

ENHANCING COMPETENCIES FOR FINANCIAL INDUSTRY COMPLIANCE PRACTITIONERS – THE WAY FORWARD



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As the financial industry evolves post-crisis, we have seen increased discussions among international regulators on concerns of systemic risk and the need to increase the resilience of the financial system. Not only has there been increased dialogue at the different international fora, the financial industry itself has also made more effort to improve internal systems and now places a greater emphasis on risk management.

The financial crisis has given us an important lesson in not taking for granted the stability of the financial system. Financial markets do not always self-correct, and intervention through regulation is needful to correct for an imperfect system where there may be asymmetry of information and irrational market behaviour. The post-crisis financial landscape has thus given us greater rationale for regulation to play a strong role in promoting prudent behaviour and sound risk management by industry practitioners.

However, even as we acknowledge the needful role of regulatory intervention, the financial system does not grow through more regulation and less market innovation. Markets should still be allowed to function healthily to promote innovation and support broader economic wealth creation. The role of regulation is thus not to stifle financial innovation but to promote more effective risk management. It is under this new paradigm that compliance professionals will need to play an even stronger role in developing a good system of checks and balances to counter excessive financial innovation and balance that with good risk management fundamentals. In this regard, the compliance function is critical to ensuring financial institutions achieve necessary change in behaviours to not just deliver on the institution's regulatory responsibilities but also in abiding by the spirit of good conduct and sound risk practices.

There is a need for compliance practitioners to boost their role in developing compliance frameworks and systems, advising the business on regulatory compliance matters,



and monitoring compliance with regulatory requirements by business units. The compliance function will need to expand to encompass "identification", "assessment" and "management" of various compliance risks, such as:

- The nature and size of the business;
- The regulatory environment;
- Reputational risk;
- The activity and attentiveness of senior management oversight;
- The robustness of internal controls, policies and procedures; amongst others.

Compliance practitioners will have to assume a more proactive and strategic role and ask tough questions at the board and management level to address such issues, as well as bring it down to the operational level to ensure that each and every staff member is playing his part to protect the larger system. In taking on such strategic dimensions of the compliance work, practitioners also need to develop an intimate understanding of the business and keep themselves abreast of the latest banking and securities products, to assess the compliance and reputational risk factors of these products to their organisations. It is thus critical that compliance professionals develop a full set of competencies to better manage this responsibility.

Developing competencies and professionalism for compliance professionals

In this regard, The Institute of Banking and Finance (IBF) has been playing an active role in supporting financial

institutions' efforts in developing the competencies and capabilities of their talent.

In 2005, IBF conducted a benchmarking exercise of the competency standards for professionals in the financial sector. This benchmarking exercise covered interviews with compliance practitioners from financial institutions, and review and research of the training curriculum/standards/research documents of various international qualification bodies in US, Europe and Australia. Through this exercise IBF developed the Financial Industry Competency Standards (FICS) framework, which includes 14 sets of Compliance and Risk Management standards covering different types of business activities, such as Wholesale Banking, Wealth Management, Insurance, Fund Management and Asset Liability Management.

Endorsed by the Monetary Authority of Singapore (MAS) and the Singapore Workforce Development Agency (WDA) as well as the Singapore financial industry, the FICS framework provides a strategic roadmap for individuals to achieve their highest levels of professional competency. An FICS-certified professional is one who has demonstrated mastery of the relevant skills and ethical standards to undertake the roles and responsibilities of the specific job for which he/she is certified.

More than 6,000 financial sector practitioners in Singapore have been trained and more than 3,000 people have been assessed based on the FICS standards. Specifically for the compliance segment, close to 800 compliance professionals have been trained under FICS, with about 100 of them certified. Many more are currently undertaking



FICS is a comprehensive quality assurance framework for financial sector professionals and training providers, providing for the continual development and enhancement of the quality of Singapore's financial workforce.

The three-pronged objectives of FICS are:

- To raise the professional bar of our financial workforce and financial training providers;
- To embed a continuous professional development programme for our financial workforce to effectively respond to the rapid changes and developments in the industry; and
- To benchmark our financial workforce rigorously against other leading financial centres.

Covering various industry segments such as compliance, corporate banking, financial markets, risk management and wealth management, amongst others, FICS provides a comprehensive framework to enhance the skills of practitioners, and offers a structured, practice-oriented system of training and assessing the competencies of financial industry professionals.

training and assessments to certify themselves as FICS-certified compliance professionals.

Financial institutions are encouraged to better leverage on the FICS scheme to raise the bar for the compliance profession. For example, apart from putting their compliance staff through FICS training and assessment, financial institutions could use FICS certification as a benchmark for hiring and career progression. As an independent industry benchmark, FICS has become an effective measure that the compliance professional is able to meet the competency requirements need for his job role.

Besides the offer of FICS as an independent industry benchmark on competencies, IBF also offers ongoing CPD programmes and other training resources to ensure that the Singapore financial industry continues to invest in upgrading the skills and competencies of its workforce. ■

For more information on FICS or IBF's training and assessment programmes, please refer to the IBF website at www.ibf.org.sg