

**ACC4713/ACC4614 Financial Institution Audit and Compliance  
(Semester 2, AY2021/2022)**

**Teaching Team**

Name	Role	Email	Office
A/P Richard Tan	Lecturer	<a href="mailto:biztclr@nus.edu.sg">biztclr@nus.edu.sg</a>	Biz2 0321
A/P Tay Puay Hui	Lecturer	<a href="mailto:biztayp@nus.edu.sg">biztayp@nus.edu.sg</a>	Biz2 0322

**Time and Venue:**

Section	Time	Venue
	3:00pm to 6:00pm, Friday	Biz1 0204

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

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

**Modular Credits:** 4

**Pre-requisites:** ACC3616/ACC3706 – Corporate Governance & Risk Management

Classes will consist of one three-hour session per week, with a combination of lecture and case presentations by students.

**AIM**

This module aims to equip students with an understanding of the key banking products and services in the banking services, in relation to the internal audit, risk management and compliance activities. The lectures will discuss the key risks and controls affecting these banking products and services, such as in consumer banking, global markets, credit and lending, wealth management, and other banking support areas. The lectures will also cover the major banking regulations that are critical to managing a bank in Singapore, such as anti-money laundering/countering the financing of terrorism (AML/CFT). Based on their learning of the banking products and services, and 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 a banking area. This module will also give students an understanding of the common modus operandi of banking frauds, misconduct and governance 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 equip students who wish to pursue a career in banking with an understanding of the key banking products and services of a bank, and the associated regulations, risks and controls.
- 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 a frequent basis. In this module, students will be exposed to both the theory and practice of audit, risk and compliance in a bank. In addition to textbook readings and journal articles, many practical examples of risk and compliance practices and issues affecting banks 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, guest speakers if opportunities permit, who have extensive practical experience working in banks, 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. Students will also do case studies in small groups on actual banking cases relating to governance, risk, compliance and control lapses, and will present these to the class.

## **LEARNING OUTCOME**

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

## ASSESSMENT

Group Project & Project Presentation	30% *
Class Participation	20%
Class Presentation	20%
Final Test (2-hours)	30% ** (Exemplify – Open Book, Blocked Internet)

\*Written group project report to be submitted via LumiNUS. No hardcopies required.

\*\* Week 13, Friday, 3:30pm to 5:30pm – 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 practices in banks
- Risk management guidelines and key banking regulations in Singapore
- Key business and operational processes in banks and the associated financial, operational, compliance and technology risks in the key banking products and services

## REFERENCES

*Guidelines on Corporate Governance for Financial Holding Companies*, The Monetary Authority of Singapore, [https://www.mas.gov.sg/-media/MAS/resource/legislation\\_guidelines/insurance/guidelines/Guidelines-on-Corporate-Governance-20130403.pdf](https://www.mas.gov.sg/-media/MAS/resource/legislation_guidelines/insurance/guidelines/Guidelines-on-Corporate-Governance-20130403.pdf)

*MAS' Framework for Impact and Risk Assessment of Financial Institutions in Singapore*, The Monetary Authority of Singapore, <https://www.mas.gov.sg/-media/MAS/About-MAS/Monographs-and-information-papers/Monograph2020Detailed1.pdf>

*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>)

*Wolfsberg AML Guidance on Credit/Charge Card Issuing and Merchant Acquiring Activities*, ([https://www.wolfsberg-principles.com/sites/default/files/wb/pdfs/wolfsberg-standards/12.%20Wolfsberg\\_Credit\\_Cards\\_AML\\_Guidance\\_%282009%29.pdf](https://www.wolfsberg-principles.com/sites/default/files/wb/pdfs/wolfsberg-standards/12.%20Wolfsberg_Credit_Cards_AML_Guidance_%282009%29.pdf))

*Singapore Guide to Conduct and Market Practices for the Wholesale Financial Market*, The Singapore Foreign Exchange Market Committee, 12 April 2018 ([https://www.sfemc.org/pdf/Blue%20Book\\_FINAL.pdf](https://www.sfemc.org/pdf/Blue%20Book_FINAL.pdf))

*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

## **SUPPLEMENTARY MATERIALS**

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

## **OTHER 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 concern 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 studies

- 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 activities**
  - a. The different treasury products and processes in a bank
  - b. Key MAS regulations and ACI Modal Code
  - c. Key risks (exchange risk, interest rate risk) in treasury and the related risk management mechanism and controls
  - d. Examples of frauds and irregularities in the treasury business
  
- 7. Corporate banking**
  - a. Key banking products and services in corporate banking such as loans and trade finance
  - b. Key regulations
  - c. Key risks and controls over corporate banking products and services (with a focus on trade finance activities)
  - d. Examples of frauds in commercial banking
  
- 8. Wealth management**
  - a. Key products and services 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
  
- 9. MAS Outsourcing Guidelines**
  - a. Outsourcing risks and controls
  - b. Key MAS regulations and guidelines
  - c. Examples of failures in outsourcing arrangements
  
- 10. 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
  
- 11. 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. Prior to that, he had worked 20 years with various major internal banks as a senior manager in regional/group internal auditing and group operational risk management. He has advised boards and senior management on corporate governance, risk and control assurance, and risk management matters. Richard has worked extensively across the Asia Pacific markets and has a good knowledge of risks in these markets and in key industry sectors such as banking, real estate, REITS & business trusts, construction, consumer, charitable organisations/PCs, education, etc.

Richard is an independent member and Chairman of the Audit & Risk Committee of the Asia Pacific Advisory Board of EFG Bank AG; an independent director and Chairman of the Audit Committee of Sompo Insurance Singapore Pte Ltd; an independent director of several SGX-listed companies; and an Audit Committee member of A\*Star and Integrated Health Information Services Pte Ltd.

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. In KPMG, he led in the review of practices concerning the sales of structured investment products affecting customers during the 2008 financial crisis.

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 Business School/University of Reading, UK.

## **Mr Tay Puay Hui**

Puay Hui had served in the financial services industry over the past two decades, particularly with Credit Suisse, Bank J. Safra Sarasin and EFG Bank in Asia, of which the last 11 years were as Regional Chief Operating Officer (“COO”), and most recently, Deputy Regional Head of EFG Bank (“EFG”), a listed Swiss private banking group under the European Financial Group.

As the Deputy Regional Head and Regional COO, Puay Hui was responsible for overseeing all Legal & Compliance, Finance, Operations and IT matters in the Asia Pacific region. In addition, he assisted the Executive Chairman and Regional Head of Asia Pacific in ensuring adequate governance, supervision and control over the day-to-day activities of the EFG’s activities in Asia Pacific so as to ensure that they were conducted in a safe and sound manner in accordance with EFG’s business strategy to achieve its operational and financial objectives. During his tenure at EFG, Puay Hui also served as the Alternate Chief Executive (“ACE”) responsible for the business operations of EFG Bank AG, Hong Kong Branch.

Prior to his appointment at EFG, Puay Hui served as the Chief Risk Officer of Bordier & Cie AG, Singapore Branch. At Bank J. Safra Sarasin, Asia (“Bank Sarasin Asia”), Puay Hui held various leadership roles including the Regional Head of Risk Management, Regional Chief Operating Officer and Deputy Chief Executive Officer of Bank J. Safra Sarasin Ltd, Singapore Branch. As a key member of the senior management team in Asia and Chairperson of its Corporate Services Committee, Asset Liability Committee and Strategy Implementation Committee, he contributed to Bank Sarasin’s business growth in Asia, streamlined its operational and technology platform, and successfully led costs rationalization initiatives across Asia that achieved the desired cost efficiencies.

Having established a robust corporate governance structure in Bank Sarasin Asia, Puay Hui was instrumental in driving its successful bank licence upgrade from a merchant bank to an offshore bank branch in Singapore and steering the efficient transfer of business process in a seamless manner. A year later, he effectively managed and implemented the group change in controlling shareholder process in Asia after attaining the relevant regulatory approvals and implementing the necessary regulatory and capital safeguards.

Before joining Bank Sarasin Asia, Puay Hui worked at Credit Suisse, where he held a number of leadership positions including the Head of Compliance, South Asia and Head of Financial Accounting, Singapore Branch. Prior to this, he served as Audit Manager at PricewaterhouseCoopers leading audit engagements in banking, fund management and the non-financial services industry. Puay Hui is a non-practising member of The Institute of Singapore Chartered Accountants (ISCA).