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# Compliance Management for Banks

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## Overview

Deregulation, globalization and sophistication of financial technology have transformed the risk profile of commercial banks in recent years, ushering in diversity and complexity in their operations. Banks have to contend with the challenge of managing not merely credit, interest rate and market risks, but also operational and compliance risks.

The use of highly automated technology, the growth of e-commerce, the emergence of banks as very large-volume service providers, the increased prevalence of outsourcing and the greater use of financing techniques all create increased operational risk. Banks have to ensure that their day-to-day business operations are conducted with high ethical standards and are in conformance to the governing laws and regulations. The Compliance division enables the banks to achieve this.

## Learning Outcome Statements

- Know internal & external compliance functions clearly
- Understand risks in con-compliance
- Responsibilities of the senior personnel

## Key Contents

- Compliance
- What is Compliance?
- Ways of achieving effective and efficient compliance
  - Role of the Board and the CEO.
  - Analysis of requirements and identification of risks, requirements and exposures
  - Development of systems and procedures
  - Creation of an organization wide compliance culture
- The risks involved in Non-Compliance:
  - Reputation Risk
  - International Isolation
  - Regulatory punitive action
  - Legal Risk

- Effective Corporate Governance
  - Setting up of
    - Appropriate management structures,
    - Reporting requirements,
    - Control structures
    - Performance measures.
  - Setting up a designated compliance unit, headed by a Senior Officer
  - Role of Compliance Officers.
  - Advise management and guide staff to ensure strict adherence of the various legal and regulatory provisions governing the operations of bank
  - Reporting Structure and process between the Board and the Compliance Professional.
- The Role Of Compliance Professionals:
- FATF Recommendations
  - GENERAL FRAMEWORK OF THE RECOMMENDATIONS
    - Role of national legal systems in combating money laundering
    - Scope of the criminal offence of money laundering
    - Provisional measures and confiscation
    - Role of the financial system in combating money laundering
    - Customer identification and record-keeping rules
    - Increased diligence of financial institutions
    - Measures to cope with the problem of countries with no or insufficient anti-money laundering measures
    - Other measures to avoid money laundering
    - Implementation and role of regulatory and other administrative authorities
    - Strengthening of international co-operation
    - Exchange of general information
    - Exchange of information relating to suspicious transactions
    - Other forms of co-operation basis and means for co-operation in confiscation, mutual
    - Focus of improved mutual assistance on money laundering issues
  - Personal investment policies issues
  - Personnel integrity and related compliance issues
  - Future of Compliance