



# COMPLIANCE

## Compliance and Ethics

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# Compliance and Ethics in the Organization



## The Aim of Compliance

To create a **fair, equal**, and **safe** environment for staff, clients and the industry/market

### What is Compliance?

The ability to act according to an order, set of rules or request.

- Rules based
- Little or no ambiguity
- Easier to assess, implement and determine
- Non-compliance = a breach
- Compliance vs compliance

### What are Ethics?

**Risks** arising from the organizations conduct in their relationship with customers and other stakeholders

- Guidance and Value based
- Based on the right and fair practice thinking
- It is harder to determine a transgression

### Risk of Non-Compliance and Bad Culture

- Reputational Risk (Loss of Confidence, call for investigations, loss of business)
- Regulatory Enforcement Actions (Fines & Penalties)
- Criminal Convictions
- Closure of the business

### Motivating the Correct Behaviour

- Whistleblowers may be eligible for awards when they voluntarily provide the SEC with original, timely, & credible information that leads to a successful enforcement action.
- By law, the SEC protects the confidentiality of whistleblowers and does not disclose information that might directly or indirectly reveal a whistleblower's identity.

## Building a Strong Culture

- Everyone knows what they need to do to ensure good conduct and a good compliance Culture
  - Create guiding policies (Declaration of assets/interest, conflict of interest management, personal account trading).
- Periodic training of all staff to ensure that their knowledge is up-to-date
- Be the trusted advisor so that people can approach you for guidance
- Provide a safe means for people to report wrong doing in the organization by holding each other accountable.

# Governance Framework for Compliance and Ethics



## Compliance Culture Implementation Tools

1. Effective Compliance Framework
2. Regulatory Universe
3. Compliance Risk Management Plans
4. Implementation of Policies
5. Monitoring Reviews
6. Reporting (Internal and External)
7. Enforcement

## Ethics and Good Culture Implementation Tools

1. Code of Conduct
2. Code of Ethics
3. Establishment of Organizational Values
4. Implementation of Policies
5. Adoption of Processes and Procedures
6. Reporting Hotline
7. Enforcement

## Culture – The Tone at the Top

## Strategy – Doing the Right Business the Right Way

All Staff  
Zero Tolerance to Breaches

### Governance

Risk and strategic oversight (Board)

### Compliance Function

(Structure, Resourcing)

### Senior Management and Employee Responsibilities

Risk identification, mitigation and management  
(Employee/Supervisor and Business Unit Management Team)

### Practical implementation of the Framework

Compliance –  
Escalation and reporting of  
Issues



Review of Compliance & Conduct Status of the organisation



### The Structure of a Compliance Function

- i. The **Regulatory** requirement and guidance on the structure of the function?
- ii. What is the **Nature, size (client and staff complement) and complexity** of the business?
- iii. How big is the **Regulatory Universe** for the organization?
- iv. What is the trend in the **Regulatory Landscape**? This will guide on the imminent changes that you may need to resource for.

### Skills & Capabilities

- i. **Regulatory Compliance** – Appreciation and interpretation of legislation. Training and Stakeholder management skills essential.
- ii. **AML/CFT** – Technical, analytical and practical knowledge of prevalent AML issues, current trends and events. Training skills are essential.
- iii. **Monitoring** – Assessment and evaluation of controls. Report writing and tracking of issues is essential.

### Independence & Reporting

- i. **Day to Day reporting**  
(Try not to double hat roles)
- ii. **Access to the Board**
- iii. **Access to the Regulators**



## PFR10 – Conduct Expected of the Board of Trustees

### 1

#### Code of Conduct

- a. Conflict of Interest Policy.
- b. Gifts and Courtesies.
- c. Investment Policies.
- d. Communication Policy.
- e. Board Training – Understand their duties.
- f. Breaches of the Code – Members hold each other accountable and take enforcement action as required.

### 2

#### Performance Analysis of and by the Board

- a. Composition of the Board.
- b. Adequate Governance Structures.
- c. Effective meetings – accurate minutes.
- d. Financial Controls – budget and variances monitored.

### 3

#### Appointment of Service providers

- a. Services to be provided detailed in the agreement.
- b. Fees are specified and agreed to.
- c. Ensure the fees for the services are competitive.

### 4

#### Risk Management Policy

- a. Identify the major risks to the fund.
- b. Document the mitigation actions for the Board to note at each meeting.
- c. The risk matrix should be available for the Regulator upon request.
- d. The risk policy should be reviewed every 2 years.

### 5

#### Communications Policy

- a. What information is communicated to each stakeholder (member, participating employer, beneficiaries).
- b. Medium of communication.
- c. Timeframe for communication to stakeholders.
- d. Ensure CONFIDENTIALITY of information.

### 6

#### Investment Policy as guided by PFR2

- a. Investment policies should be aligned to the thresholds detailed in PFR2.
- b. Ensure investments are aligned to the policy



# Ethics - Why People Sometimes Do The Wrong Things



## Self Preservation

- Knowingly or Unknowingly, you have become involved in something that is not legal or permissible.
- Case Example - The FCA investigating Barclays Plc Head Jes Staley's attempt to uncover the identity of a whistle-blower.

## Influence

- Stakeholders who are pursuing their own interests.
- The SEC today charged former Detroit mayor Kwame M. Kilpatrick, former city treasurer Jeffrey W. Beasley, and the investment adviser to the city's public pension funds involved in a secret exchange of lavish gifts to peddle influence over the funds' investment process.

## Personal Financial Gain



## Pursuit of Higher Returns

- The strategy, unrealistic targets and the message they send. It is do it by all means necessary? What is the means to an end.
- Case Example - Wells Fargo's: It cost them \$185 million in fines because 5300 employees opened up more than a million fraudulent accounts to reach their sales targets.



- **Before you make up your mind on what to do ask yourself the following:**
  - Is it legal?
  - Is my decision honest?
  - Is this decision aligned to the organisations Policies and Values?
  - Who is my decision going to benefit and is it fair to all stakeholders involved?
  - If this decision and the outcome of it was publicised, how would I feel?  
Comfortable and proud?

**What are YOU going to do differently to ensure a good culture of ethics and compliance prevails in the organisation?**





Thank  
You