Page numbers followed by f and t refer to figures and tables, respectively.

ABC analysis, 270	Ad-hoc training, 202
Accounting fraud, 14, 42	AFM. See Authority for the Financial
Active compliance	Markets
approach, coherence, 52	American Bankers Association (ABA)
basis, 31	bank compliance, 227
benefits, 108t–109t	American International Group (AIG),
component, 104–107	collapse, 301
indicative benefits, 105f	Annexure, 203
business sense, 85	Annual reporting, 180
business value, 107–109	Anti-Money Laundering (AML), 40,
cost benefit analysis, 100-111	84, 171, 241
list, 110t–111t	compliance, 31
cost component, 102	fines, 30–31
effectiveness, 320	standards/policies, development, 18
environment, improvement, 331	violations, 2
management, 101, 118, 319	Anti-Money Laundering and
attributes, 103	Counter-Terrorism Financing Act
benefit, 110t-111t, 117	(2006), 40
characteristic, 279–280	Applicable compliance rule,
construct, 274	categories, 186
core business logic, 225	Artillery (compliance stakeholders),
passive compliance, contrast,	145–148
117–118	ASEAN, 330
positive approach, 213	Association Luxembourgeoisede des
program	Compliance Officers due Secteur
elements, 202	Financier, 226–227
success, 143	Audit, function, 146
role, realization (absence), 109	Australian Competition and
standards, ensuring, 176	Consumer Commission,
strategic tool, 115-119	compliance program definition,
tone, setting, 226	70

Australian Prudential Regulation Authority (APRA), 46–48 Australian Securities & Investment Commission (ASIC), 46 Australian Standard AS, compliance description, 9 Australian Standard on Compliance (AS 3806–2006), 70 Authority for the Financial Markets (AFM), 46 Authority, reduction, 329	Banks on balance sheet activities, 283 earnings/capital, risk, 222 failures, FDIC list, 297t foreign exchange exposures, 20 Bank Secrecy Act, 40 Barclays Bank Plc, fines, 292, 305 Basel Accords, 21–22 compliance guidelines, 22–23 Basel Committee on Banking Supervision (BCBS), 20–21, 43
Back office, 143 Bailouts, 291. See also Taxpayer bailouts cessation, 43 impact, 302 requirement absence, 87	consultative document, issuance, 22 documents/statements, 25, 34–35 Basel III accord, financial crisis (2008) impact, 21–22 BCBS 2005 guidelines, 10 Bear Steams, 500 Benevolent autocracy, 87 BM. See Business model BNP Paribas, 303–304
reduction, 326	Board of directors, 149
Banco Intercontinental (Baninter), failure, 302	Breaches assessment report, 201f
Bank for International Settlements	capture, 199
(BIS), 37, 43, 128 Bankhaus Herstatt, banking license	report template. <i>See</i> Compliance. severity, reporting level, 205t
(loss), 20	Breach management, 197–199
Banking Act (1933), 1.2	example, 198f
Banking Act (1933), 12	identification, 197–198
Banking Acts (1979) (1987), 15	investigation, 198–199
Banking, compliance (impact), 54–58	master, 202t
Banking Secrecy Act (1970), 14, 107	Breach master, 189
Bank of Credit and Commerce	example, 190t Bretton Woods, collapse, 20
International (BCCI)	Bribery Act (2010), 17–18
fraud, 301	Bull dog market, 128
scandal (1991), 15-16	Business
Bank of England, 44	compliance staff support, 175
Act (1998), 16	globalization, 29
Bank of Scotland (BoS), 304	impairment, 227

integrity, 169	strategy, relationship, 111-115
building, 315–318	usage, 216
objective (realization), compliance	
(strategic tool), 118–119	
risk, 81, 212, 229, 231	CAO. See Compliance aware
reduction, 106	organization
Business as Usual (BAU), 248	Capital adequacy, 33, 36
Business ethics, 78–79, 117,	Basel norms, 81
221, 328	norms, 36
aware organization, expectation,	pillar I, Basel coverage, 81
226	ratios, 19
benefit, 119	standards, 20
compliance, 234	compliance, 60
failure, 228	convergence, 22
context, 216	development, facilitation, 20–21
dimensions, 65	Capital markets, 35, 127,
employees, alignment, 70	149, 235
essence, 225	components, 137–138
flouting, 9	inepact, 243
honoring, absence, 64	Captive insurance, 327
impact, 9, 31	Cash transaction reports (CTRs), 40
meeting, 223	Cavalry, 140, 142–144
problems, 9, 154	Centralized compliance model, 72,
setting, 171	165–166
strategic functions, 78	Centralized/in-house compliance
Business model (BM), 226, 249	model, 72
alignment, 118	Centralized/outsourced compliance
aspects, 1–2	model, 72
basis, 240, 245	Certified Information Systems
building blocks, 113, 114t	Auditor (CISA), 225–226
complexity, 44	Change management process,
compliance	195–196
incorporation, 114–115	Chief audit and compliance officer
relationship, 1-2, 111-115, 116t	(CACO), 155
damage, 225-226	Chief compliance and ethics officer
decision, 113	(CCEO), 154–155
impact, 283, 328	Chief compliance officer (CCO), 153
operationalization, 113-114, 114t	173–174
restrictions, 86	role, emergence, 153-154
shaping, 149, 287	variations, 154–155

Chief risk and compliance officer	audit function, 146
(CRCO), 155	human resources, 147-148
Chieftains (compliance stakeholder),	legal function, 146-147
148–149	risk function, 145–146
CISA. See Certified Information	Australian Standard AS 3806
Systems Auditor	description, 9
Closure, notification, 199	back office, 143
Collateral consequences, damages, 92	Basel guidelines, 22–23
Combating the financing of terrorism	boundaries, defining, 43-50
(CFT), 171, 241	breach report template, 200f–201f
Commodities market, 128	business model, relationship, 1-2,
Commonality, leveraging, 208	111–115, 116t
Common Reporting (COREP), 19	business sense, 30–31
Communication	cavalry, 140, 142-144
deficiency, 8	chieftains, 148-i49
management, 202-203	coherence, 69-61
modes, sample, 203	collaboration, 76
skills, 323	complexity scale, 235f, 236t
stakeholders, representation, 203f	compliance department,
Communications master, 190	distinction, 285–286
example, 191t	consumer rights, awareness, 29
Companies	cost, 1–2, 232
fines, 311t–312t	increase, 109
management, distinction, 286	coverage, example, 172t
Competition and Consumer Act	cross-authority expectation, 30–31
(CCA), breach, 70	defining, 11, 53, 206
Competition and Credit Control Act	definitions, clarity (importance),
(1971), 15	206–207
Complaints management, 197	department, 74–75, 145
Complaints master, example, 197t	compliance, distinction, 285–286
Compliance. See Active compliance;	responsibility, 75
Noncompliance; Positive	risk activities, 173t
compliance	direct drivers, 26–28
active approach, 327	discipline, 77
administration, shift, 305-314	disclosure norms, 28
advisory, 76–77	drivers, 26–31
American Bankers Association	dynamic world, 271–272
(ABA) bank compliance, 227	elephant riders, 148
area, aggregation, 253	embedding, 66
artillery, 145–148	enforcement, 76, 79

forced/voluntary compliance, 32	ownership
framework, 159	aspects, KYC example, 67t
front office, 140, 142–143	execution, levels, 68
function, 73-74, 172-173	positive approach, 327
Basel document, 276	post-regulation process, 11
explanation, 157	prevention, 140
IOSCO explanation, 73	preventive deterrence, 305–307
governance, 175	principles, 77
heat map, summary, 180	reach, challenge, 319-320
high-level process flow, 185f	reactive punishment, 305-307
history/evolution, 10-23	real compliance, 271–272
ideal driver, 30–31	reasons, 89
impact. See Banking; Financial	registers, example, 186t
services.	regulation, reasons, 85-89
independence, characteristics, 74	regulations, 38-39, 160
indicative areas, 164t	adoption, 27
indirect drivers, 28-30	regulators, staff (communications),
infantry, 144-145	32,2f
initiatives, coherence, 327	regulatory rigor, 27–28
interconnects, 77–82	reporting structures, 308–314, 313t
flowchart, 78f	representative states, 235
management, 77, 159–181	responsibility/breaches, 68
maps, 77, 318 marketing personnel, impact 143–144	revenue maximization,
marketing personnel, impact	relationship, 119f
143–144	role holders, responsibilities, 176t
master, 186	roles, 151–155
structure, 187t	space, terms, 77
maturity scale, nacro view, 161f	staff, 75–77
media scrutiny, 28–29	business support, 175
ministers, 149–150	regulators, communications,
monarchs, 150–151	322f
monitoring, 205–206	responsibilities, 76
necessity, reasons, 83	stakeholders, 139–151
non-conflicting functions, 173	list, 141t–142t
officer, role, 152	structural reform proposals,
operational framework, 183-206	comparison, 88t
example, 184f	structural regulations, flowchart,
operationalization, 183	87f
owners, 66–69	structure, shift, 305–314
definition, 66	teams, 261

Compliance. See Active compliance;	requirements, 180–181
Noncompliance; Positive	reporting structures, 173-174
compliance (Continued)	responsibility, 174–175
technological advancements, 29-30	role-related requirements, 286
terms, delineation, 72–73	scope, setting, 171–172
universe, 59–60, 163	Compliance coherence, 32, 50, 57,
blocks, 164f	329, 331–332
stakeholders, 121	absence, 65–66
superset, 26	defining, 60–61
Compliance and Compliance	focus, 52
Functions in Banks (BIS	Compliance culture, 61-63, 247, 299
document), 59	context, 324
Compliance aware organization	dimension, 209–210
(CAO), building, 319	facilitation, 328
Compliance calendar, 176–177	focus, 52
adherence, 203-204	impact, 12, 180
example, 178t	indicators, 61–62
sample, 178t	Compliance maturity matrix, 160,
sign-off, 177f	162
usage, 206	example, 162f
Compliance charter, 75, 77, 166	macro view, 161f
accountability, 174–175	Compliance model, 71–73, 165–167
annual plan, example, 179f	aspects, 165
annual sign-offs, 177, 180	definition, 71
authority, 174–176	structure, 161
complexity, scale, 171	types, 72
compliance risk definition,	Compliance plan, 207–208
169–171	approval, 169, 177
creation, 161	blueprint, 190
defining, 167–181	changes, incorporation, 197
implementation sign-off, 179f	details, 266–267
in-scope matrix, 171	Compliance program, 69–71, 74,
linkages, 207	207, 319
mission/objectives, 169	ACCC definition, 70
organizational usage, 31	acknowledgment, 217
outline, 170t	alignment, 153
out of scope matrix, 172	aspects, 71
regulatory dialogue, 181	components, 161f
reporting	cost, 102

creation, 159, 220, 319	Compliance risk, 63–64, 217–219
defining, 70	advantages, 105-106
definition, 69	Association Luxembourgeoisede
design, 115, 162	des Compliance Officers due
economic benefit, 111	Secteur Financier definition,
effectiveness, 93, 103, 145, 154	226–227
evolution, 28	attributes, metrics, 256t
execution, 68, 176, 220	balance, 211-212
export compliance program, 56	bank definitions, 222-225
hierarchical structure, example,	barometer assessment, 252, 253t
167f	Basel definition, 64, 220-221
impact, 107, 109	CISA definition, 225-226
implementation, 28, 168	classes/blocks, 241f
problem, 62–63	controls, assessment, 250-251
ingredients/elements, 194, 202	heat map, 251t
internal system, design, 70	Credit European Bank definition,
lifeline, 202–203	222-224
management, 115	defining, 10, 219-228
alignment, 246	definitions, 64, 65, 169–171, 206
matrix structure, example,	design effectiveness scale, 251t
168f	dimension, 211
maturity matrix, 162f	Federal Reserve definition,
operational map, 167–168	221–222
operations framework, 160	financial risk, overlap, 215-217
outline, 160	fitness barometer assessment,
planned activities, 69	251–253, 252t
requirements, 268	guidance classes, principles, 220
sophistication/scale, 234–235	identification tools, 242f
strategy/policy framework, 160,	implementation effectiveness scale
162–165	251t
mission/objectives statement,	ING Group definition, 224-225
162–163	integrity risk, equivalence,
scope, definition, 163	169–170, 231
structural framework, 160,	journal definitions, 227
165–167	lessons, 291
compliance model, 165–166	management, 239
example, 165f	master, 189t
success, 143, 148, 250, 266	model, components, 248
usage, 61, 106, 158, 323	nonadherence, importance, 225

Compliance risk, (Continued)	quarterly report, 180
Office of the Comptroller of the	Compliance semantics
Currency (OCC) definition,	conceptual set, 59-65
222	flowchart, 59f
organizational complexity scale,	operational set, 65-77
relationship, 234–237	flowchart, 65f
professional definitions, 225–226	understanding, 58–77
qualitative aspects, 246	Composite risk score
quantitative aspects, 245	availability, 261
real-world examples, 292–305	computation, 256
register, 77	Conduct risk, 229–231
regulator definition, 221–222	management, 272
regulatory dialogue, 269–270	Conflict zones, 274, 279–284
reporting, 268–269	Consumer Financial Protection
levels/content, 269f	Bureau (CFPB), creation, 14
residual risk, assessment, 251-252	Control
risk appetite statement, 264	assessment, 251-252
scorecard	heat map, 251t
build flow, 254f	breakdowns, 250
building, 255t	effectiveness, 248
example, 253–265, 257t–261t	frameworks, 151–152
summary, 262t	identification, 192
score, risk factor significance	libraries, 321
adjustment, 264f	map, risk, 192
standards, disregard, 209302	example, 193t
subcategories, 228–234	Controls master, 189
list, 231t	example, 190t
unadjusted risk score (graphic),	Coordinators (financial system
263f	component), 136
unadjusted risk score (tabular),	Corporate fraud, 14
263t	Corporate governance, 14, 35, 270
Compliance risk assessment, 69, 204,	CCO management, 153
244–265, 268	consideration, 52
advances, 305	shaping, 280
methods, 246–253	standards, 70
process, 244f	Corporate memory, 199, 332
usage, 248	creation, 209, 322
Compliance scorecard, 77	Cost-benefit analysis, 110t–111t, 325
alignment, 317–318	exercise, 102
building/maintaining, 317	usage, 100–111

Cost classes, 102f sample, 103t	Dialogue data-based dialogue, usage, 321
Counter-terrorism financing (CTF), 40, 85	regulatory dialogue, management, 320–323
Counter Terrorist Financing (CFT),	Discipline, dimension, 209–210
18	Disclosure, 36
Coutts & Co (FCA enforcement	norms, enhancement, 28
action), 90	Dodd Frank Wall Street Reform and
Credit Rating Information Services of	Consumer Protection Act (2010),
India Limited (CRISIL), 136	14, 30–31, 43, 55, 152, 234
Cross-authority expectation, 30	compliance officers, impact, 152
Culpability score, reduction, 93	regulations, 234
Culture	Domestic Systemically Important
building, 209	Financial Institutions (DSIFIs), 2
two-way system, 61	
Customer due diligence (CDD), 39,	Economic cycle, macro prudence
142	(agency roies), 49t
Customer protection, 25, 26	Economic value creation,
ensuring, 86	management, 215
laws/regulations, 33	EFG Private Bank (FCA enforcement
regulations, 151	action), 90
Customers	Electronic Funds Transfer, 86
customer-related risk factor,	Elephant riders (compliance
impact, 263–264	stakeholders), 148
monarchs, 150–151	Enhanced due diligence (EDD), 39
reference, 39	Enron, fiasco, 13
treatment	Environmental expectations, active
regulatory focus, 38f	compliance (ensuring), 203
unfairness, 302–303	Equal Credit Opportunity Act
	(ECOA), 86
Data-based build, 254	European Banking Authority (EBA),
Data-based dialogue, usage, 321	19, 330
Decentralized compliance model, 72,	European Insurance and
166	Occupational Pension Authority
Decisions, focus, 208	(EIOPA), 19
De Nederlandsche Bank (DNB), 46	European Securities and Market
Design (governance feature), 80	Authorities (ESMA), 19
Design effectiveness scale, 251t	European System of Financial
Development financial institutions	Supervisors (ESFS), creation
(DFIs), 138	(2009), 19

E II: (EII)	1 1 46
European Union (EU)	regulations, 46
financial market competitiveness,	Financial Conduct Authority (FCA),
improvement, 41–42	16, 44, 90, 302–303
regional regulatory structure, 19	fines, 292, 307
Evolving risks, 81	twin peak regulatory model, 44
Exception reporting, 180–181, 314	Financial crime, 75, 241
Export compliance program, 56	cessation, 143, 149
External applicable compliance rule, 186	compliance department oversight functions, 26
External environment, 80-81	component, usage, 252
External regulation, internal	conduits, 7
regulation (distinction), 288	deterrence, inefficiencies, 303–304
	example, 90
Easter weighted significance 202	fighting/deterrence, 18, 60
Factor-weighted significance, 262	inefficiencies, 292, 303–304
FATCA. See Foreign Account Tax	indicators, 270
Compliance Act	internal fraud, 143
Federal Deposit Insurance	management, 39–43, 77
Corporation (FDIC), 14	miligation, 69
establishment, 12 failed bank list, 297t	prevention, 25, 57
Federal financial	protection, 33
regulations/organizations, 46t	Financial crisis. See Global financial
Federal Open Market Committee	crisis
(FOMC), creation, 12	mortgage securities sale, problems
Federal Reserve Act (1913), 12	(impact), 304
	regulation, 22–23
Federal Sentencing Guidelines, 153	regulatory treatment, disparities,
Federal Sentencing Gudelines for	284
Organizations (FSGO), impact,	tracing, 11
	trigger, 21
Finance, ecosystem, 122f	Financial crisis (2008), 35
Financial Action Task Force (FATF),	
18, 40	bank collapse, 303
Financial activities, regulators	ESFS creation (2009), 19
(financial system component),	Too Big issue, 326
124	Financial crisis (2007), impact, 14
Financial assets, 133	Financial crisis (1907), NYSE
Financial conduct	(decrease), 12
administration, 309	Financial disaster, prevention, 299
countering, 18	Financial discipline
objective/content/tools, usage, 47t	establishment, 51–52

Financial Industry Regulatory	references, 127–128
Authority (FINRA), 28, 149	structure/instruments, 127t
Financial Institutions Reform,	term, inclusiveness, 125
Recovery and Enforcement Act	Financial panic, bailouts (impact),
(FIRREA), 13	302
Financial instruments	Financial regulation
buyers/sellers, 125	evolution, 22–23, 31
funds, receiving, 133	intention, 31–32
investor protection, 42	Financial risk, compliance risk
multiplication, 124	(overlap), 215-217
parties, 133	Financial services, 6, 77
Financial intelligence unit (FIU), 40	abuse, 36
Financial intermediaries, 128–133,	model outputs, impact, 264
151	products, complexity (increase),
assets, 132f	26–27
channeling, 133	regulation, 31–34
financial system component, 123	standards, disregard, 299–302
function, 129t-130t	supervision, 31, 34–39
funds, flow (facilitation), 133	classes, 36–38
usage, 122–123	Financial Services Act (1986), 15, 16
Financial loss, risk, 226, 227, 232	Financial Services and Markets Act
Financial markets, 124–128, 151	(FSMA), 16
challenges. See International	Financial Services Authority (FSA),
financial markets.	16, 44
competitiveness, improvement. See	Financial Services Authority (FSA)
European Union.	fines, 94, 293t–296t
components, 125	comparison, 96f
crises, 31	imposition
developments, 36	number, 96f
efficiency, 124–125	proportion, 95f
existence, 125	levy, 94
financial system component, 123	value, 95f
foreign participants, 149	Financial services compliance, 1, 271
funds	boundaries, defining, 43–50
flow, 133	distinctions, 285–289
source, absence, 125	impact, 54–58
integrity/transparency, 98	management, real-life issues, 273
location, 127	myth/reality, 273–274
overseeing/regulating, 43	overlaps/conflict zones, 274,
participation/protection, 31–32	279–285

Financial services compliance,	turnover. See Global Forex
(Continued)	markets.
overview, 5	Foreign Exchange Regulation bodies,
risk-based approach, rule-based	43
approach (distinction),	Foreign financial institutions (FFIs),
288–289	41
slack internal controls, 298–299	cross-boundary obligation, 30
Financial Services Modernization Act,	Foreign Institutional Investors (FIIs),
13	138
Financial stability, 36	Formal communications, sources, 195
Financial Stability Board (FSB), 136	Franchise, loss, 227
shadow banking description, 131	Franklin National Bank of New York,
Financial Stability Oversight Council	closure, 20
(FSOC), 14, 43	Fraud, 69. See also Accounting fraud;
Financial system, 122–123. See also	Internal fraud
Global financial system	BCCI failure, 301
abuse, geography view, 243t	quantitative indicator, 245
components, characteristics, 123t	Front office, 140, 142–143
coordinators, 136	Funds
informal supervisors, 136	channeling, 124–125
members, 136	flow, financial intermediary
regulators, 136	facilitation, 133
stakeholders, 125, 137–138	mobilization, 124
universe, 121–136	movement, 133–135
Fines. See Financial Services	raising, 135f
Authority fines	saver to user movement, 135f
inflation, 282–283	sources, 125
table, 309t-312t	
Foreign Account Tax Compliance Act	Glass-Steagall Act (1933), 13, 86-87,
(FATCA), 14–15, 30, 40–41, 241	326
Foreign Corrupt Practices Act,	Global financial crisis, 272
penalty structure, 92	Global financial system, 136f
Foreign exchange, 30	Global Forex markets, turnover, 129t
exposures/losses, 20	Global Systemically Important
rules, governmental regulation, 149	Financial Institutions (GSIFIs), 2
Foreign exchange (Forex) markets,	Gold Fixing, 303
127–128, 138	Good faith, expectation, 224
governments/central banks,	Governance. See Compliance
participation, 138	features, 80

Governance, risk, and compliance (GRC), 78–79	Individual responsibility, organizational responsibility
compliance, relationship, 207	(contrast), 307–308
Venn diagram, 80f	Individuals
Gramm-Leach-Bliley Act (1999), 13,	fines, 309t–310t
86, 326	noncompliance, business
	consequences, 99f
Habib Bank AG Zurich (FCA	Indmac Bank, 301
enforcement action), 90	Industry cartel, LIBOR abuse,
Heat map, 180, 204. See also	304–305
Control; Inherent risk	Industry standards, disregard,
basis. See Risk.	299–302
building, mechanics, 252	Infantry (compliance stakeholders),
example, 251t	144–145
risk, translation, 249	Informal communications, sources,
usage, 268–269	195
usefulness, 317, 321	Informal supervisors (financial system
Hierarchical structure, example,	component), 136
167f	ING Bank
HIH Insurance, liquidation, 301	integrity, impairment risk, 224
Home Mortgage Disclosure Act, 86	reputation, damage, 225
HSBC, fines, 30, 90, 292	ING Bank, fines, 30
Human resources (HR), 147–142,	Inherent risk, 266
261	assessment, 248–250
Hybrid compliance model, 2, 166	computation, 249t
Try brid compliance model, 72, 100	equation, 249
ICDA 126	heat map, 250t
ICRA, 136	magnitudes, differences, 249
Illegal procedure, unethical procedure	usage, 251–252
(distinction), 287–288	In-house/local compliance model, 72
Impact scale, 249t	In-person training, 202
Implementation effectiveness scale, 251t	Inputs, validity, 264
	In-scope compliance tasks, range,
Independence	171–172
accountability, relationship, 313	In-scope matrix, 171
characteristics (Basel document), 74	Integrity risk, 229–230
Independent Commission on Banking	compliance risk, equivalence,
(ICB), 326	169–170, 231
Individual avarice, 291	107-170, 231

Interbank market, 138 Interconnects, 77–82 flowchart, 78f	JP Morgan Chase (JPMC) fines, 292, 303 mis-selling settlement, 302–303
Internal applicable compliance rule, 186	payouts record, 90 Whale Trades, 298
Internal audit, 36, 82	J SOX, 27
Internal control, 36	
slackness, 298–299	
Internal fraud, 143	Kerviel, Jerome, 299
impact, 16	Know Your Customer (KYC), 17, 18
Internal regulation, external	30, 84, 241
regulation (distinction), 288	example, 67t
Internal remediation, 267	norms, 39
Internal stakeholders, 254	
Internal standards, disregard,	
299–302	Laws, compliance department
International Accounting Standards	analysis 75
Board (IASB), 136	Leadership (governance feature), 80
International Association of	Learning capsules, creation, 332
Insurance Supervisors (IAIS), 136	Learning organization, building, 327
International Convergence on Capital	332–333
Standards, BCBS facilitation, 21	Leeson, Nick, 299
International financial markets,	Legal department, role, 81–82
challenges, 20	Legal risk, 82, 226, 227, 233
International Monetary Fund (IMF),	Lehman Brothers, 300–301
136	Letter and spirit approach, 118
globalization aspects, 29	Leveraging commonality, theme, 196
International Organization of	Liikanen Report, 326
Securities Commissions (IOSCO)	Likelihood scale, 249t
(IOSC), 57, 136	Line of business (LOB), 180, 190
compliance function, 73	compliance conduct, 202
Interpretation risk, 211–212,	functional areas, 254
233–234, 281	heads, 261, 318
Investors	view, sample, 243t
funds compensation, 136	Lines of defense, 313
risk appetite, 125	Lines of defense model
Transfer to the second	example, 277t
Johnson Matthey bank crisis (1984),	problems, 2–3
15	usage, 276–277
Joint Stock Companies Banking Act	Linkages, understanding, 207
(1857), 15	Liquidity risk, 106, 218

Litigation risk, 82, 226, 227, 233 remediation mapping, breach reduction, 106 (example), 193t responsibility mapping, 193 Lloyds Banking Group (LBG), 304 fines, 292 example, 194t Maps, 192-193 LOB. See Line of business Local compliance officer (LCO), 174, control map, risk, 192, 193t obligations maps, compliance, 192, Local/outsourced compliance model, reporting map, representation, 72. London Interbank Offered Rate 204f Marine Insurance Act (1906), 84 (LIBOR), 152, 282 Market abuse, 172t, 255t abuse, 304–305 manipulation, 28–29 prevention, 45 Marketing personnel, impact, scandal (2012), 9, 292 143-144 Long Term Credit Bank of Japan Market participants, 137–138 (LTCB), 297 perception, 282–283 problem, 91 Macro prudence, agency Markets roles, 49t discipline, 25, 87 Macro prudential perspective, participants, 138–139 comparison, 37t indicative list, 139t Macro prudential supervision, 36 structure. See Financial markets. Macro stability, 36 Markets in Financial Instruments Madoff Ponzi scheme, 90, 303 Directive (MiFID), 19, 41–42, Management. See Active compliance; 241 Compliance; Compliance Masters, 185–192 program; Financial crime; breach management master, 202t Proactive compliance breach master, 189 breach management, 197–199 communications master, 190 communication management, example, 191t 202-203 complaints master, example, 197t company, distinction, 286 compliance master, 186 complaints management, 197 compliance risk master, 190t compliance risk management, 239 controls master, 189 conduct risk management, 272 obligations master, 186–187 process. See Change management remediation master, 192, 192t process. reporting master, 190 reporting management, 203–205 reports master, example, 191t training management, 202 structure, 126t, 187t Mapping training master, 190t

Masters, (Continued)	Money laundering, 241
example, 190t	Money Laundering Regulation
Matador market, 128	(2007), 40
Material loss, 216	Money Laundering Reporting Officer
Matrix compliance model, 72, 166	(MLRO), 10, 17–18
Matrix structure, example, 168f	Money markets
Maturity	short-term characteristics, 125
matrix. See Compliance maturity	short-term debt securities, issuance,
matrix; Compliance program.	127
scale, macro view. See Compliance.	Moral stricture, 316
Mergers and acquisitions	Multiplication factor, management,
rejection, 227	207–208
target, 228	_
Micro prudential perspectives,	
comparison, 37t	National Crime Agency, SOCA
Micro prudential supervision, 36	(merger), 17
Ministers (compliance stakeholders),	New York Stock Exchange (NYSE),
149–150	financial crisis (1907), 12
Mis-selling, 3, 29, 131, 241	Noncompliance
avoidance, 111, 137	business consequences, 98–100
claims, payment, 82	causes, 228t
damages, litigation risk (impact),	consequences, 89–100, 229t
106	map, 230t
example, 91 fall out, 147	environment, 61
fall out, 147	individuals, business consequences,
impact, 144	99f
legal expenses/costs, reduction, 106	morphing, 212
prevalence, 57	organizations, business
problem, 302	consequences, 99f
reduction, 106	regulatory consequences, 91-98
safeguards, 33	Northern Rock, 297
settlement, 302–303	
short-term gains, 287	
Mission/objectives, 169	Obligations maps, compliance, 192,
statement, 162–163	193t
Model, components, 248	Obligations master, 186–187
Model risk management, regulatory	structure, 187t
concern/guidelines, 264-265	Obligations register template,
Monarchs (compliance stakeholders),	188f–189f
150–151	Office of Foreign Assets Control
Monetary disincentive, 316	(OFAC), impact, 14

On balance sheet activities, 283	Over-the-counter (OTC) market, 127
Operational challenges, solutions,	Ownership. See Compliance
315	
Operational framework, 183-206	D : (1007 10
example, 184f	Panic of 1907, 12
Operations, 193–206	Paradigm shift, 63
Operations framework, 160	Paralysis by analysis, absence, 247
Orderly Liquidation Authority, 43	Passive compliance, active compliance
Organizational contact points,	(contrast), 117–118
consistency, 322	Patriot Act (2001), 13–14, 40
Organizational responsibility,	Payment Protection Insurance (PPI),
individual responsibility	2, 302
(contrast), 307–308	mis-selling, 147
Organization of Economic	Penalties, reduction, 195–106
Cooperation and Development	Pensions and Insurance Supervisory
(OECD), 136	Authority (PVK), 46
Organizations	Perceived failure, 224, 228
business integrity, building,	Performance indicators, 206
315–318	Political Exposed Persons (PEPs), 39,
complexity scale, compliance risk	00
(relationship), 234–237	Positive and Active Compliance
compliance, components, 160	Management (PACM), 117
damage, current/prospective risk,	Positive compliance, 54
226	benefits, 108t–109t
hierarchical structure, 166-167	Potential of loss, 217
internal changes, 160	Power, reduction, 329
marketing/sales personnel,	Preventive deterrence, reactive
143–144	punishment (contrast), 305–307
matrix structure, 167	Primary markets, 125, 127
noncompliance, business	Principle-based regulations, 234
consequences, 99f	Proactive compliance, 2
outcome, optimization (principles),	behavior, 328
101	ensuring, 75
severity frequency matrix, 318t	inputs, business functions, 152–153
structure-reporting relationships,	management, 217
166–167	Prudential conduct,
sustainable growth, 57	objective/content/tools (usage),
top/senior management changes,	47t
160	Prudential Regulation Authority
Outcome, optimization (principles),	(PRA), 16, 44–45, 136
101	Prudential regulations, 35

Prudential regulations, (Continued)	list, sample, 38t
attention, 328	objectives, 33f
financial service, 32	term, usage, 7
focus, 7	visibility, 27
twin peak regulatory structure,	Regulators
332–333	financial system component, 136
Prudential Regulations Authority	regulated, relationship, 51–52
(PRA), 16–17. See also	Regulatory Accountability Act
Australian Prudential Regulation	(2013), 102
Authority	Regulatory audit, 320–321
creation, 45	Regulatory change management,
twin peak regulatory model, 44	194–197
Public Company Accounting	example, 194f
Oversight Board (PCAOB),	Regulatory coherence, 329-331, 334
creation, 14	absence, 65
	advocacy, 158
Out autoular non autima 180	benefits, 46
Quarterly reporting, 180	effort, 32–33, 48, 50, 332
	focus, 52
RAROC. See Risk-adjusted return on	objective, 44
capital	Regulatory dialogue, 269–270
RCO. See Regional compliance officer	management, 323
Reactive punishment, preventive	Regulatory environment, compliance
deterrence (contrast), 305 307	department tracking, 75
Regional compliance officer (RCO),	Regulatory fatigue, 22, 87
174	Regulatory framework. See United
jurisdiction, 180	Kingdom
Regional directive, globalization, 19	Regulatory models, 45t
Registers, 185–186	Regulatory overdose/gaps, 283
example, 186t	Regulatory perception, 316–317
obligations register template,	Regulatory risk, 226, 227, 232
188f–189f	Regulatory standards, disregard,
Regulation. See Compliance	299–302
adherence, 8	Regulatory trust, management
adoption, 27	responsibility, 270
changes, 195	Remediation. See Internal
classes, 34f	remediation; Risk
compliance department tracking,	action plan, SCB provision, 306
75	breach, 206
impact, 325–326	cost, comparison, 2

implication, 267	business risk, 81, 212, 229, 231
management, 199	compliance department
closure, 199	identification/communication,
map, breach, 193	75
mapping, breach, 193, 193t	defining, 214–215
master, 192, 192t	divisions, 81
standards matrix, 267f	effectiveness, 248
Repeat-complaint-oriented	evolving risks, 81
supervision, 285	frameworks, 151-152
Reporting	function, 145–146
annual reporting, 180	identification, 75, 192, 241-244
exception reporting, 180-181	heat maps, 266-267
management, 203-205	line of business (LOB) view, 243t
map, representation, 204f	map, 242t
master, 190	integrity risk, 229–230
quarterly reporting, 180	interpretation risk, 211-212,
requirements, 180–181	233 -234, 281
structures, 173-174, 308-314,	ISO definition, 215
313t	legai risk, 82, 227, 233
Reports	libraries, 321
aspects, 204	litigation risk, 82, 226, 227, 233
master, example, 191t	management, 35
sample, 204–205	governance feature, 80
Reputation risk, 217, 226, 231-232	mitigation, 265–266
Residual compliance risk report,	monitoring, 266–267
sample, 253t	profiles, comparison, 244t
Residual risk, 254, 266	reduction, 115
assessment, 251, 321	regulatory risks, 227, 232
template, 252t	remediation, 267
Responsibility, 307–308	standards matrix, 268f
mapping, 193, 194t	reputation risk, 227, 231–232
Reuse	scores, 262
importance, 208	unadjusted risk score (graphic),
theme, 196	263f
Revenue maximization, compliance	unadjusted risk score (tabular),
(relationship), 119f	263t
Reward, impact, 209–210	Risk-adjusted return (RAR),
Risk	components, 107–109
activities, 173t	Risk-adjusted return on capital
assessment, 244–265	(RAROC), maximization, 2

Risk appetite, 1-3, 125, 240	creation, 252, 255t
absence, 265	usage, 317–318
acceptance, 113	Secondary markets, 125, 127
basis, 135	Second Bank of the United States, 12
board approval, 145	Securities Act (1933), 13
escalation mechanisms, 118	Securities Exchange Commission
organizational setting, 149	(SEC), 14, 102, 136
presence, 267	enforcement actions, 94, 98
proportion, 81	mission, 138
statement, usage, 264	Security
Risk attributes	parties, 133
metrics, 256t	sale, fraud, 13
real-life metrics, 256	Self-regulation, 288
relative significance, assignation,	Self-regulatory industry body,
261	example, 18
usage, 254	Self-regulatory organization (SRO),
Risk-based approach, rule-based	13, 28, 37, 171
approach (distinction), 288–289	standaras, 220-221
Risk factors, 253–254, 256, 262, 283	Senior managers regime (SMR), 3
composite risk score, availability,	Serious Organized Crime Agency
261	(SOCA), National Crime Agency
customer-related risk factor,	(merger), 17
263–264	Severity frequency matrix, 318t
level, 256	Shadow banking, 87
significance, risk score	FSB description, 131
(adjustment), 256, 264f	organizations, treatment, 283
Royal Bank of Scotland (RBS), FCA	system, systemic risks, 327
fine, 307	Shareholders, stakeholders
Rule-based approach, risk-based	(distinction), 287
approach (distinction), 288–289	Short-term gains, mis-selling, 287
11 (//	Significance-adjusted composite risk
	score, 256
Samurai market, 128	Significance-adjusted risk score, 262
Sarbanes Oxley 2002 (SOX), 30–31,	Significance-adjusted view, 263
55, 172	Special Liquidity Scheme (SLS), 304
CCO role, 153	Spot trades, over-the-counter trading
compliance documentation, 25	128
influences, 13–14	SROs. See Self-regulatory
provisions, explanation, 42–43	organizations
regulation, 27	Stakeholders, shareholders
Scorecards	(distinction), 287

Standard Chartered (SCB), 306	Too big to fail, 326
fines, 30, 292	Too big to manage, 326
Standards set by society, breach, 223	Too big to regulate, 326
Stewardship (governance feature), 80	Trading, existence, 125
Strategic framework, example, 163f	Training management, 202
Strategic plans (governance feature),	Training master, 190
80	example, 190t
Strategy	Transparency, 36
business model/compliance,	importance, 208
relationship, 111–115	Treating customers fairly (TCF), 60,
framework, 160, 162-165. See also	144, 219
Compliance program.	focus, 267
Structural framework, 160, 165–167.	Trust, expectation, 224
See also Compliance program	Trust quotient, 224-225
example, 165f	building, 321
Structural reform proposals,	reduction, 230–231
comparison, 88t	Truth in leading laws, 86
Structural regulations	TSM. See Target Strategy Model
flowchart, 87f	Turkish Bank (UK) Ltd (FCA
usage, 86	enforcement action), 90
Sub-blocks, example, 113	Twin peak structure, unification, 18
Super eye, presence, 210	Twin peak supervisory model 1
Supervision. See Financial services	(Australian Model), 48f
classes, 36–38	Twin peak supervisory model 1
Systemically Important Financial	(Netherlands Model), 48f
Institutions (SIFIs), 35, 37	
XQ.	Uberrimae fidei, 84
Target Operating Model (TOM), 1–2,	Unadjusted risk score (graphic),
112, 115	263f
Target Strategy Model (TSM), 112,	Unadjusted risk score (tabular),
115	263t
Tax deducted at source (TDS), 85	United Kingdom
Taxpayer bailouts, 299	recession, 15–18
TCF. See Treating customers fairly	regulatory framework, 17f
Technology	United Kingdom Financial
initiative (systems costs), indicative	Intelligence Unit (UKFIU), 17
cost items, 103t–104t	United States
usage, 208	federal financial
Third-party vendor, impact, 263–264	regulations/organizations, 46t
TOM. See Target Operating Model	recession, 12–15

Unquantifiable risk, 282 Urban Bank, closure, 301 US Banking Act (1933), 86

Value creation, 140, 234, 273 active compliance, usage, 114-119 advocacy, 2 business models, impact, 328 ensuring, 103 focus, 112 management. See Economic value creation. organizational objective, deterrence, 266 risk, impact, 213-214 Value enhancement, 331 active compliance, usage, 114-119 deterrence, 266 Value for money approach, 100 Value multiplication, 140 HELD: HAMAN ! Value perpetuation, focus, 112

Value preservation, 140
active compliance, usage, 114–119
Value retention, focus, 112
Value sustenance, 213, 273, 331
business models, impact, 328
Virtual training, 202
Volcker Rule, 152

Washington Mutual (WAMU), failure, 301 Whistle blowing (whistleblowing) answer, 319–320 mechanism, 198 program, 210 system, usage, 320 White collar crimes, 42

Yankee market, 128

Zero risk state, achievement, 265