

How bankers can act and behave in a compliant way

Along with harsher penalties for individual bankers who do the right thing, more consistent and practical approaches to training and consequence management are necessary to ensure the front-line actually knows what the 'right thing' is.

Senior management at banks and other wealth managers need to spend more time focusing on the compliant nature of relationship managers (RMs) and client advisers.

The front-line today, especially in developed financial hubs like Hong Kong and Singapore, are keenly aware of how serious regulatory compliance is. And most bankers ultimately want to do the right thing.

The problem, according to senior compliance practitioners, is knowing what the 'right thing' is to do.

A big challenge in guiding the front-line in this journey is ensuring knowledge and transparency in the path to compliance – telling people what to do, when and why.

This means they can be adequately skilled and equipped to handle client concerns and complaints about why the

relationships and engagements are changing, and how these changes are positive and beneficial at both ends.

Only RMs who accept the organisation's developmental path and own the conversation with their clients, will drive relationships forward. This is according to a Hubbis survey of over 100 of the leading compliance practitioners in Asian wealth management.

line to act and behave. One approach is to implement and enforce a scorecard system that has both a 'carrot' and a 'stick' to manage behaviour.

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CREATING CONSISTENCY

Compliance practitioners suggest various ways to drive the right way for the front-

Compliance practitioners must reinforce this type of behaviour with training which is more targeted and relevant

to support RMs in applying the right behaviour. It must also be delivered by specialists in the field, and offer readily-available FAQs on the topic to allow ease of navigation around it.

For, example, RMs need to be clear that if a client's Common Reporting Standard (CRS) self-declaration, for example, doesn't match an RM's own due diligence checks, it is a basis to file a suspicious transaction report (STR).

The same applies if an RM believes a client has committed a tax-related offence. Bankers used to just advise the client to seek independent tax advice and consider this a sufficient discharge of any further obligations. But since tax offences are largely now considered as predicate offences under money laundering laws, lodging an STR is essential.

An RM also needs to highlight to the client the inconsistency and then work with them to create a clear picture. A simple question to the client might be to ask if certain circumstances have changed; this would be a starting point to delve into and fill those gaps.

When it comes to suitability requirements, RMs also need to know whether to look at the jurisdiction in which the client is physically located at the time of the trade, or just where they are domiciled.

Compliance practitioners say it is more related to the client's domicile, but the actual location could matter in some cases.

HARSHER PENALTIES

Perhaps the most effective way, however, is the stark reality of the personal accountability they face. They have clearly seen evidence of

IS THE JAIL TIME SO FAR GIVEN TO PRIVATE BANKERS TOO LONG OR TOO SHORT? (by number of votes)

Too long



Too short



Just right



Source: Hubbis Compliance in Asian Wealth Management Forum 2017, Singapore

this with the growing number of individual bankers to be charged, fined and sentenced to jail in relation to the 1MDB scandal.

Such improper conduct by individuals impairs the effectiveness of a firm's compliance function to operate in the way it should.

And for the time being, while harsh penalties are not the only route to better levels of compliance, senior compliance professionals say these are likely to be the most effective. Until a senior business leader can stand in front of his or her bankers, for example, and sell the positive benefits of compliance – not just avoiding stiff penalties – a better alternative is hard to find.

One thing which would help, believe some practitioners, is if either or both of regulators and institutions re-look at compensation systems that, led by greed, motivate misconduct, or for existential reasons, cause non-compliant behaviours.

BETTER SCREENING NEEDED

Regardless of various initiatives and penalties to try to stamp out non-

compliant behaviour, there needs to be consideration about the possibility of doing better 'screenings' of RMs when they are hired.

An issue with conventional screening is that it simply precludes the hiring of individuals with an adverse record.

There is little to no effort, say compliance practitioners, to investigate the more integral aspects to a banker's ethical and moral compass.

Although desirable, only better access to relevant information makes this feasible. Reference checks are barely more effective as adverse references seem to be rare in this sector.

Best practice for internal recruitment, or even external firms looking to place candidates, should be to perform a cognitive screening test, with situational assessments in order to provide a deeper lens into how an RM thinks and acts.

Further, since most screenings can only yield limited objective information, to make it effective relies on past employers being transparent. ■