work to pick up later this year. **Charlie O'Neill, president of Diversified Management Resources**, said he expects upward pressure on salaries as a small pool of potential candidates gets tapped by many fund companies. In addition, he said candidates will have to be satisfied that they are protected from liability and that the board has adequate resources to do its job well.

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## Online Poll Shows Some Strength in Employment Outlook

### Fund Action, February 8, 2004

**Diversified Management Resources**, an executive recruitment firm in the financial services industry, has found in an online poll that 21% of those surveyed were finding "many opportunities" for new jobs. **Charlie O'Neill, president**, said the online poll's findings were another indication to him that the job market in financial services is perking up. O'Neill stressed that the industry is still absorbing significant job losses and that nobody surveyed in DMR's poll said it "was getting any easier" to find a job. They indicated that there were new opportunities, but competition is stiff, he said.

Other findings showed that 11% were somewhat concerned about the possibility of layoffs and that 5% believe the job market will improve further closer to the end of the year. O'Neill said new opportunities in the mutual fund industry include compliance reviewers and other legal and regulatory positions to contend with the swirl of new regulations hitting the industry. But he said that further down the road back offices could be hit with downsizing as firms seriously consider "offshoring." O'Neill added that the outlook is fuzzy on this trend because top management has to examine how investors would react to their sensitive financial information being handled by non-U.S. companies and employees.

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## Fee Reductions to Cap Hiring, Salaries

### Fund Action, 02/08/04 (Excerpts)

Elliot Spitzer's efforts to win concessions on mutual fund management fees may significantly slow hiring and cap salaries and altogether change the employment outlook in the mutual fund industry, according to numerous

industry officials and executive recruiters. Mutual fund complexes are reeling from the double whammy of lower fees and a new cost structure, including significant new costs associated with having to hire additional compliance staffers and legal document reviewers. Officials say that the industry has been reorganizing since the beginning of the 2000-2002 bear market, as it watched retirement flows flatten--the bulwark of asset growth in the 1980s and 1990s--and wealthier investors leave funds for other investments. They say Spitzer's widening probe into the industry and the concessions he is trying to win from firms in the form of lower management fees is the start of a significant industry contraction and the beginning of a new era for the funds industry.

**Charlie O'Neill**, president of Diversified Management Resources, said, "Fee reductions and lower revenues have to affect profit margins or expenses. Shareholders in publicly traded investment management companies will not accept lower earnings, so firms will trim expenses." O'Neill added that the majority of expenses for the mutual fund business go to salaries.

"The cuts will come from product distribution, field wholesaling, and product management among other areas." Alex Thomson, partner at Russell Reynolds Associates, said, "When you reduce fees you have to reduce expenses. Firms are now trying to figure out where those cuts will come from. But it's obvious. The business relies on people and firms' cost structure is nothing but salaries," he said. "Firms are waiting to see how big the impact will be," Thomson added.

Burt Greenwald, a Philadelphia fund consultant, said the industry can't underestimate the new costs associated with compliance, independent board directors and other regulatory functions. And he added that firms have already been paring down the number of funds they offer and service. "The new costs will damp hiring," said Greenwald. One executive at a major fund firm in New York said the firm instituted a hiring freeze late last year, just two months after it started new searches because of 2003's bull market. "Spitzer took away what the bull market gave us," he said.

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## A Better Job Market?

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**Charlie O'Neill**, president, said the online poll's findings were another indication to him that the job market in financial services is perking up. O'Neill stressed that the industry is still absorbing significant job losses and that nobody surveyed in DMR's poll said it "was getting any easier" to find a job. They indicated that there were new opportunities, but competition is stiff, he said.

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regulations hitting the industry. But he said that further down the road back offices could be hit with downsizing as firms seriously consider "offshoring."

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## Résumés That Make It Happen

**The New York Times (1/25/04)**  
**By Abby Ellin**

THE résumé, career counselors say, is one of the most vital elements to the job search, especially when so many people are looking for work and applicants are lined up for every opening.

Résumés, they say, should be clear, in a traditional, plain-vanilla format: name at the top; a summary of one or two sentences; then a succinct review of employers and jobs held, in reverse chronological order.

They should be one page, tops; usually, you have to account for only the last 10 years. You should look at your résumé the way employers see it: Is there continuity in your work history? Have you jumped around too much? Be prepared to explain what you did, what you accomplished and why you changed jobs.

"The first thing I look for is a concrete, concise statement that covers their objective, as well as some essence of their experience," said **Charles O'Neill**, the owner of **Diversified Management Resources**, a recruiting firm in Peterborough, N.H. "Don't expect people to understand what you've accomplished unless you tell them. General résumés just don't work."

Mr. O'Neill and Stephanie A. R. Shirit, the founder and chief executive of Resource Associates, a job-search firm in Las Vegas, suggest that job seekers create résumés for each position they want, emphasizing strengths and interests particularly geared to the specific job. Do not lie, and avoid smarmy phrases like, "I could make a real contribution," or "I'm a people person."

"Everybody's a people person," Ms. Shirit said. "How are you different? You could say, 'I'm a people person because I'm very positive, focused, cost effective, a team player.' They don't care about your children, religion, or community activities. You can put these things down as additional activities because they show what kind of a person you are, but you don't have to list every single thing. Try and keep it professional."

Discussing people who have been out of work, Ms. Shirit said: "What were you doing? Why were you unemployed? You got laid off, but then what did you do? Were you trying to change careers? Did you volunteer? Go back to school? Start a business?"

"Emphasize the positive things you did," she added. "People have to have some kind of income; unemployment runs out. You probably weren't home eating bon-bons."

Ms. Shirit recently advised a client hoping to change her job as a retail executive to public relations, a move the client feels she could make with relative ease. Ms. Shirit agreed that it was a possible transition but that the client's résumé needed updating to reflect her new goals. "One of her bullet points," Ms. Shirit said, "was 'executed overall boutique operations.' That's good - executed is a good word. But then she had things like, 'Hiring and training of entirely new team.' That doesn't tell me anything. Accentuate what you did. Be specific. You have bullets there for a reason: to highlight your skills."

John Karras, director of graduate and Web-based career services at DeVry University in Chicago, calls the years between jobs the "trade-off factors" or "value added," when a job seeker can develop extra assets like international travel, fluency in a foreign language, advanced degrees or strong technical or computer skills. "Focus on the day-to-day activities that may be transferable from position to position," he said. "Companies are often asked what they look for, and they say, 'A leader, a problem solver, someone who is dependable.' They rarely list job experience."

It is also important to focus on job responsibilities rather than job title, because titles can be ambiguous. "Take an inventory of the responsibilities you've had over the course of your careers and prioritize them in terms of points of marketability for the job sought," Mr. Karras said. "List the most relevant point first, even if it relates to something done many years ago."

What's more, you don't have to put your age on your résumé, or list your year of college graduation. Employers in many industries - especially those that do not require a special degree, like law or medicine - enjoy hiring older people because they are often more focused and know what they can and cannot do.

However, "If the issue is really breadth of experience rather than age - if, for example, you have more experience than your potential supervisor - address the issue head on, turning a potential negative into a positive," Mr. O'Neill said. "'As you'll see, I've managed teams of people before. I understand the challenges you face. I can help you succeed. I look forward to the chance to roll up my sleeves and get the job done.'"

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## **Fund Titan: Whistle-Blower Noreen Harrington**

**Ignites Jan 20, 2004**

**By Suzanne McCoy, Tom Leswing**

She put it off for nearly a year, but finally her conscience got to her.

When Noreen Harrington finally picked up the phone to call New York attorney general Eliot Spitzer's office in May of last year, she did so to clear her conscience. She also wanted to put a stop to her former employer's market timing of mutual funds.

What she got was nationwide media attention as the woman who blew the lid off the biggest scandal ever in the \$7 trillion mutual fund industry, accusations that she was acting out a grudge against a former employer, and an uncertain professional future. But Harrington says she can live with that. Her conscience is clear.

Harrington's tip is what sent the attorney general's office on a hunt for market-timing arrangements between hedge funds and mutual funds. Along the way, Spitzer uncovered other abuses, such as late trading at fund firms. Those discoveries have sparked a regulatory reassessment of the way funds are governed, marketed, priced, sold and cleared.

"Few issues on the business pages have taken up so much space," says Arthur Levitt, former chairman of the SEC. "I believe Middle America is sensitive to this. No other scandal has had such a wide impact on Middle America."

As a result, the mutual fund industry will never be the same. Not only are regulators looking to eradicate market timing and late trading, they're also looking at reforming directed-brokerage practices and funds' boards of directors.

"Just six months ago, the industry argued that fund boards did a good job," says Levitt. "Now, it's apparent that fund companies and fund boards have become too intimate."

From the time Harrington considered calling Spitzer's office to the present day, she says she's been torn by her decision.

"It was a heart-wrenching decision — there were times when I picked up the phone and didn't dial," Harrington told *Ignites* in one of the few interviews she's given since speaking to the *Wall Street Journal* and *The New York Times* in December. "It's not an easy thing to do, and it has ramifications. People are going to jail, and that's not an easy thing to wrestle with."

She says she was ultimately able to temper her concerns with her pride and faith in the financial services industry, of which she is a 22-year veteran.

Harrington has been involved in a range of hedge fund industry groups over the past 10 years. She is one of the founders of "85 Broads," a group of women who currently or previously worked at Goldman Sachs (which is located at 85 Broad Street in Manhattan).

That group brings in speakers, organizes forums and sets up programs for women in the hedge fund industry to mentor each other. In October 1999, six women from the group were featured on the front page of the *New York Times'* business section.

She is also a supporting member of 1,000 Women in Hedge Funds, another organization that mentors women in the industry and raises money for the education of disadvantaged youth.

The story of what finally led Harrington to make that call also illustrates some of the dynamics that may have kept others in the industry from coming forward. Considering the potential for recrimination and industry blacklisting, it's no wonder that illegal and unethical trading arrangements continued unnoticed for as long as they did, say recruiters and others in the fund industry.

From 2001 to 2002, Harrington managed a fund of hedge funds at Stern Asset Management, the parent company of Canary Capital, now infamous as the hedge fund manager targeted in Spitzer's initial complaint.

She had an office in New York, but spent two days a week at Stern's offices in New Jersey. It was there that Harrington says she stumbled across trade records showing frequent movement of Canary's assets into and out of a handful of mutual funds.

Then Harrington began to hear Canary traders bragging about their trade deals with mutual fund firms. When it became clear that Canary was market timing and late trading with some of the biggest names in the fund industry, she says she was dumbfounded.

"I had been in the industry for 22 years, and never thought that people could get away with anything so egregious," Harrington says.

Around that time, the firm's secretaries began complaining that their 401(k) plan featured poorly performing funds, she says. So Harrington went to Edward Stern, the firm's managing principal, and requested that he hire a different 401(k) plan administrator.

But Stern said the current plan administrator allowed him to time the market in his own account, so he didn't want to make a change. She questioned Stern on the ethics of market timing in mutual funds. But Harrington says Stern told her that it was up to the mutual fund firms to put an end to the practice.

That explanation didn't sit well with her, says Harrington. Knowing that the 401(k) plan was the only investment vehicle for many of the secretaries in the office and knowing that Stern's market timing could be creating a drag on other investors' returns, she was frustrated.

"It's a zero-sum game. Anything these people were making, the people in the fund were losing," she says.

Harrington was in a unique position to understand what Stern's frequent trading meant to other investors. For 11 years, she was a bond trader at Goldman Sachs, and then went on to head up emerging markets trading at Barclays.

During her tenure at Goldman, Harrington says, she was trained to question everything she saw, even if it was the decisions of top management. Putting fiduciary duty first was a ubiquitous mandate at the firm, she says.

"I grew up with the freedom to say, 'Maybe we shouldn't do that,' or 'Maybe we should do that,'" she says. "At Goldman, compliance was a resource, not the police. They were there to help you make sure you were doing things right."

That tone of doing the right thing has to be set at the top, says Harrington. By the looks of the trading deals at Canary, that kind of mandate had clearly broken down at some firms, she says.

Don Phillips, managing director of Morningstar, agrees that the breakdown of those values is one of the main issues behind the years of wrongdoing in the industry.

"I think it was just an industry where people stopped asking themselves questions," says Phillips.

When she was working at Stern, Harrington didn't know how far-reaching the firm's trading arrangements were, nor how common such arrangements were throughout the mutual fund industry, she says. But the environment at Canary didn't sit well with her on an ethical level.

"People have given us their life savings. We should be better than that," Harrington says.

So Harrington resigned her position at Stern in April 2002, staying on until August of that year to train her successor.

In the wake of her unmasking as the original whistle-blower, many have accused her of calling Spitzer as part of a vendetta against her former employer. She points to the way that she left her former employer as evidence that she was not motivated by revenge.

"I stayed at Stern to help them train a successor. Then I waited a whole year to come forward," Harrington says. "You don't do that if you have a personal vendetta."

After leaving Stern, Harrington joined SP Capital Management in Manhattan, a subsidiary of Sterling Equities, to manage another fund of hedge funds. She left that post because of the publicity the investigation brought her.

In the period between leaving Stern and calling Spitzer she continued to think about the effect that Canary's arrangements would have on the mutual funds' individual investors, she says.

Some of the lessons she learned from the terrorist attacks of September 11 also influenced her decision to call the attorney general, she says.

"I learned that maybe life isn't so long," Harrington says. "I lost 13 friends and a cousin that day. I learned that maybe you have to do the right thing when you have a chance."

Harrington says she thought many times about going to a regulator such as Spitzer with the story of wrongdoing at Canary. But she didn't want to make waves, and she had trepidations about being termed a whistle-blower, she says

"Some people still think you've betrayed a trust if you blow the whistle," Harrington says. "Instead of saying 'You did the right thing, you have integrity.'"

So she waited for news of the trading arrangements in the headlines and hoped that, somehow, regulators would catch wind of the wrongdoing, she says.

Then, conversations with her sister, who was worried about her financial future and whose only asset was her 401(k), brought the abuses home for Harrington.

"When I thought about it from the bottom up — from my sister's standpoint — I couldn't sleep anymore," Harrington says.

That was when she realized she had to come forward with her evidence, she says.

Harrington says she decided to bring the information she had to Spitzer, largely because she thought he had a track record of standing up for individual investors' rights.

Some of the news stories that would follow implied that Harrington went to Eliot Spitzer because she thought the SEC wouldn't act forcefully enough.

That insinuation is inaccurate, she says. She says she went to Spitzer because she knew he had the Martin Act on his side, and had moved swiftly against Wall Street research firms in the past.

"Through the media, I felt I knew him," Harrington says. "He championed the small investor and wanted to level the playing field. I believed that if I pointed him in the right direction, if there was wrongdoing there, he would fix it."

Furthermore, a fellow Goldman alum, David Brown, had recently joined Spitzer's office as head of the Investor Protection Bureau. Although they had never worked together, she says, she had heard of Brown from other former Goldman colleagues and knew his reputation.

Harrington's actions took guts, say many in the industry. Throughout the mutual fund business, there are a lot of disincentives for employees to come forward, they say.

"Companies have a way of encouraging people to 'stay on the team,' another way of saying 'don't make a fuss and we'll treat you well,'" says **executive recruiter Charlie O'Neil**.

If an employee does decide to leave a job because of ethical lapses at a firm, they'll have some tough questions to answer when they search for a new job, says Jeff Morton, a founding partner of Adviser Compliance Associates.

"It would be very hard to find a new job," says Morton. "It's such an incestuous industry. The fund firm's question is: 'Why did you leave your prior job?'"

Harrington originally wanted to offer her information anonymously. She didn't want to name Stern or Canary Capital specifically and she wanted to provide information only by phone, she says.

Ultimately, though, staffers and lawyers in Spitzer's office persuaded her to visit the attorney general's office. That was in May 2003. By September, Spitzer had announced his findings to the world.

Harrington was heartened by the fact that Spitzer promised to protect her identity. Only five people in his office knew her name, she says, and all of his documentation referred to her as a man.

But, she says, there was one thing that Spitzer said in his initial press conference that may have sparked some investigative reporters' interest in the whistleblower's identity. He said that someone had helped him in his investigation, but that he would take the person's name to his grave.

"I think some investigative reporters took that as a challenge," Harrington says.

Indeed they did. Reporters from the *Journal* tracked down two of the men subpoenaed to help Spitzer in his investigation of Canary. They were Andrew Goodwin, a former Canary trader, and James Nesfield, a consultant at the firm.

Soon, Harrington says, reporters from the *Wall Street Journal* started calling her. Harrington says she thinks that the reporters put together what they'd learned from Goodwin and Nesfield, and decided that the original tipster had to be someone from Canary. Because Harrington had recently left the firm, she says, she thinks she became a suspect.

But Harrington didn't want to be in the headlines. So, she says, she left the country for three weeks.

"That's just not me," she says. "I'm a very private person. I never wanted to be known for any of this."

When she returned reporters from the *Journal* were still trying to reach her, she says. One night when they called, she answered the phone. The reporters said they were planning to run a story the next day, alleging that she was the original whistle-blower. It was then, on Monday, Dec. 8, that Harrington agreed to an interview. She invited only the *Journal* and *The New York Times*.

"They had backed me into a corner," Harrington says of the media. "They were going to say that I helped Eliot Spitzer and that I wouldn't answer their questions, but that Andy Goodwin and James Nesfield did. Now I'm in the same sentence with two guys who broke the law, who got subpoenaed to come in. I wouldn't answer their questions, which makes me look horrible."

Neither reporters from the *Journal* would comment for this story.

"I'm not a rookie," Harrington says. "I learned at Goldman that it's better to get in front of a story than on the back side of the wrong story."

The *Journal* and the *Times* ran their stories on December 9. Then came the media onslaught — a barrage of calls to Harrington's home and a raft of newspaper headlines. In newspapers from Singapore to Oregon, the story of the whistle-blower was in the business pages.

At one point during that week of headlines, she says, someone tried to break into her apartment.

Harrington says she is happy with the way reforms in the industry are developing in the wake of the scandal. She says she doesn't want to see more regulations, just better enforcement. She says she has spoken several times with fellow Goldman alumni Senator Jon Corzine (D-N.J.) and SEC director of enforcement Stephen Cutler about the issue.

"We need to make sure that it's not up to one human being to make the right choices," Harrington says. "It's incumbent upon all of us to police the weakest link in the fence."

As for Harrington's career, she says, the future is uncertain. She had plans to start her own hedge fund in the coming year. But she says she wants the frenzy of media attention to die down before she makes any definite plans.

Whatever she does, she can sleep at night, knowing she did the right thing, Harrington says.

"An old boss said to me: 'Some doors will close. Let them close. You're too good for those doors. You did a good thing and I don't think America will close the door on you.'"

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## **Pressure on Fund Marketing**

### **Money Management Executive (1/19/04)**

With the industry heading toward almost assured legislation relating to fees, the way funds market themselves is sure to morph, and some in the industry are bracing for a "revolution."

Regulators have put the way fund companies conduct business under the microscope since the fund scandal hit the headline news pages in September and, even before Fund, legislation proposing increased fee transparency was proposed in the House. Directed-brokerage agreements, soft-dollar arrangements, 12b-1s and other fees are among the practices under scrutiny.

However, the potential elimination, or limitation, of 12b-1 fees - which are one way a fund firm can pass along marketing costs to an investor - would pose significant problems for some fund firms.

### The Perfect Storm

Ted Siedle, president of Benchmark Advisory Services in Ocean Ridge, Fla., said the

economics of distribution are changing dramatically and the combination of a heightened regulatory environment and rampant abuses in the industry are the makings of the mutual fund industry's version of "The Perfect Storm."

"Most funds don't have spectacular performance, so it's a marketing game. It's always been a marketing game. That's got to change," said Siedle, a former Securities and Exchange Commission attorney and onetime Putnam Investments chief of compliance.

Siedle expects downward pressure on both fees and trading costs. "I think the use of fund brokerage commissions for distribution or marketing will be virtually prohibited," Siedle said. (See the ICI's call for the eventual total abolition of directed-brokerage, page 12.)

"How will funds pay for marketing and research they have been soft-dollaring? The fund companies are going to try and impose fees and loads where possible to make up the difference. If they can impose redemption fees and transfer fees or sales loads to pay for marketing, that will give brokers an incentive to distribute certain funds," Siedle said.

"I think the industry has got the biggest marketing challenge since the mutual fund boom began," he added.

Lou Harvey, president of Dalbar, Boston, is also bracing for a big quake in the industry. Harvey expects a revolution, rather than an evolution, in relation to regulation and marketing.

Harvey said there are two regulatory approaches to correcting the industry's problems in this area. One way is to look at each individual fee, soft dollars, trading costs and front-end loads. "There are a lot of different pockets there," Harvey said.

The other way is to take a macro approach. There is a provision in the 1940 act that prohibits competitive pricing. By eliminating that restriction, a lot of the problems can be resolved, Harvey said. "It will be interesting to see if people think we can just tweak the system," he said.

"It would be my hope that competitive pricing is restored and, therefore, the broker/dealer firms will get compensated directly, rather than from the fund companies," Harvey said. He does not expect fund companies to make investors pay for marketing in the future via some other fee paid to the fund complex. "In the future, the distributor will collect their own fee, similar to the structure in managed accounts. It seems logical," he said, adding it will be up to the investor to shop around for best prices.

Jeff Fishman, founder of JSF Financial, a financial planning firm in Los Angeles, said that he expects investors will end up paying virtually the same cost, whether it is through a 12b-1 fee or a heightened management fee. He doesn't see the dynamics of distribution changing all that much, either. "In the end, regulators can require all the disclosure they want, but the most important thing for investors is the investment adviser they work with. Are they working with good, ethical, people?"

A reduction in fees by fund firms will place pressure on some budgets, said Dan Sondhelm, vice president and partner with SunStar, a strategic communications firm in Alexandria, Va. However, Sondhelm doesn't see doom and gloom. "In the short term,

clearly revenues will decrease if everyone lowers their fees by 20%." However, over the long run, Sondhelm thinks companies will be more competitive after regulators are done clarifying what arrangements are acceptable.

Several mutual fund firms, including Fidelity Investments, Dreyfus Corp. and Janus Capital, declined to be interviewed for this article.

### Pinching Pennies

Meanwhile, pressures placed on fees that are used to market funds may put a squeeze on sales marketing personnel, including wholesalers, cautioned **Charlie O'Neill**. Firms will be examining every one of their marketing efforts and looking at ways to trim costs. Firms will evaluate the number of necessary field wholesalers and potentially move some of that work to an inside sales team or have it handled electronically.

O'Neill also expects fund firms to scrutinize the way they distribute literature, he said, noting the high cost of shipping. Additionally, there will be more opportunities for outsourcing on the marketing side, O'Neill said (see related article on operations outsourcing, page 6). "Does a mutual fund company need 50 marketing writers on staff, taking a fixed cost, when outsourcing that work would make it a variable cost?"

However, O'Neill warned against regulators getting overzealous and trying to regulate fee amounts or percentages, such as the "inappropriate" settlement Alliance Capital entered into with New York Attorney General Eliot Spitzer. "When regulators tell private companies how much they can charge for their services, that's called communism," he said.

However, some don't expect the giant U.S. mutual fund machine to just let profits walk away. "The mutual fund industry is the most profitable industry I know, and there is a reason for that," said Brent Glading, founder of Montclair, N.J.-based pension consultant Glading Group. "Their profit margins will be aggressively protected. I don't see an industry that has been operating this way for decades changing because Eliot Spitzer scratches the surface."

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### **"Thank you, Mr. Spitzer."**

In his column in [Money Management Executive](#), (12/22/03) reviewing current 'winners and losers' in the job market, O'Neill credited the NY Attorney General with improving compliance experts' job prospects. Noting that companies are increasingly risk-averse, he anticipates that other factors—including fund trustees' move to set up compliance functions reporting to them—will make compliance a strong growth area for some time to come.

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### **Moving Lawyers Front and Center**

**Charlie O'Neill, December 22, 2003**

If we were to stage a "Best of" show about the year's impact on job prospects, Eliot Spitzer would be a good choice to serve as our affable host. And you, as a compliance professional, would no doubt have a chance to walk up to the stage, collect your trophy, and give the New York Attorney General your personal thanks for improving your job prospects tenfold.

Your job has now moved from the relative obscurity of a support function into the spotlight. You can be sure that any CEO will be interested in your opinions about any aspect of the company's business. Companies cannot afford the financial risk of a compliance failure, but most importantly, they cannot afford the risk to the company's reputation or its relationship with the fund trustees

A review of Internet job boards shows no less than 50 open compliance positions available to you. There's reason to think money managers will be staffing up their compliance departments for some time to come for the following reasons.

Trustees will have compliance professionals reporting to them. This does not mean management companies will cut back on their own compliance teams. Far from it. They will need their own compliance departments as a form of insurance, to serve a liaison role with the trustees' staff and to handle such functions as sales literature review and annual compliance certification -- not functions likely to be moved under the trustees' purview.

Compliance professionals are expensive as compared to people in key operations, sales and marketing functions. It is still possible today to hire three compliance experts for the price of one experienced wholesaler.

Many companies have retained law firms to conduct independent investigations. Eventually, they will bring this investigative capacity in-house.

Companies will create ombudsman positions, to ensure that any potential whistleblowers have a place to air their complaints before they turn to the SEC or the likes of Mr. Spitzer. Who is better equipped for the ombudsman role than a lawyer or a meticulously fussy compliance expert?

#### Other Winners

Compliance is not the only category with strong career prospects. Other jobs that will assume a higher profile include retirement plan, Section 529 college savings, separately managed account, hedge fund and product development experts.

The retirement plan area is in the middle stage of a strong growth surge and will continue to be such as Baby Boomers reach their retirement years. Saving for college is a perennial concern, and, again, demographic trends ensure that it will remain a growth area. Both will benefit if new legislation creates universal, tax-deferred savings accounts.

Separately managed accounts are gaining prominence, albeit slowly in relative terms. Despite the whispers about the pending demise of the \$7 trillion mutual fund business, SMAs have a long way to grow if they are to capture a greater percentage of investors' wealth. But any money manager needs to count an SMA program among its product offerings. The same case applies to hedge funds, which will gain prominence as barriers to entry (i.e. investor net worth requirements) are lowered and as investors seek higher returns than traditional investments can provide.

And while product development experts have often been the poor stepchildren of the sales department, that is about to change. Product innovation has often been driven by a follow-the-

leader strategy. Money managers will now likely take a more proactive approach to developing products that will offer good value and the potential for better returns to shareholders.

#### On the Losing End

Fund wholesalers and, for that matter, any sales and marketing people who have only been in the right place at the right time, are not likely to fare well in the current business environment. Operations managers may find themselves under pressure as companies move to outsource processing and IT functions. Even call centers will be vulnerable to displacement as companies examine the relative costs of supporting an operation in the continental U.S. versus overseas.

For that matter, also add to the list of losing job seekers anyone who cannot survive in a meritocracy. Companies know they can afford to be highly selective.

As a final note: In the new business environment, if you are not among the best and the brightest at whatever it is you do, it may be time to consider an alternative career. Maybe, if you are lucky, you can find a job with Mr. Spitzer's gubernatorial campaign team - not that there's anything wrong with that.

**Charlie O'Neill runs Diversified Management Resources**, an executive search and marketing consulting firm. He was once a managing director with Putnam, head of marketing for Colonial/Liberty.

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#### **Bringing Out the Best in Your Employees**

([2003 ICI Operations Conference](#) 10/20/03) D.M.R.'s Charlie O'Neill moderated a panel discussion, "Bringing out the Best in your Employees." O'Neill and other panelists discussed cost effective methods for successfully motivating and retaining staff. Key issues talented people look for include: being treated as adults, and managers who are even-handed and fair in conducting performance appraisals.

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#### **The Patriot Act and your retirement**

In his [CBS MarketWatch column](#), (10/09/03) industry expert and writer Robert Powell cited O'Neill's comments about the issues retirees may face as they initiate large financial transactions, such as selling a home or depositing proceeds from life insurance policies. O'Neill said retirees who plan to deposit a large check should speak with their financial advisor or banker to avoid any inconvenience or delays.

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#### **Funds Trim Fat - But Jobs Still Exist**

"Job cuts and restructuring are not short-term trends in the mutual fund industry. They are here to stay," Charlie O'Neill told [Money Management Executive](#) on 9/22/03. "Companies are feeling increasing pressure on their profit margins." He points out that fund directors were already paying closer attention to fund expenses, but now new regulatory requirements, such as anti-money laundering compliance, will force firms to incur expenses that cannot be immediately passed along to shareholders. Upper management at these companies must also adapt to an environment that emphasizes transparency and clarity in expense reporting, he said.

Another ongoing theme among fund complexes has been a wave of restructuring efforts or what some in the industry refer to as "background noise." Many companies have found that their business models weren't working and have gone back to the drawing board. One area that has been targeted for retooling at many firms is their sales and marketing workforce. For example, it is likely that there will be more aggressive moves to leverage technology to improve or perhaps even replace some portion of the traditional wholesaling organization. That creates opportunity for job seekers, O'Neill argues, in that one person's job loss through restructuring often means another person's opportunity. In other words, when companies look to revamp their business, they tend to seek skilled outsiders to take on new roles.

Still, there's definitely a bias toward net loss of jobs in the fund industry. That is not just a function of the difficult market environment but also efficiency of technology. Overall, O'Neill believes that job seekers with the most experience are still highly employable, but folks whose credentials are not necessarily in the top tier will find the job search to be a daunting task.

An area where there will be real net growth in jobs is in the compliance field. In light of the intense scrutiny from securities regulators, legislators and most recently New York Attorney General Eliot Spitzer, mutual funds are being forced to beef up their compliance departments significantly. "Look for the compliance department to be gaining authority within a firm," O'Neill said.

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**Pink Slips Fly** In mutual fund industry publication, [Ignites](#), on September 12, 2003, O'Neill said he was not surprised by recent staff reductions in mutual fund sales organizations. "The changes continue as firms struggle to contain costs but still grow their assets under management. "We are in a sustained period of staff reorganization as companies spend more money on programs that are working, less on those that are not," he says.

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**More on AML** [Fox News with Neil Cavuto](#) 9/11/03 included O'Neill's comments on the pending customer identification requirements of The USA Patriot Act.

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**Privacy Concerns** O'Neill commented on issues and implications of new AML requirements under the Patriot's Act. (Reported in [The Philadelphia Inquirer](#) and [Philly.com](#) 9/04/03) O'Neill said the changes represented a "sea change" in the way financial services companies relate to their customers.

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**Verification requirements of the Patriot's Act** Comments on customer verification requirements of S.E.C. rules effective October 1, 2003. ([The Mercury News](#); [Centre Daily](#); [Twin Cities.com](#), [Tallahassee.com](#), [Macon.com](#), [the Aberdeen News](#); [Myrtle beach Online](#); [Belleville.com](#); [Ledger-Inquirer, Columbus](#), 9/04/03)

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**In the Money** (8/31/03) O'Neill was a guest on [CNN's In the Money](#), where he offered perspectives on upcoming changes in SEC Regulations under the Patriot's Act. Among other changes, new financial institution customers will be required to provide additional personal information, so that financial companies can better detect and prevent money laundering. O'Neill noted that some customers will find the changes intrusive, but companies that make an effort to communicate the purpose of their new procedures will be able to strike an accurate balance between AML compliance requirements and good customer service. He also cited a Dalbar study detailing the increased costs of doing business as a result of the AML requirements. (See note below)

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**AML's Extra Costs** ([The Boston Herald](#) 8/27/03) O'Neill discussed a Dalbar study detailing increased costs financial services companies will incur as a result of new AML rules.

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**Intrusive questioning?** ([The Wall Street Journal](#) 8/26/03) Commenting on new AML requirements, Charlie O'Neill noted that intrusive questioning and account monitoring will represent a significant change in financial services companies' relationships with their customers. (See note below)

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**Confirming sound investment choices** ([Newsday](#) 7/27/03) Interviewed for an article providing advice to investors, O'Neill described the importance of finding a qualified financial advisor.

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**Moving down the ladder?** ([Money Management Executive](#) 5/05/03) O'Neill's [Career Clinic](#) column explored the special challenges faced by out of work executives who must consider jobs at lower management levels in order to return to the mutual fund industry.

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## **Are You Too Experienced?**

**By Charles A. O'Neill, May 5, 2003**

I'm walking in Post Office Square, in the beating heart of Boston's financial district. I see my luncheon guest. He's huddled against the door of the coffee shop.

We'll call him Ernest, and he is, indeed, earnest about finding a job. But everywhere he goes, hiring managers spend a few minutes with him, scan his resume and say, "Your experience is great. It really is. But the job we are working to fill is a bit junior for you. It's been great meeting you. We will give you a call next week." Needless to say, in Ernest's world, the phone does not ring next week. Or the week after.

Ernest has enough solid experience to be interviewing for a fairly senior job, one that back in the heady '90s would have paid a base exceeding \$100,000 plus the usual bonuses. But after a decade of loyal service, he became part of his employer's "rightsizing" effort, only to find himself now too experienced for many of the job opportunities he's hearing about.

Ernest asked me, "Should I take a job two levels lower than the one I had? Will accepting a lower-level position now be seen as a step back, and impede my future career progression?"

As we order the luncheon special (this not being the frothy '90s), I reflect on Ernest's background. No flaws that I can see. But there is something about Ernest. He is 50 years old. When he cut his teeth on his first job, the hiring manager he saw last week was just finishing high school. If she hires Ernest, she could be hiring her own replacement. End of discussion.

So, I tell Ernest, if a more senior job isn't available, if you've done the mandatory soul-searching and you really don't mind stepping back a bit - take advantage of one of the few jobs that are open. Given some time to assimilate into the new organization and then showing them what you've got, you will likely find that you're building enough experience and expertise in your new career path to gain recognition and earn you a future promotion. Ernest will probably have to prove, all over again, that he is a team player. Only this time, it's on someone else's team. But given some time to shine, he will surely become the team's leading VIP, and eventually the top coach.

How to convince the hiring manager your ego can handle a step down? If the hiring manager's eyes are beginning to glaze over, and she's rising from her chair, don't hesitate to assure her you are more than eager to make a solid, measurable contribution to her organization. Explain that you are anxious to bring wisdom, integrity and experience to her staff, no matter what your functional title would be.

Be sure to point out your willingness to accept a job title that is a notch or two down from the one you held, noting that your feeling of accomplishment or achievement of the company's goals is more important to you than what's printed on your business card. Ernest, who has held jobs at a variety of levels, listened carefully and agreed that at this point in his career, he doesn't need to be the leader of the free world. If given a chance, he knows that he can help the company succeed.

#### A Breather

If you feel confident that your ego won't be too battered, and resentment definitely will not be an issue, then stepping down a rung or two on your personal career ladder isn't necessarily a bad move or even a career killer.

It doesn't mean you have failed. Just the opposite is true. You've succeeded in landing a new job. You have been hired by a fresh company that recognizes your value and potential - and you'll be working for a manager who sees experience as an asset, not a threat.

Accepting the new job means you are flexible enough to chart a new career path, and confident about your abilities.

Furthermore, stepping back a bit will allow Ernest to see the bigger picture, and decide for himself if he still wishes to pursue his original path or pursue new opportunities. A job without the pressures he's used to would be a breather, Ernest says.

But to give yourself a chance at a different level, you need to tone down your resume. Both to shorten your career timeline and to show a prospective employer that you are in touch with today's problems, I would suggest focusing your resume on your recent experiences. Also, downplay any managerial piece of your history, deleting, for example, anything that sounds like, "Hired and motivated a staff of 26 young whippets and taught them everything I know, and that's a lot."

**Charles A. O'Neill** is a principal with **MutualFundCareers.com**, a Web site devoted to jobs in the mutual fund industry. He is also a principal with Diversified Management Resources, a marketing, consulting and executive recruitment firm in Boston. He can be reached at: [coneill@mutualfundcareers.com](mailto:coneill@mutualfundcareers.com)

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## **Pru Rumored to Be Readying Cuts at Skandia**

**Article published on May 20, 2003**  
**By Ignites.com Staff**

On the heels of finalizing its acquisition of American Skandia earlier this month, Prudential is said to be preparing in the coming days the first of two rounds of layoffs, according to a source familiar with the situation.

According to the source, Prudential is gearing up to eliminate more than 200 employees from its American Skandia subsidiary. This week's round of layoffs is expected to affect about 100 employees. A second round of roughly the same magnitude is being planned for late in the third quarter, according to the source. The cuts will be made across the board, but the bulk of the firm's wholesaling positions are expected to remain intact, the source says.

As part of the change it is rumored that William Marsh, a vice president of electronic commerce at Prudential who helped with the merger, will be named chief operating officer of the combined Skandia-Prudential unit.

Marianne Stochmal, a spokeswoman for American Skandia, referred calls to Prudential. Prudential spokesman Michael Arcaro would not confirm or deny the reports.

Prudential purchased American Skandia for \$1.17 billion last December. The deal catapulted Prudential from the 14th largest variable annuity firm based on assets to the fifth. Since then, industry observers have speculated that Prudential would seek to eliminate redundant positions. Skandia is said to have roughly 600 employees.

Much of Skandia's top leadership has already left the firm, sources say. That includes Wade Dokken, president and CEO; Patricia Abram, chief marketing officer; Michael Murray, senior vice president and national markets director; and Brett Winson, head of human resources.

While layoffs are typical of most mergers, the source questioned Prudential's strategy of quickly ushering the top executives out the door.

"It's mystifying because Prudential has effectively removed all third-party expertise and people who have relationships with the marketplace."

While Prudential appears intent on leaving Skandia's wholesaling network intact, it remains to be seen whether that approach will work, the source says.

"What Prudential is saying is that they put more importance on the wholesalers, which at the end of the day may be correct. However, the wholesalers have to believe in the management as well, so it will be interesting to see the reaction of Skandia employees to these latest moves."

The news came as no surprise to many industry recruiters and consultants, who say they were expecting such a move. Shortly after the merger a committee with executives from both firms was put together to evaluate the redundancies, according to one industry recruiter.

Another headhunter speculated that the first round will probably include a lot of operations and administrative staff, where there is likely to be redundancy between the two firms.

Prudential, of course, isn't the only firm involved in slashing head count. Over the past few years, a prolonged bear market has crimped earnings at most mutual fund shops. AIM, Putnam, MFS, Fidelity, American Century and other firms have all laid off workers.

While the equity markets have generally improved this year, they are still way below their historical high levels. That's causing many firms to execute layoffs in a very prompt manner, says **Charlie O'Neill**, a principal with recruiting firm **Diversified Management Resources**.

"I think the difference between now and a year ago is that people would previously take more time," he says. "Now there is a tendency to do it more quickly."

That generally holds true for layoffs following mergers and also those that result simply from trying to cut costs.

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**New Website Aims to Become Mutual Fund Jobs Central** ([Mutual Fund Market News](#) and [MutualFundWire.com](#); 4/14/03) Mutual Fund Market News and MutualFundWire.com were the first publications to announce the formal public launch of Mutual Fund Careers.

In their articles, headlined "New Website Aims to Become Mutual Fund Jobs Central" and "Fund Industry Gets Career Web Site" respectively, both publications reported MFC's unique combination of career management, professional development and job posting features.

MutualFundWires.com quoted co-founder Charles O'Neill, "the mass market job sites have their place, but for many firms in the fund industry, they are too broad-based."

Raymond O'Brien, co-founder, told Mutual Fund Market News that the site's fee structure is designed to appeal to qualified professionals, while providing an opportunity for job seekers to hone their skills with online training from [Boston University's Center for Professional Education](#) and the [National Investment Company Service Association](#).

Mutual Fund Market News also noted that "after several years of layoffs in the mutual fund industry, a new service that provides a job board and skill enhancement at the same place may be well timed."

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## Tough Market Raises Bar for Job Seekers

Ignites, Feb 18, 2003

By Suzanne McCoy

While fund employees fight the layoff jitters, top headhunters say that the industry's job market is showing some signs of improvement. But when hiring does start picking up, they say, executives looking for work can expect an altered terrain.

Out-of-work executives will need to sell themselves harder than ever and may have to rethink their departments of choice. Some may also have to adjust their salary expectations.

Recruiters say that firms currently on the hunt are taking a fine-tooth comb to resumes and are cautiously hiring in areas such as sales and compliance.

Larry Lieberman of the The Orion Group says that since 2000, industry hires across the board have been largely geared toward just maintaining current staff. For every five hires firms made in 1999, he says, four were for new positions and one was for an existing position. Now, that ratio has reversed.

"They have resigned themselves that their margins won't be what they used to be," says Lieberman. "But they see that they need to move ahead."

So fund companies are weeding through stacks of resumes and deciding what, exactly, they want from a new hire. But unlike the situation in the '90s, firms now have a stronger field of candidates to choose from.

"Firms are looking for the perfect person," says **Charlie O'Neill**, an executive recruiter at **Diversified Management Resources**. "They really are going to wait until they find someone who fits all their requirements."

With the odds narrowed, Donald Dzurilla, president of recruiting firm Donald Dzurilla International Co., says job-seekers should be flexible when considering their next career step.

Sales and compliance staffers, for example, are likely to stay in demand for the near future. Every firm will need to maintain a sales force, and new regulations and greater SEC oversight of the industry is prompting firms to staff up legal and compliance departments.

Fidelity, for example, is adding four executive positions in sales or auditing roles.

Meanwhile, Oppenheimer is looking for a vice president of international sales, Franklin Templeton is looking for a corporate tax specialist, and American Century is looking for a vice president of national accounts.

With executive positions at fund firms few and far between, some say employers are using the market to their advantage.

One out-of-work executive says he watched his former employer pass up a talented, innovative candidate two years ago because her salary requirements were too high. His firm recently hired the same candidate for \$50,000 less than she had originally asked.

The executive says the firm clearly would have benefited and grown from having that candidate on board during the previous two years.

Firms need to be careful about lowering compensation for top talent.

"You have to look at the long-term implications of low-balling someone," says Dzurilla.

Employees who receive less than they think they're worth will likely feel resentful, even if they don't admit it, Dzurilla says.

"As soon as the market goes back up, that person will be out the door."

Some say that out-of-work execs may do well to consider working even farther afield.

Many out-of-work fund executives are moving toward hedge funds and private accounts.

"The trend is definitely in people moving into alternative products," says Lieberman.

Other executives may want to move even further out of financial services, says Dzurilla.

He uses the example of a portfolio manager who analyzed defense contractors — a job that required traveling three out of four weeks a month. He could, potentially, take a job as chief financial officer of a defense contractor, and have more time for other things in his life, Dzurilla suggests.

"Going to the other side of the desk can have its payoffs," he says.

O'Neill agrees, saying mutual fund employees are attractive to many other industries for their firm grasp of financial fundamentals and their reputation for integrity.

"The fund industry's a reservoir of talent," says O'Neill.

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## **Eaton Vance Cuts Pay, Adds Options in 2002**

**Ignites, Feb 5, 2003**  
**By Colin Dodds**

After a strong 2002, Eaton Vance has cut the cash compensation of some of its top executives.

Its top two executives, CEO James Hawkes and Executive Vice President and Chief Investment Officer Thomas Faust, saw their cash compensation cut by \$824,000 and \$760,000, respectively.

Two other top execs, Vice President and Chief Legal Officer Alan Dynner and Vice President and Chief Financial Officer William Steul, saw their cash compensation fall by \$160,000 and \$166,000, respectively.

Those pay cuts came as net income rose by more than 4% to \$121 million and revenue rose by 4% to \$523 million.

But even with the cuts, Hawkes still took in roughly \$2.9 million in cash compensation, while Faust earned \$2.5 million. Dynner and Steul earned \$737,000 and \$730,000 in cash compensation, respectively.

The firm's decision to cut the execs' pay was the result of the sinking market, says Debbie Porter, a company spokeswoman.

"The lower compensation reported in the Eaton Vance 10-K reflects the 2002 market conditions and their impact on the company's performance," she says. "Management bonuses included in compensation are based on growth in profitability, which in turn is driven by assets under management."

And that's one measuring stick by which the company didn't improve in 2002. Its assets under management fell from \$56.6 billion to \$55.5 billion for the year.

But given the other improvements, more factors were at work in the company's decision to cut the cash compensation of its top honchos after a fairly strong year, consultants say.

One reason for the cuts in cash pay may well be company morale, says **Charlie O'Neill**, a principal at recruiting firm **Diversified Management Resources**.

"Employees do look at these [annual company] statements," says O'Neill.

And seeing the top executives haul in big bonuses while the rest of the company is clamping down on expenses elsewhere can alienate employees, O'Neill says.

Part of the reason for the cuts may also involve public relations, says Larry Lieberman, of recruiter Orion Group.

"While no one's going to shed a tear for a guy who earned \$3 million in cash, they're putting on a good show," says Lieberman.

Also, after corporate ignominies such as Enron and Tyco, top execs' pay is under much heavier scrutiny, says David Bushly, Buck Consultants' compensation practices leader for financial services. In the current economic and media environment, rising pay for top brass casts a bad light on a company's corporate governance.

But at the same time that Eaton Vance is cutting cash compensation for its top dogs, it increased the stock options it offered them in 2002.

The top two execs, Hawkes and Faust, received a respective 13,600 and 13,900 more in options in 2002 compared to 2001. Assuming regular annual stock appreciation of 5%, the total value of their options for 2002 are estimated at \$5.9 million and \$4.9 million, respectively.

Meanwhile, Dynner and Steul each received 4,700 more option shares in 2002 than they did in 2001. The total value of the shares they received in 2002, using the same method of calculation, amounts to \$580,000 apiece.

Eaton Vance's decision to move a chunk of its execs' compensation to stock options makes sense, says Lieberman. It's a good way for the company to increase management's incentive during harsh times, he says.

It's also a good way of improving the company's balance sheet, says Donald Dzurilla, of Donald F. Dzurilla International. The cash cut from the execs' compensation goes right to the firm's bottom line, he says.

Compensation in financial services industry is changing, says Dzurilla. Companies are looking more closely at how individuals affect overall performance, rather than just increasing compensation when the company does well, he says.

That may explain why Eaton Vance vice president and chief sales and marketing officer Wharton Whitson was the only one of the top five execs whose cash compensation increased in 2002.

Coming off a year in which net income and revenue climbed, Whitson's cash bonus rose roughly \$9,000, to \$1.17 million. His option grant also increased by 3,400 options, giving his grant a total value of just over \$2 million.

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## Putnam Cuts Tech Projects, Head Count

**Ignites, Jan 22, 2003**

**By Tom Leswing**

Based on its expectations for 2003, Putnam has laid off 17 information technology workers and an additional 18 contract employees.

"It's simply a matter of assessing where the market is and what projects we should support," says Nancy Fisher, a spokeswoman.

Certain technology projects on the drawing board have been dropped along with the positions that would have supported those projects, she says.

All of the positions affected by the cuts were located in Putnam's downtown Boston office and three suburban locations including Andover, Norwood and Franklin. Fisher adds that none of the eliminated positions were involved in information systems for investment management. Furthermore, the layoff is relatively small when compared to the size of Putnam's workforce, which totals approximately 5,600, she says.

Still, the recent layoffs follow a series of staff cuts at Putnam in the past two years.

In the first half of 2001, Putnam made two rounds of cuts totaling 277. Then last August, it laid off an additional 32 workers.

One recruiter says Putnam's cuts do not bode well for the industry. More layoffs, especially in technology, can be expected within the fund industry.

"Staff reductions are not over," says **Charlie O'Neill**, a recruiter with **Diversified Management Resources**.

Firms will continue to evaluate whether they should outsource various technology functions. Since many firms, such as transfer agencies and fund accountants, can offer those services on a more efficient basis, they can offer fund firms some cost savings.

While Putnam declines to disclose which technology projects it's dropping, many firms have shifted their IT priorities, according to a research report by Robert Hegarty of the TowerGroup. In 2000, fund firms were focused on developing Internet resources, preparing for T+1 settlement and accommodating rapid growth. Now, they are turning to technology to help contain costs and to implement business continuity plans.

"This will result not only in a net loss of jobs for fund companies, but a net loss overall, since outsourcing service providers are, in many cases, more efficient," O'Neill says.

Putnam, like most other asset management firms, is suffering from the three-year-long market decline. And like most other funds, it's been forced to cut staff to contain its costs. Indeed, Fidelity, MFS, T. Rowe Price, Scudder, AIM, American Century and a host of other fund firms have slashed head counts, citing tough market conditions.

According to the Financial Research Corp., Putnam funds managed \$240 billion in long-term fund assets in 1999. Since then, however, its assets have steadily declined.

In 2000, assets dropped to \$224 billion. The next year they declined further, to \$179 billion, and through November, the firm's assets were down to \$138 billion.

Those factors notwithstanding, there is some glimmer of hope in Putnam's cuts. The layoffs could have been a lot worse, because Putnam didn't aggressively staff up during the bull market of the '90s, says O'Neill.

"Among all of the companies that have had to cut back, Putnam is one of the best managed in regards to deliberately hiring [a limited number of employees] and then laying off people," he says. "It's not the kind of company that would react in a boom market and then have to lay off a lot of workers."

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**Defining Business (Money Management Executive 10/14/02)** "Many fund companies are at a crossroads, according to Charles O'Neill, president, Diversified Management Resources. In order to keep costs down, many complexes that built out during the boom years of the 1990s are going to have to drop part of their business and concentrate more on specific areas, O'Neill said. 'Fund companies are going to have to decide essentially whether they are product distributors or product manufacturers.'

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**Is Fund Marketing an Oxymoron? (Mutual Fund Market News 2/04/02)** As equity indexes struggle to hold onto gains and recovery seems to be well hidden around the next corner, marketers have found themselves in an unfamiliar world. A report from Diversified Management Resources, suggests that new tactics are required to reach investors who were burned in the recent bear market. A few companies that have marketed themselves successfully may point the way for the rest of the industry.

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**New Study to Review Marketing Service Providers (1/18/02)** Diversified Management Resources has announced that it is undertaking a comprehensive study of companies providing document management, printing and fulfillment, and related marketing services to mutual fund companies. As described by D.M.R. principal Raymond O'Brien, the study is being conducted because, as the traditional lines of distinction between printing and fulfillment companies have blurred, mutual fund marketers are no longer aware of the full scope of services available to them. He also noted that many new companies have emerged as high quality, cost-efficient vendors in this market. The study will be sponsored by service providers and offered free of charge to the top 100 mutual fund companies.

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**Tighter Marketing Budgets (1/14/02)** Discussing mutual fund companies' 2002 marketing budgets in **Mutual Fund Market News**, ("Funds Streamline Marketing Budgets") (1/14/02)\_Charlie O'Neill observed that most fund companies establish two or three alternative marketing budgets, each responding to a different revenue scenario. He

said companies will maintain a base line of promotional and informational materials for use by financial advisors, then add 'nice to have' marketing projects as the year's revenue forecast is adjusted.

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**Bonuses are Down** (1/14/02) In an article in [Mutual Fund Market News](#), "Bonuses offer ugly reminder of 2001," Charlie O'Neill described a shift in mutual fund industry compensation, placing more emphasis on individual and total company performance, with lower salaries. He also predicted that compensation for some positions in the mutual fund industry would decline over the next 2-3 years.

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**Flawed Fund Distribution?** (10/29/01) In an article on marketing strategies for the current difficult business environment in [Mutual Fund Market News](#), (10/29/01) O'Neill said the past practice of most mutual fund companies focused on sales efforts built around short term product performance is unlikely to work in the future. He also noted that mutual fund companies must develop a clear sense of their value proposition – the compelling reasons why customers should consider doing business with them – as they devise their new marketing strategies.

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**A New Wholesaler Emerges** Charlie O'Neill was among the experts quoted in [Mutual Fund Market News](#) (10/15/01) commenting on recent changes in the mutual fund business and their implications for fund wholesalers. O'Neill observed that today's wholesalers must develop a more complete understanding of their firm's products as well as alternative investment vehicles. In responding to the complexity of the current business environment, he said wholesalers would need to learn to better represent the investment management process behind funds they support.

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## **Fund Execs Eye 'Fulfilling' Job Opportunities But Marketing, Ops Professionals Chase More Money**

**By Lee Barney**

Money matters, but not as much as quality of life and the opportunity to make a difference. That is the consensus of securities industry professionals responding to this year's compensation survey by **Diversified Management Resources** of Boston and the **National Investment Company Service Association**, of Wellesley, Mass.

In the pursuit of more fulfilling work, particularly in a job market many believe to be strong, nearly two out of three of various securities industry professionals say they'd be willing to make a change.

Most likely to jump ship are marketing professionals, with 17% reporting they are actively seeking other employ. The group with the biggest—though passive-- yen to switch is operations executives, with 59% saying they are open to new job opportunities. Ironically, however, only 5% of those in operations are actively looking for another job.

"Although more participants in the survey say they are adequately paid (48%) than feel undervalued (42%), many say they are 'open to new job opportunities,'" noted **Charlie O'Neill**, a principal with DMR.

“Overall results suggest that people in the industry are most interested in such intangibles as quality of work/life balance, quality of management and employees and the opportunity to make a difference,” O’Neill said.

But although participants claimed to put quality of life factors first when they consider new job opportunities, many are not satisfied with their compensation. This is especially true in the compliance and marketing departments; 66% of chief compliance officers assert they are underpaid in light of their work’s personal risk and complexity, making them the least satisfied group. Next up in terms of salary dissatisfaction is marketers, 58% of whom report their salaries are below par. Forty-two percent of operations executives say they are underpaid relative to their experience and the value of their work.

Of these three specialties, marketers are the most focused on getting a job with a higher salary. “Marketers are most inclined to evaluate new opportunities on the basis of compensation potential, with 83% of this group saying this is their No. 1 priority in selecting another job,” O’Neill said.

Job hopping is likely to continue, he added, with executives’ interest in other opportunities being whetted by increased phone calls from executive recruiters. Many survey participants said they had received ‘repeated calls’ from recruiters over the past six months.

Respondents to the employment trends survey were well-educated, senior executives, with 24% holding an MBA or equivalent degree and 37% in the business for 16 years or more. D.M.R. designed the survey and conducted it in partnership with NICSA in June, receiving substantial help from a number of sponsors, including **PA Compliance, SalesLink and Unified Fund Services.**

*Money Management Executive* will continue to publish other sections of the employment trends survey in the weeks ahead, most notably findings on the key new position of chief compliance officers. Below, please find charts laying out specific answers to the compensation section of the survey.

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## CCOs – Earning More, Enjoying it less?

In the most recent D.M.R- NICSA survey, we found that CCO recruiting remains brisk and compensation opportunities strong. No surprise there. It’s well known that CCOs are in demand and those with the right type of experience command a premium in the job market. As was the case with internet-savvy marketers and others in 1999, from the employer’s perspective, there are too many compliance job opportunities chasing too few qualified candidates. The result? Wage inflation.

Overall, our survey found CCO compensation is consistent with the levels we forecast last year (See our executive summary for details). (Link executive summary to <http://www.dmrfinancial.com/esStaffing.html>) But our current survey probed two more topics less concerned with the numbers than with job satisfaction.

When asked how they feel about their compensation relative to the complexity of their work, two thirds of CCOs say it is “less than it should be.” Among larger firms (those managing \$50 B or more) nearly all – 90%-- say their pay is inadequate.

That said, do CCOs regret that they accepted the job? In hindsight, about 13% of current CCOs would *not* have accepted the position if they had known then what they know about the job today. More than half (53%) would have accepted the job if certain conditions were met. The rest would have accepted the job without additional conditions.

Overwhelmingly, CCOs who say they would have accepted the job if certain conditions were met cite the need for a larger budget as the most important factor. If given a larger budget, they say they will hire additional staff.

Compensation is one important factor in attracting qualified people to a job, but it is not enough. In fact, in another question, we asked CCOs to identify factors that they consider in evaluating a new job opportunity. For all CCOs who responded to our survey, the top factor they considered before joining their current employer was the quality of employees and management.

None of this is surprising when you consider the events that created the CCO position in the first place. What good is high compensation if you are accountable for compliance but do not have the authority to expand your staff? What good is high compensation if your CEO fails to set the right 'tone at the top?' If our survey findings are instructive, employers should tread carefully before they conclude that it all comes down to money. There is a parallel with the frothy internet years: as firms scrambled for talent then, they provided ever-bigger baskets of stock options. As they learned, option packages do not make people effective. And as employees learned, compensation does not matter much if the core business is flawed.

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## How Professionals Find their Jobs Today

How do executives and other senior-level mutual fund professionals find their jobs? In the most recent D.M.R - NICS survey, we found an answer that turns conventional wisdom on its head. Among the choices listed those who participated in our survey most often credit executive recruiters for helping them find their most recent job. However, although conventional wisdom says referrals are normally first or second in importance, that is not the case here. Our participants say online job boards are second, with referrals third.

We have seen no other mutual fund industry-specific surveys on this topic and any survey is subject to bias and some incidence of error. However, the difference is strong enough to give us confidence in our findings. Looking at jobs posted on Mutual Fund Careers as of August 1, fully 20%\* offer base salaries exceeding \$100,000 – many substantially higher. Add corporate and personal performance bonuses to this, and many of these positions would be considered senior level jobs by any measure.

It is easy to find anecdotal evidence supporting our survey results. Just go online and count the number of professional jobs posted by employers and executive search firms in the money management business. As an example, a key search phrase "Chief Compliance Officer" shows 160 positions (8-01-05)\*\*

What explains our results? We can only speculate, but two explanations come to mind: First, the internet has become the preferred information resource on any topic, bar none. Second, the internet is highly efficient—much less time consuming than letters and phone calls. Third, almost every job is posted somewhere online these days, if not on job boards *per se*, on employers' corporate web sites.

Finally, why not referrals? Perhaps because in a world of hyper-competition, employers are less concerned these days about *who* candidates know than they are with *what* they know. That is not to say that referrals do not count; only that they are in third place, behind search firms and online resources. We did not ask one particular question that could also shed some light on our results: "Did a friend or colleague encourage you to look at a specific job posted online?" If yes, both referrals and web sites could be credited as the source. We also did not ask whether they had seen a job online, and then followed up directly with an employer or contact in the firm.

An important caution: Searching for a job online is a hit-or-miss proposition. We view it as a passive job search strategy and a useful means of gathering intelligence. We recommend use of job boards as only one part of a well-organized, disciplined job search program.

\*Our estimate of the number of positions paying \$100,000 or more. \*\* Data found through use of Indeed search tool available to registered users of Mutual Fund Careers.

*This is the second in a series of articles reviewing results of recent employment surveys conducted by Diversified Management Resources, Inc. in partnership with [NICSA](#). A complete report on our Chief Compliance Officer Compensation is available for [purchase](#). A copy of our General Employment Trends survey, the source of most of the information in this article, is available to employers and search professionals. Call 617 484 0074 to request a copy at no charge. Opinions in this article and others appearing on our web site are those of D.M.R. and our survey partners, sponsors or participants do not necessarily share them. [PA Compliance](#), our founding corporate sponsor, as well as [SalesLink](#) and [Unified Fund Services](#), supported our recent survey.*

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