

**ACC4614 Financial Institutions Audit and Compliance  
(Semester 2, AY2018/2019)**

**Teaching Team**

Name	Role	Email	Office
A/P Richard Tan (RT)	Lecturer	<a href="mailto:biztclr@nus.edu.sg">biztclr@nus.edu.sg</a>	Biz2 0321
A/P Wan Mei Kit (WMK)	Lecturer	TBA	TBA

**Time and Venue:**

Section	Time	Venue
	TBA	

**Workload (hours per week):\***

Seminar (Lecture/Case presentations):	3
Project, tutorial assignments, etc:	4
Preparatory work :	6

**Modular Credits:** 4

**Pre-requisites:** ACC4614 – Financial Institution Audit & Compliance

Classes will consist of one three-hour session per week, with a combination of lecture and case presentations by students. The last week of class will be for presentation of the case projects.

**AIM**

This module aims to equip students with an understanding of the internal audit, risk and compliance areas in the banking industry. While there is a slant towards internal auditing, students will learn the key risks and controls in the major banking products such as consumer banking, global markets, credit and lending, wealth management, and other banking support areas, as well as the major banking regulations that are critical in running a bank in Singapore, such as anti-money laundering/countering of terrorist financing rules. Based on the understanding of the risk and compliance issues, students will learn how to design an internal audit programme to assess the adequacy and effectiveness of internal controls in the respective banking areas. This module will expose students to understanding of the common modus operandi of banking frauds, misconduct and control lapses, internal auditing standards, internal audit report writing and career opportunities with internal audit, risk management and compliance in banks and the professional consulting firms.

**OBJECTIVES**

- To enable students to understand how the global financial banking system works, the international and local regulatory environment, key rules, regulations, and guidelines governing the banking industry in Singapore and internationally.
- To enable students to understand the impact the global financial changes and forces on banks in Singapore.

- To equip students with knowledge of the key financial, operational, compliance and information technology risks surrounding the functioning of a bank in the key banking product and services areas such as consumer banking, wealth management, global market activities, credit/lending, etc.
- To enable students to design internal audit programmes or risk review programmes that may be used to assess the adequacy and effectiveness of internal controls covering the key risk areas.
- To enable students to understand ethical, corruption and fraud risks in banks, and the role and limitations of anti-fraud and corruption programmes in mitigating these risks.

## **POSITION OF THE MODULE IN THE OVERALL SYLLABUS**

This module builds on and complements students' knowledge and understanding acquired through the corporate governance and risk management module, and finance modules such as corporate finance and investments, and modules on the legal environment of business and corporate and securities laws.

## **LEARNING APPROACH**

Audit, risk and compliance is a very practical subject. Every bank needs to operate with a robust risk management and compliance framework. However, bank management continues to encounter risk, compliance and control issues on frequent basis. In this module, students will be exposed to both the theory and practice of audit, risk and compliance. In addition to textbook readings and journal articles, many practical examples of risk and compliance practices and issues will be discussed to ensure that students' knowledge is grounded in practice. Extensive use will be made of MAS Notices and guidelines, BIS guidelines, media articles and commentaries. The practical approach is reinforced through the involvement of lecturers and, potentially guest speakers, who have extensive practical experience, videos/case studies involving real banking risk and compliance issues, and projects requiring students to develop hands-on understanding of the risk and compliance areas of banks.

## **LEARNING OUTCOME**

1. Broad and fundamental knowledge of internal auditing.
2. Knowledge of risks, controls and compliance in the banking industry in general, as well as specific banking products and services
3. Able to identify the key controls that are associated with the respective risks
4. Knowledge of key banking regulations and the impact of international banking rules.
5. Understand the operations of a banking department and to plan and design an appropriate internal auditing or risk review programme.
6. Ability to communicate risk, control and compliance issues to management through internal audit or risk review reports.
7. Ability to appreciate the complexity of banking laws and regulations.
8. Understand how data analytics may be used in performing internal audit in banks.

## ASSESSMENT

Group Project	30%*
Class Participation	10%
Class Presentation	10%
Final test (open book)	50%**

\*Written group project report (comprising teaching notes and full version) to be submitted on IVLE by end of Week 13 (Saturday, 2359 hours)

\*\* Week 13 (in place of lecture) – Venue to be confirmed

## KEY AREAS OF THE SYLLABUS

- The major business and operations areas in a bank such as consumer banking, commercial banking, corporate and institutional banking, global markets, and wealth management
- Relationship of banking regulators with the Bank for International Settlements (BIS), Financial Action Task Force (FATF), Association of Banks in Singapore, etc.
- Internal auditing standards and practices in banks
- Risk management guidelines and key banking regulations in Singapore
- Control self assessment framework, process and practices in banks
- Key business and operational processes in banks and the associated financial, operational, compliance and technology risks in the key banking products and services

## PRESCRIBED TEXT

*Risk Management At The Top: A Guide to Risk and Its Governance in Financial Institutions*, by Mark Laycock, Wiley Finance, January 2014

*Managing Risks in Commercial and Retail Banking* by Amalendu Ghosh, Wiley Finance, February 2012

*Guidance on Sound Risk Management Practices*, The Monetary Authority of Singapore (<http://www.mas.gov.sg/Regulations-and-Financial-Stability/Regulatory-and-Supervisory-Framework/Risk-Management.aspx>)

*Sound Management of Risks related to Money Laundering and Financing of Terrorism (Updated June 2017)*, The Monetary Authority of Singapore (<http://www.mas.gov.sg/~media/MAS/Regulations%20and%20Financial%20Stability/BCBS%20Guidelines%20for%20AMLCFT%20June%202017.pdf>)

## SUPPLEMENTARY MATERIALS

*Industry Guidelines*, The Association of Banks in Singapore (<https://www.abs.org.sg/industry-guidelines>)

## OTHER SUPPLEMENTARY READINGS

As recommended for each topic

## DETAILED SYLLABUS

### 1. Overview of the banking environment, banking regulations and banking structure

- a. Role of the Monetary Authority of Singapore
  - b. Banking regulations – Banking Act, Banking Notices, Circulars and Guidelines
  - c. International banking-related regulatory bodies
  - d. Role of Association of Banks in Singapore (ABS) and ABS codes of practice
  - e. Systemically Important Financial Institutions (SIFI) – what are these?
  - f. Typical banking organisation structure
  - g. Financial Action Task Force (FATF) – role and guidelines.
- 2. Key risks and regulations affecting a banking organisation in Singapore**
- a. Sources of risks and the main categories of risks in banks.
  - b. What are key risks that worry bank management?
  - c. What are key Singapore banking regulations that all management and employees need to be mindful of?
  - d. Additional corporate governance requirements for banks incorporated in Singapore
  - e. What are other international banking guidelines and principles especially from the Bank for International Settlements (BIS) and FATF that are key?
- 3. Internal audit practices in banks**
- a. Basel guidelines and MAS guidelines concerning internal audit
  - b. Co-ordination of work between internal audit, external audit, risk management and compliance
  - c. Risk-based internal audit methodology
  - d. Audit universe and audit planning
  - e. Different types of IA approaches
  - f. Designing an internal audit program
  - g. Continuous auditing in banks – why this is crucial
- 4. Anti-Money Laundering and Countering of Terrorist Financing Regulations**
- a. FATF guidelines and Wolfsberg AML principles
  - b. MAS Notices
  - c. Areas in banks with high AML/CFT exposure
  - d. Cases
- 5. Consumer banking**
- a. Key consumer banking products and processes
  - b. Key MAS regulations and ABS codes of practice
  - c. Key risks in consumer banking and controls
  - d. Examples of frauds in consumer banking
- 6. Treasury**
- a. The different treasury products and processes in a bank
  - b. Key MAS regulations and ACI Modal Code
  - c. Key risks in treasury and controls
  - d. Importance of new products approval policy and process
  - e. Examples of frauds and irregularities in the treasury business
- 7. Technology risk management and cybersecurity**
- a. Technology risk management expectations of regulators
  - b. Key risks in technology and key controls
  - c. Cybersecurity breaches in banks

- 8. Commercial banking**
  - a. Key banking products and services in commercial banking such as loans and trade finance
  - b. Key regulations
  - c. Key risks and controls over commercial banking products and services
  - d. Examples of frauds in commercial banking
  
- 9. Wealth management**
  - a. Key activities in wealth management
  - b. Key regulations and risks that affect the wealth management business
  - c. Key risks and controls in wealth management activities
  - d. Examples of frauds and irregularities in wealth management
  
- 10. Control self assessment**
  - a. Importance and relevance of CSA to banks in managing operational risks
  - b. CSA framework and processes in banks
  - c. CSA monitoring and reporting
  
- 11. Basel banking guidelines (overview of key Basel requirements)**
  - a. Key Basel banking guidelines affecting banks in Singapore
  - b. Basel capital adequacy requirements
  - c. Stress testing recommendations
  
- 12. MAS Outsourcing Guidelines**
  - a. Outsourcing risks and controls
  - b. Examples of failures in outsourcing arrangements
  
- 13. Writing internal audit / risk review reports**
  - a. Criteria for report writing
  - b. Executive summary and detail reports format
  - c. Follow-up procedures

## **BIOGRAPHY OF INSTRUCTOR**

### **Mr Richard Tan**

Richard has about 40 years of governance, risk and control experience in both the financial services and non-financial services industries, and in risk consulting. He retired from KPMG as an Advisory Partner where he led in the provision of governance, internal audit, and enterprise risk management services. He has advised boards and senior management on corporate governance, risk and control assurance, and risk management matters. Richard has worked extensively across the Asian markets and has a good knowledge of risks in the Asian markets and in key industry sectors such as banking, real estate, REITS & business trusts, construction, consumer, charitable organisations/PCs, education, etc.

Richard is a member of the Asia Advisory Board of EFG Bank AG, Switzerland's 5<sup>th</sup> largest private bank, and chairs its Audit & Risk Committee. He is also an Independent Director and member of the Audit Committee of Bowsprit Capital Corporation Ltd, Manager for SGX-listed First REIT; an Audit Committee member of A\*Star; and a short-term consultant for International Financial Corporation. In voluntary service, he serves on the board of several charities including as Audit Committee Chairman, and on the management committee of two schools.

Richard commenced his career with Peat, Marwick & Mitchell & Co (now KPMG) and later worked in the banking sector for about 20 years in internal auditing and risk management. He has been the head of regional internal audit functions of major financial institutions such as Standard Chartered Bank and Chase Manhattan Bank covering the Asia Pacific region. Prior to re-joining KPMG, he worked in DBS Bank as deputy to the Head of Group Audit where he played a key role in the audit transformation programme. He later moved on to be Head of DBS Group Technology & Operations Risk Management where his responsibilities included control self-assessment, operational risk management and reporting, group reconciliation control services, as well as the group-wide business continuity management programme. A key responsibility in the latter role was to ensure that the Bank maintains a high level of business continuity readiness at all time so as to minimise the risk of service disruptions which may pose a systemic risk to the banking industry. Richard was also a member of various risk-related committees in DBS Bank including the Group Operating Risk Committee, Group Outsourcing Risk Management Committee, and chaired the T&O Policy & Standards Committee.

Richard served on the Board of Governors of the Institute of Internal Auditors Singapore for 10 years, holding the position of either Honorary Secretary or Treasurer. He had also provided training at the Institute of Internal Auditors Singapore and the New York Institute of Finance; and is a guest speaker at the Singapore Management University on risk and control and business continuity management topics.

Richard is a Certified Internal Auditor (CIA) and holds the Certification in Risk Management Assurance (CRMA) and the Certification in Control Self Assessment (CCSA) from The Institute of Internal Auditors Inc (USA). He is a non-practising fellow member of The Institute of Singapore Chartered Accountants (ISCA), a fellow member of The Association of Chartered Certified Accountants (UK), an associate member of The Chartered Institute of Management Accountants (UK) and holds a Master of Business Administration (MBA) from Henley Management College/University of Reading, UK.