Professional Insights

Opinions from Business Leaders We Know and Respect

Interview with Jonathan N. Santelli

"A great culture can go a long way to mitigating compliance risk. "

Jonathan N. Santelli
Executive Vice President
and General Counsel
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What's your backstory?

I grew up in Westchester County, New York. My father was a small business owner, and my mother eventually became an educator, but before I was born she was a professional singer and had a "top 40" record back in the 1960s, performing under the name "Tracey Dey." I think that when I was born it put an end to her singing career! I went to Fordham Prep, which is how I wound up continuing on at Catholic institutions; at Holy Cross for my undergraduate degree and then St. John's for law school.

How did you become interested in the legal profession?

At Holy Cross, I was an accounting major, because I was interested in business. But by the time I got to my senior year, I realized that I didn't want to be an accountant, which is one of the reasons why I turned to law. As it turns out, my accounting training has helped me immensely on the corporate legal side. Sometimes you'll meet lawyers that look at a balance sheet or an income statement, and their eyes just glaze over. I love to roll up my sleeves and get knee-deep in that stuff.

Why corporate law?

Early on, I had envisioned myself becoming a litigator, a prosecutor, or a lawyer on the civil side helping those in need. That idealism may have been shaped by my Jesuit training at Holy Cross, but I certainly thought my legal practice would be much more in the courtroom than in the boardroom. I frankly don't remember precisely when my career aspirations shifted to corporate law. It may have started in law school, when the cost of living became more real, and I realized that I had to find a way to pay for it!

Your first job was with a large, "white shoe" law firm. How was that experience?

I'll never forget my interview for a summer associate position at Rogers & Wells, which is now Clifford Chance. I had never owned a suit before that interview. So, wearing my Brooks Brothers uniform, the elevator doors opened on the 50th floor of the MetLife building, which gave me a dead-on view of Central Park. It was like a movie, and I remember thinking, "Man, what am I doing here?" I got an offer to join the firm's corporate department at the end of the summer, and worked on M&A deals and private equity transactions. I had some great mentors there who showed me the ropes, and that experience kept me going down the financial track. Merrill Lynch was one of my clients.

You jumped to the corporate side fairly quicky.

I had been in private practice four or five years, and my client at Merrill asked me if I would be interested in going in-house. At that point, I was a mid-level associate, working insane hours, with no control over my schedule. It wasn't what I ultimately wanted in terms of work-life balance. I also didn't see myself making the partnership run, so I was ripe for the picking, and joined Merrill Lynch's legal department in their Corporate Law group.

Was there any culture shock in that transition?

The biggest change was learning to be more succinct. For example, at Rogers & Wells, I might write a three-page memo to analyze an issue. But at Merrill, I needed to synthesize that information into about three bullet points. The communication style is very different, and I struggled with that a bit at the outset. What really fascinated me when I went in-house was the ability to peel back the onion and see what was driving strategy and decision-making. Being part of that process has been very rewarding for me. It's the perfect blend of the accounting training I had in college and my legal training, so I really can't imagine doing anything else.

You joined Merrill Lynch during a historic period for that company, as well as the entire financial services industry.

It was a surreal experience. I was an M&A lawyer for the parent company at Merrill, but I never thought that one day I'd be working on the deal that changed Merrill Lynch forever. I'll never forget getting a phone call from Merrill's general counsel on a Saturday morning in the Fall of 2008, who told me to get to Wachtell Lipton's offices as fast as I could. We worked non-stop that weekend to negotiate Merrill's deal with Bank of America. We knew that Lehman was going to file for bankruptcy on Monday morning, so we wanted to announce our deal on the heels of that.

That experience was personally challenging because I was representing Merrill Lynch and its shareholders, trying to get the best possible deal, but at the same time I was also interviewing for my next job. With the Bank of America senior executives sitting across the table from me, threading that needle added an additional element of stress. I must have left a sufficiently favorable impression, because when we closed the deal and it was time to do the transition or integration work, they made it clear that they wanted me to stay on.

How different from Merrill was the B of A culture?

Merrill was a big firm by any metric, but it always felt very family-like. There was a reason it was called "Mother Merrill." I was based in the headquarters in the World Financial Center, and everything was done in person. If there was a problem, you all gathered in the executive conference room, and hammered things out. B of A was a much bigger company that had grown a lot by acquisitions, with management spread out in New York, Charlotte and Boston, so a lot of communication was done remotely by phone and video. That was a challenge for me and a lot of the people coming from Merrill. But, you can only mourn the loss of a culture for so long. If you want to succeed in a new culture, you ultimately need to adjust to it and move on.

What's your opinion of the TARP deal?

In 2008, the panic and fear across the entire financial system was palpable. TARP really helped to overcome a lot of that fear. From a taxpayer's perspective, about $245 billion was invested directly into banks; and the government made nearly a $25 billion profit from that investment. So, taxpayers made out very well, which is sometimes overlooked. However, the moral hazard of TARP concerns me. Do big firms believe they can take huge risks with an expectation that the government will always be there to bail them out? What's different now, however, is that we have better industry regulation and oversight, so in my opinion the checks and balances we put in place after the crisis have significantly reduced the risk of that moral hazard.

You did a stint on the West Coast before joining Raymond James.

I joined First Republic, the San Francisco-based private bank, as deputy general counsel in 2013, which was a great experience for me, both personally and professionally. There was definitely some culture shock in that move. In New York – especially on Wall Street – everyone was in suits every day. On the West Coast, I would go to my neighborhood coffee shop in the morning and everyone except me was wearing their hoodies and t-shirts. I felt like a fish out of water. I'd walk into a conference room to try and solve a problem, my New York blood would be pumping, and I'd be like…"O.K. Let's go!" Eventually, someone pulled me aside and suggested that I dial it down a few notches, which was good advice that I would pass along to other New Yorkers who needed to understand the West Coast way of doing things.

What's the scope of your responsibilities as General Counsel at Raymond James?

As General Counsel, my primary role is managing the legal function which includes business unit lawyering, litigation, regulatory affairs and corporate governance. In addition to the legal department, compliance also reports to me and is actually my larger organization. When I joined Raymond James in 2016, the firm had a long track record of growing advisors and revenue. But like many other firms that experience rapid growth, we needed to enhance our control functions like compliance and risk management to keep pace. We've made a lot of progress in that regard over the past 4-5 years.

What's your biggest ongoing concern, with respect to compliance?

I think that compliance starts with the culture of a firm. You need to be laser focused on establishing and nurturing a culture. People need to understand the firm's values and have a shared commitment to living those values every day they come to work. A great culture can go a long way to mitigating your compliance risk. But one thing I have learned is that no matter how strong your culture is or how good your policies and procedures may be, if somebody wants to do something wrong and they're intent on doing it, they are going to find a way. You can't spend all your time worrying about that.

What are some of the hallmarks of a successful culture?

It sounds so basic but a successful culture at any kind of firm starts with treating your employees well, educating them and giving them the tools they need to be successful. That sense of caring is ultimately transferred through your employees to your clients. That's been the formula for success at Raymond James. A lot of firms talk about the importance of putting the client first, but I've been lucky to work at firms like Raymond James that take that concept another level. As an example, Tom James, our Chairman Emeritus, is the son of our founder. You will see Tom in the office and having lunch with our employees in the cafeteria almost every single day. Tom heads up a committee that reviews any compliance-related issues or problems that may arise; especially those that could impact our clients. He has decades of experience dealing with these kinds of issues and it's a very powerful thing for employees to learn directly from Tom in those meetings. We're really lucky to have someone like Tom who acts as a guiding light for our culture.

What will be the impact of COVID on the financial services industry?

Even after COVID is gone, I think we're likely to see a greater number of people whose daily existence will involve some aspect of working remotely whether it be a "hybrid" approach or going remote full-time. Raymond James has always had a very in-person culture; so for us I do think it will be a significant shift but one that I'm confident we'll ultimately manage. Industry-wise, we've been trending in this direction for a long time, especially with the emergence of Fintech companies. Advisors who see that they can be effective on platforms like Zoom, and don't need to conduct client meetings in-person, are going to be increasingly embracing remote communication. So I think of COVID as accelerating some of these trends.

You've been an active supporter of workplace diversity, long before it was fashionable.

I've always believed that you get the best decision-making when you have people from different backgrounds and walks of life who can offer a broad range of perspectives to solve a complex problem. How can you be successful as a company selling products and services to a diverse customer base if you don't have that same diversity reflected in your employee population? I've always approached diversity from this perspective: it's a best practice in terms of getting optimal decision-making, it's good for your business and it's just the right thing to do.

Any opinion on how Reg BI will affect the industry?

It's a little too soon to tell but my sense is that the changes will be evolutionary rather than revolutionary. I believe we're going to see better investment decisions being made for clients, because advisors will now need to consider all of the reasonably available alternatives. The rule will put a lot more focus on process and documentation. Technology has been and will continue to be extremely helpful, almost required, to enable firms to comply. Technology will be important even with respect to even the most fundamental tasks like delivering a Form CRS with a time stamp, etc. I think RegTech firms are likely to be big winners in this evolution.

Are you suggesting that Reg BI may indirectly drive industry consolidation?

It wouldn't surprise me at all to see consolidation involving firms that don't have the balance sheet to fund the level of technology spend that will ultimately be required to comply with Reg BI. Because smaller firms are likely to be at an economic disadvantage, some of them will look for a larger partner.

Do you have any personal guiding principles?

One life-long guiding principle was given to me by a senior partner at Rogers & Wells, when I first started working there in the late 90s. I was fresh out of law school and remember walking into his office and being so nervous. He was very intimidating. He was a brilliant and successful lawyer. When he spoke, everyone listened. We were working on a deal and thought that a Fed Ex package for a client had been lost. He picked up the phone to call the mailroom. I was bracing myself, as I was convinced he was going to chew the mailroom folks out. Instead, his conversation was respectful and pleasant, and he treated that mailroom worker like he was one of his peers on the firm's executive committee. He hung up the phone, looked at me and said, "One thing you should never forget as an attorney at this firm is to be as nice to the people in the mailroom as you are to me." That has stuck with me for my entire career. Just treat people the way you'd like to be treated.

Jonathan N. Santelli Biography

Prior to joining Raymond James as Executive Vice President and General Counsel, Jonathan Santelli was senior vice president and deputy general counsel of First Republic Bank, where he lead legal and compliance coverage for the bank's private wealth management business and advised on a variety of consumer, business banking and bank regulatory matters. Prior to joining First Republic, Mr. Santelli was with Bank of America from 2009 to 2013. At Bank of America, he was general counsel for private wealth management, including U.S. Trust and Merrill Lynch Private Banking & Investments, from 2009-2011 and general counsel for preferred and small business banking from 2011 to 2013. Prior to joining Bank of America, Mr. Santelli was with Merill Lynch & Co. from 2000 to 2008, where he held a variety of positions in the office of the general counsel, including acting as the head of the strategic M&A and private equity counsel group. Mr. Santelli started his career as an associate at Clifford Chance LLP (f/k/a Rogers & Wells LLP) in New York, where he was a member of the firm's corporate departments and practiced in the areas of M&A, private equity and securities law.

Mr. Santelli obtained his Juris Doctor, magna cum laude, from St. John's University School of Law in 1996 and his Bachelor of Arts in economics and accounting from the College of the Holy Cross in 1993.