

LANDMARK COMPLIANCE FRAMEWORK LAUNCHED

Recent scandals in local and global financial markets have highlighted the need for fair treatment of clients and the protection of their interests. This has led to increased regulation and more emphasis on compliance.

Three years ago, the Compliance Institute of South Africa embarked on an ambitious project to develop a blueprint for compliance practice – the first of its kind in the world. On 12 August 2009, the completed Generally Accepted Compliance Practice Framework was launched in Johannesburg at the Institute's 10th annual conference.

Julie Methven, CEO of the Compliance Institute, said that organisations with mature compliance cultures consider the compliance function a vital element of business operations, and no decisions – on new business ventures or services for example – are taken in such organisations without the involvement of the compliance function.

In the foreword to the framework, Gerry Anderson, deputy executive officer of the Financial Services Board said, "The role of the compliance officer in South Africa has grown into one of significant importance, as financial service providers are increasingly relying on their compliance officers to guide them through their regulatory responsibilities." Anderson said the framework is a contribution to good governance which, in turn, enhances consumer protection in the SA financial services industry.

Methven said, "It is hoped that the Generally Accepted Compliance Practice Framework will assist both compliance professionals and the regulators and contribute towards promoting high standards of corporate governance and ethical behaviour in the financial services industry."

The framework provides a set of standards and norms that act as a benchmark of compliance best practice. It consists, firstly, of a set of principles considered critical for establishing and maintaining an effective compliance risk management framework. These include issues such as governance, the responsibility of management in respect of compliance, independence, and fit and proper requirements for compliance officers.

"Independence is a key issue, as the compliance function needs to be sufficiently independent of business activities to discharge its responsibilities effectively while not impairing the working relationship between the compliance function and the business," said Methven.

The principles are then expanded into individual standards and codes that provide detailed criteria for effectiveness in 15 areas. The institute outsourced the development of the standards to a project team comprising eComply Consultants (Pty) Ltd and Ernst & Young. Global developments and regulatory requirements were researched to ensure that all relevant considerations were included.

"The approach has been to consult with members of the institute and to obtain input at all stages. Comment has also been obtained from the relevant regulatory bodies," added Methven.

The framework further provides a code of ethics and professional conduct for compliance officers that provides a benchmark of behaviour and conduct and is ultimately aimed at promoting confidence in the compliance profession.

Finally, the framework provides a set of guidelines that expands on the principles and standards by providing suggestions

on the practical implementation of the framework in individual organisations. On independence, for example, the guidelines frame it in the context of managing conflicts of interest.

It states that compliance staff, and particularly the head of compliance, should never be put in a position where they need to achieve business targets, such as profitability levels or sales targets on the one hand, while being responsible for embedding ethical standards and a culture of compliance on the other hand.



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