

The Role of Corporate Governance and The Prevention of Financial Crime

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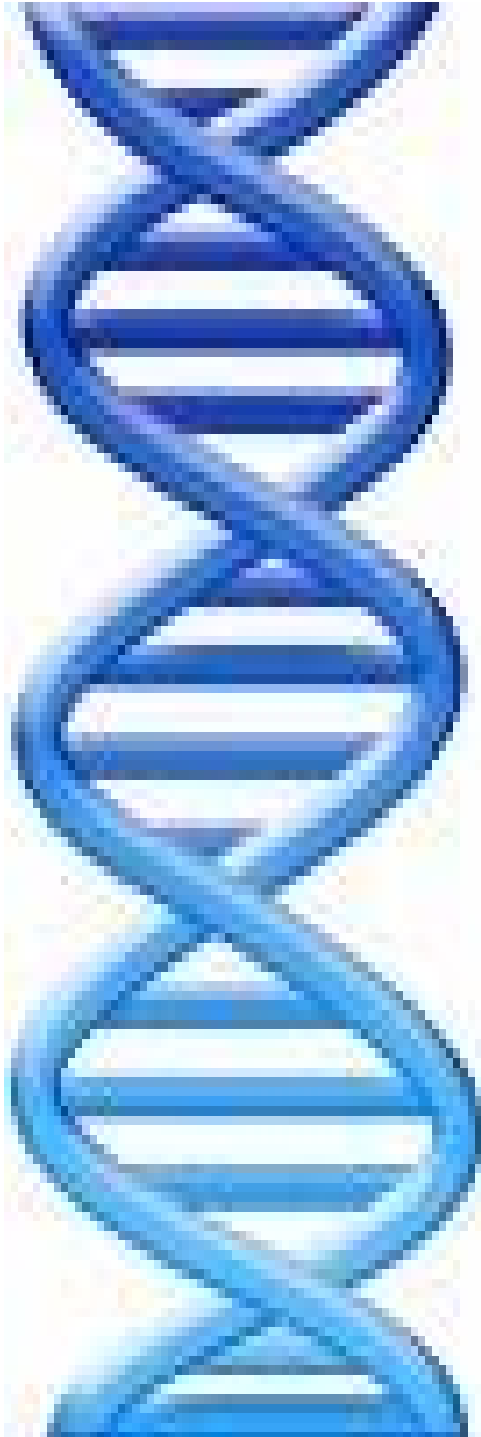
Defining Governance

Corporate Governance is
“the system by which business corporations are directed and controlled.”

Organisation of Economic Co-Operation and Development

Corporate Governance is
“the framework of rules, relationships, systems and processes within and by which authority is exercised and controlled in corporations”.

Justice Owen in the HHI Royal Commission, The Failure of HHI Insurance

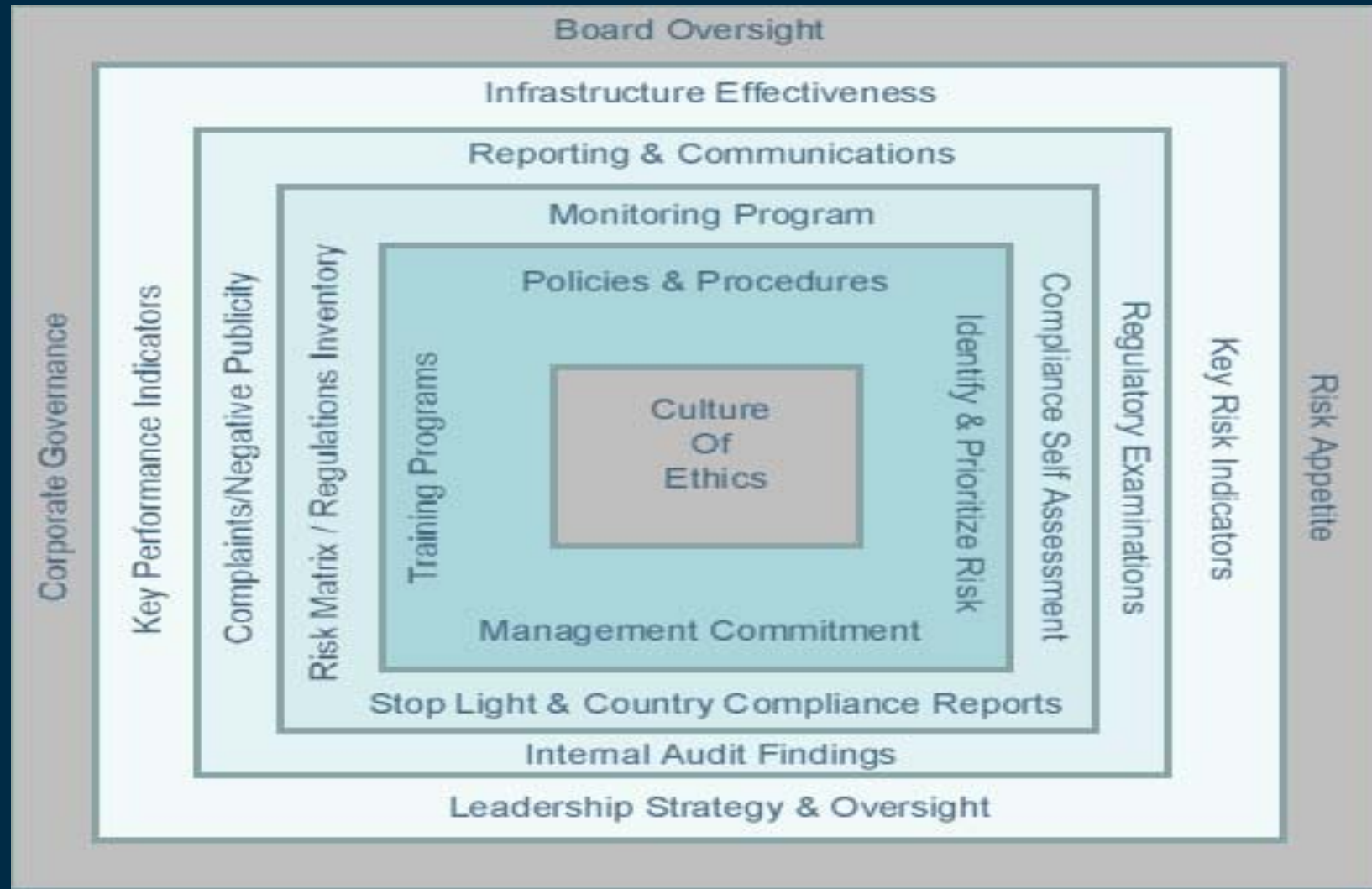


Corporate Governance

Corporate Governance is the DNA of a firm.....

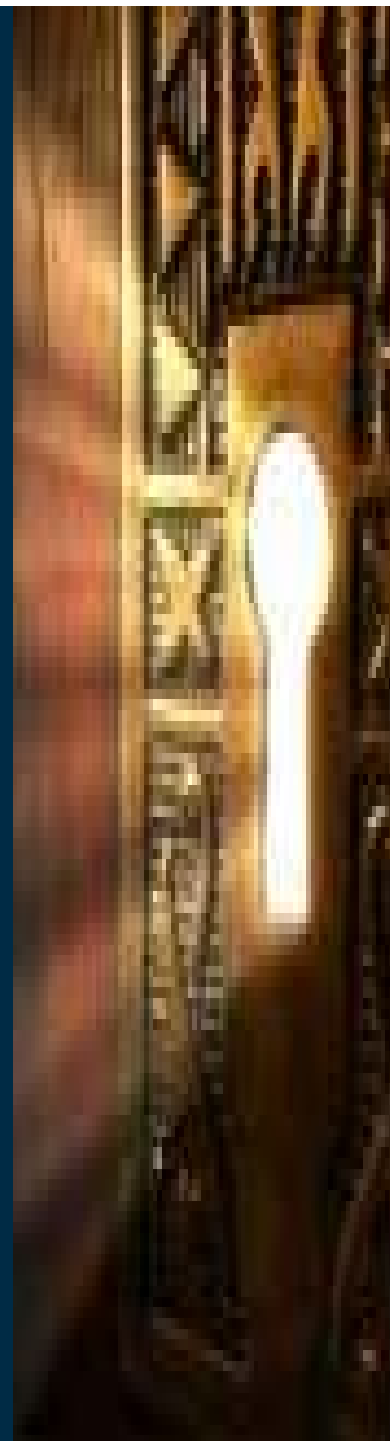
Reflected in its operations, customer dealings,
financial & operational performance, reputation

Governance & Compliance Framework

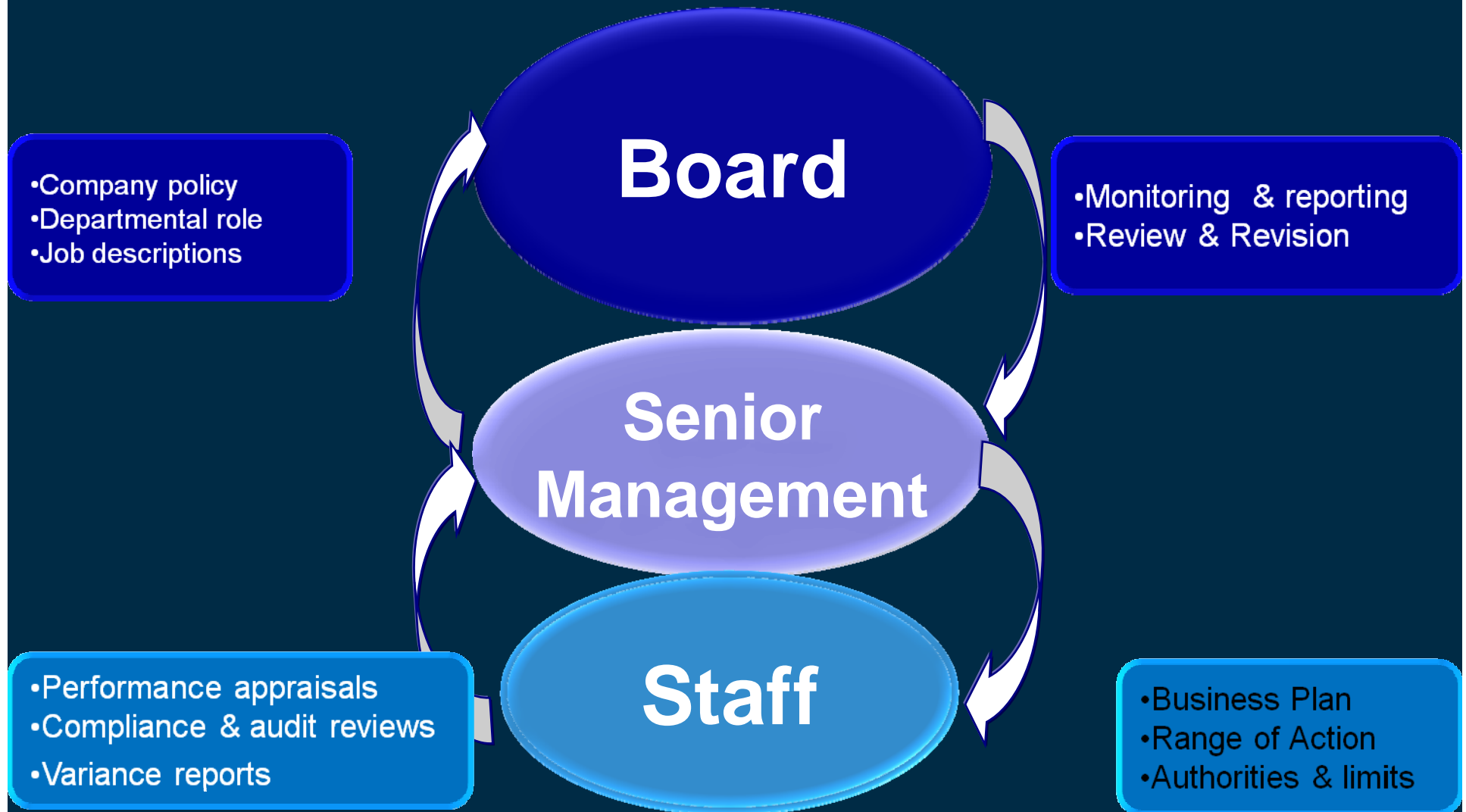


Corporate Governance: Basic Board of Directors Roles & Responsibilities

- Policy Formation
- Approval of Business Plan
- Establishing Risk Assessment and Management Strategy
- Approving Underwriting and Pricing policy
- Approving Risk Transfer Management Strategy
- Approving Investment Management Strategy
- Approving Regulatory Compliance (inc AML/CTF) Strategy
- Establishing Management Structure and Responsibilities
- Establishing Standards of Customer Service & Fair Dealings
- Approving Information Technology systems
- Overseeing Policy and Strategy Implementation and Operational Performance
- Establishing Systems for Internal Controls
- Establishing Internal Audit Function
- Establishing Code of Corporate Ethics
- Approving and Implementing the Disclosure Policy
- Ensuring Compliance



Checks and balances: Delegation of duties with controls

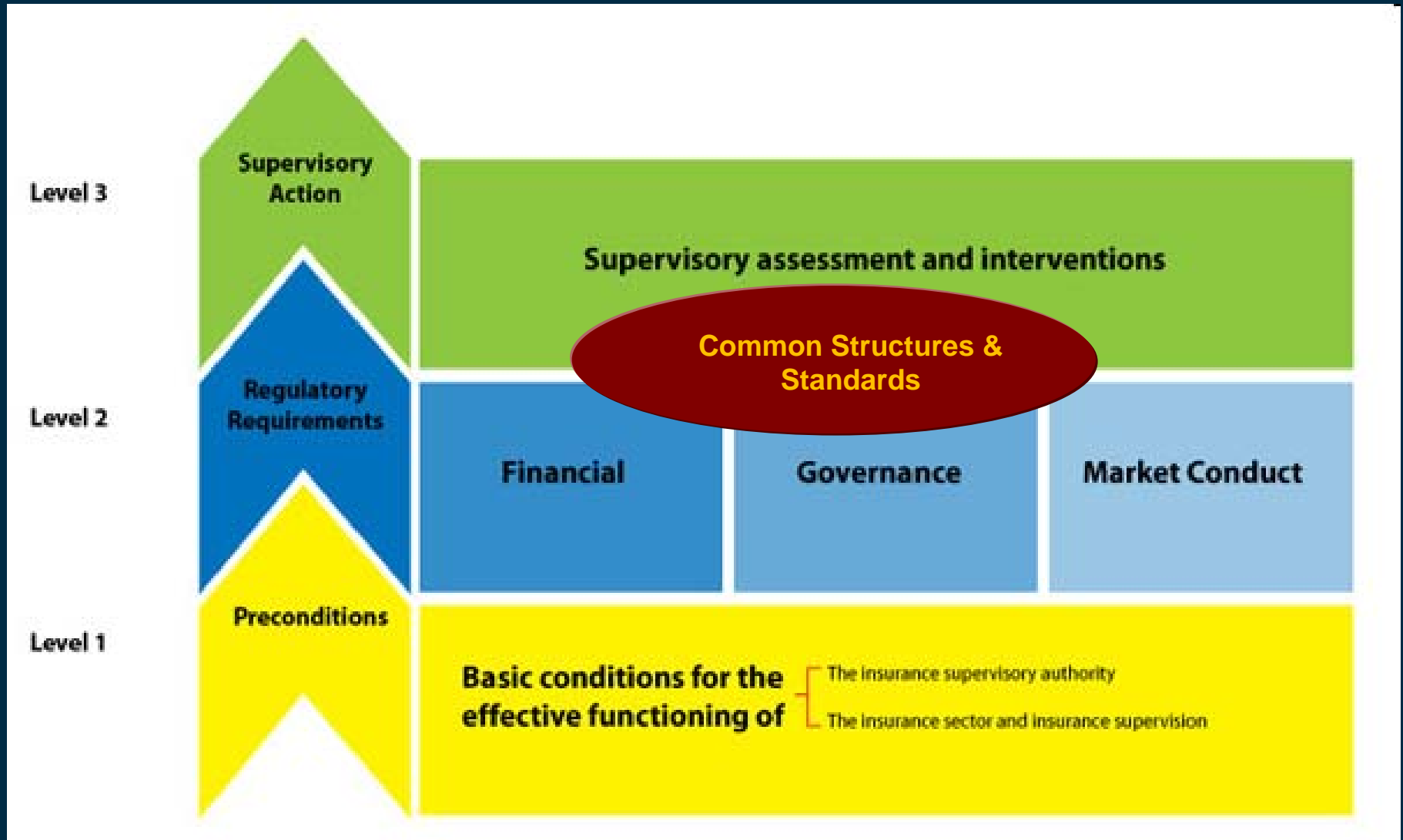


Roles and Responsibilities: Senior Management

- Rendering Assistance in Policy Formulation
- Responsibility for Implementation
- Responsibility for Providing the Board Information and Feedback
- Compliance with the Laws and Regulations
- Professionalism and Expertise
- Nurturing Proper and Ethical behaviour
- Responsibility for Complete and Authentic Reporting to the Board
- Responsibility for Corporate Image.



IAIS Supervisory Framework



Interlinked Aspects of Management of Risks

Prudential

- Capital Resources
- Capital Requirements
- Systems & controls
- Investments
- Underwriting
- Claims reserves and IBNR
- Financial disclosure

Governance

- Board composition
- Allocation of responsibility
- Risk management
- Internal audit
- Compliance culture
- Business continuity
- Fit & proper management

Conduct Of Business

- Selling to customers
- Product disclosure
- Conflicts of interest
- Client money
- Payment of claims
- AML controls
- Overall conduct

Regulatory Expectations: Risk Framework





Basics of Financial Crime Prevention and Detection

Appointment of compliance officer

Internal systems and controls in prevention & detection

Testing of systems and controls

Training of employees

Ongoing customer due diligence

Ongoing risk assessment and treatment

No anonymous or pseudonym accounts/clients/transactions

Provision against tipping off the customer

Higher level of due diligence for higher risks: product risk; geographical risk; customer risk; business partner risk; transaction risks

Record keeping

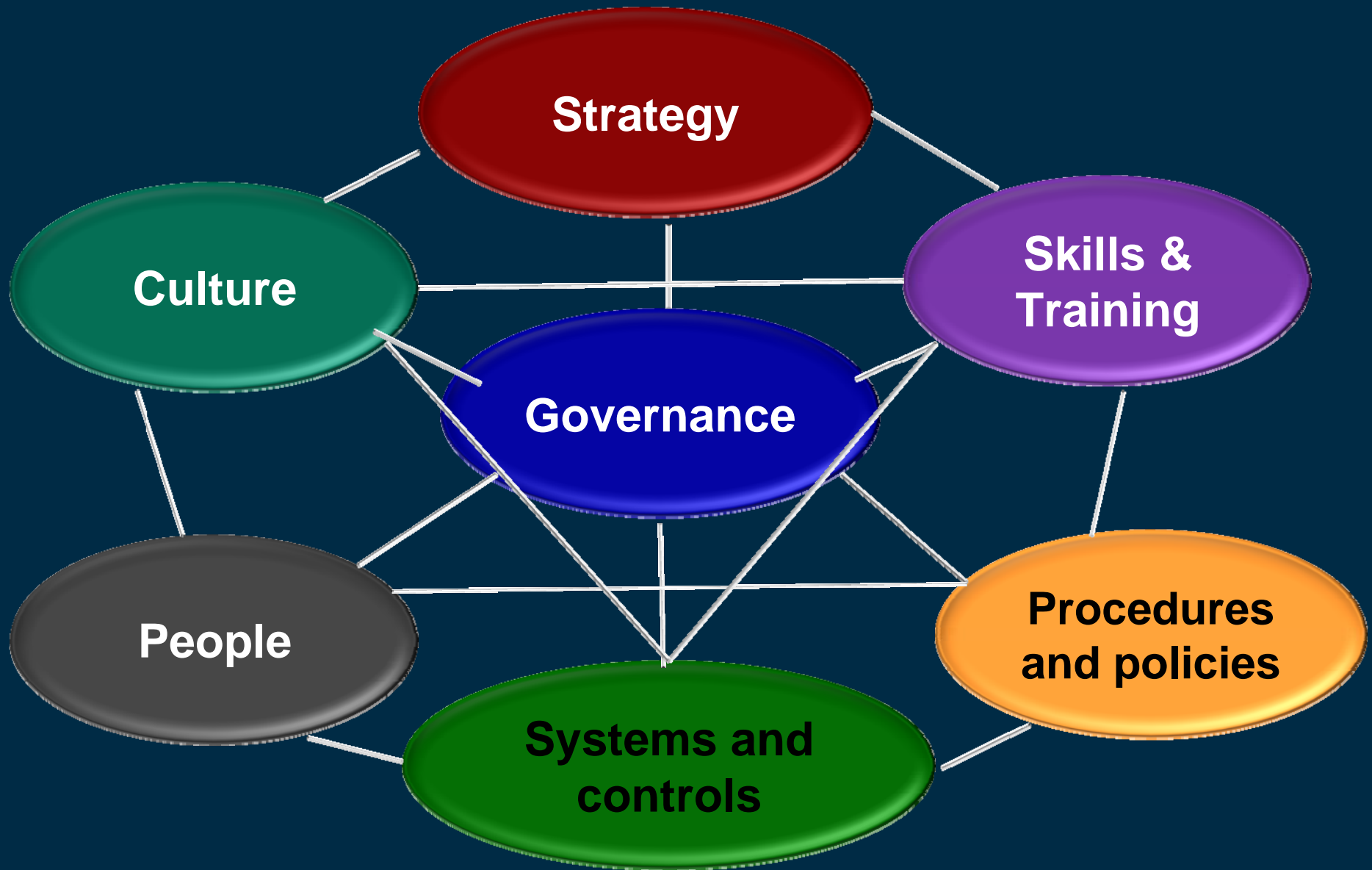
Reporting suspicious transactions



Regulatory spotlight: Prevention and Detection

- **Create robust accountability mechanisms, rules and internal and external audit systems**
- **Reengineer business processes to reduce financial crime opportunities**
- **Enhance compliance capacity**

Compliance DNA





For further information on:

- Compliance Consultancy
- Compliance Documentation
- Compliance audits
- Outsourcing
- Regulatory Authorisation
- Training

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