INSIDE FINANCIAL SERVICES REGULATION

Welcome to *Inside Financial Services Regulation™*! This course is part of PSI's *Inside Financial Services*® curriculum.

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You may be eligible for Continuing Professional Education credit for this course if you are a CPA licensed in the United States. This course offers 1 CPE credit by the National Association of State Board of Accountancy (NASBA). Refer to the associated CPE information pdf for more information on the continuing education credits for this course.

Welcome

This course provides an overview of financial services regulation.

Topics covered in this course include:

- Industry regulatorsIndustry regulations
- Executives
- Regulatory compliance

Course Overview

This 50 minute course is designed for professionals serving the financial services industry, and it provides a fundamental understanding of financial services regulation.

Upon completing this course, you will be able to:

- Name industry regulators
- Identify important industry regulations
- Recognize important executives within financial institutions responsible for regulatory compliance
- Identify steps financial institutions are taking to improve compliance

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This course is part of the *Inside Financial Services*® training curriculum. Other courses in this curriculum include:

- *Introduction to Financial Services*
- *Inside Retail Banking*
- *Inside Investment Management*
- *Inside Corporate Finance*
- *Inside Transaction Banking*
- *Inside Capital Markets*
- *Inside Risk Management*
- *How Banks Make Money*

INDUSTRY REGULATORS

Regulation of the financial services industry is developed and enforced by:

- Domestic and regional industry regulators
- Central banks
- Self-regulatory organizations
- International associations

Domestic and Regional Industry Regulators

Domestic and regional regulators oversee financial institutions and other industry participants in their home markets. These regulators have the authority and responsibility to monitor, investigate, fine and even take over financial institutions to enforce financial services laws and regulations.

In many countries financial services regulation is the responsibility of broad regulatory agencies that have responsibility for regulating the entire financial services industry, including banking, investment management, capital markets and insurance. Examples of these financial services regulators include:

- The Financial Services Agency (FSA) in Japan
- The Federal Financial Supervisory Agency (BaFin) in Germany
- The Autorité de Contrôle Prudentiel (ACPR) in France
- The Office of the Superintendent of Financial Institutions (OSFI) in Canada

In other countries and regions, regulation is the responsibility of multiple regulatory agencies focused on industry segments. This is the approach taken in:

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- The US
    - In the US, the primary banking regulators include:
        - The Federal Reserve
        - The Office of the Comptroller of the Currency (OCC)
        - The Federal Deposit Insurance Corporation (FDIC)
        - The Consumer Financial Protection Bureau (CFPB)
        - The National Credit Union Association (NCUA)
    - The primary securities regulators include:
        - The Securities and Exchange Commission (SEC)
        - The Commodity Futures Trading Commission (CFTC)
    - Follow this link to the *Inside Financial Services Wiki* to learn more about US regulators
- China
    - In China, the National Administration of Financial Regulation (NAFR) is responsible for regulating banks and insurance companies
    - The China Securities Regulatory Commission (CSRC) is responsible for managing financial markets
    - Follow this link to the *Inside Financial Services Wiki* to learn more about regulators in China
- The EU
    - In the EU, financial institutions are subject to supervision and regulation by domestic regulators as well as the European System of Financial Supervision
    - The European System of Financial Supervision includes:
        - The European Banking Authority (EBA), which is responsible for regulating banking
        - The European Securities and Markets Authority (ESMA), which is responsible for regulating financial markets
        - The European Insurance and Occupational Pensions Authority (EIOPA), which is responsible for managing pension plans (as well as insurance)
- The UK
    - In the UK, the Financial Conduct Authority (FCA) is an independent regulator responsible for regulating how financial institutions conduct their business, promoting competition and supervising smaller financial institutions
    - The Prudential Regulation Authority (PRA) regulates the largest financial institutions and is part of the Bank of England (the UK's central bank)
    - The Payment Systems Regulator is responsible for ensuring the resilience of payment systems and encouraging innovation in the UK payments industry

Central Banks

Central banks perform many key functions for their countries, including:

- Overseeing the safety and efficiency of their national payment systems
- Issuing and maintaining bank notes and coins in the country's currency

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- Holding foreign exchange reserves and local currency reserves
- Serving as the "bank for banks" by providing the country's banks with payment services and loans if needed (central banks are often referred to as the "lender of last resort")

Central banks also set and/or implement their country's monetary policy, which can include:

- Stabilizing foreign exchange rates for the country's currency
- Targeting specific inflation rates and/or economic growth rates
- Influencing the interest rate environment by:
    - Setting the interest rate for loans the central bank makes to other banks
    - Buying and selling government securities in the open market (often referred to as the central bank's **market operations**)

Examples of central banks include:

- The Federal Reserve System in the US
- The People's Bank of China
- The Bank of Japan
- The Deutsche Bundesbank in Germany
- The Bank of England
- The Reserve Bank of India

In the European Union, monetary policy is set by the Governing Council of the European Central Bank. The central banks of individual countries in the EU are responsible for implementing the monetary policy decisions of the Governing Council.

Self-Regulatory Organizations

Self-regulatory organizations (SROs) are non-governmental organizations that have the power to create and enforce industry regulations and standards for their members based on national securities laws. SROs are themselves subject to oversight by industry regulators.

Examples of SROs include:

- Securities exchanges
- Clearinghouses
- Industry associations, such as:
    - The Financial Industry Regulatory Authority (FINRA) in the US
    - The Securities Association of China (SAC)
    - The Japan Securities Dealers Association

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International Associations

There are several associations that play a role in international financial services regulation, including:

- The Bank for International Settlements (BIS)
  - The Bank for International Settlements (BIS) is a forum for cooperation between central banks and other industry regulators around the world
  - The Basel Committee is part of the BIS
    - The Basel Committee issues guidelines for national regulators to implement in an effort to create consistent capital and supervisory standards worldwide (covered later in this course)
    - The Basel Committee does not have any formal supervisory authority, but its recommendations are usually adopted by all major countries
- The Financial Stability Board (FSB)
  - The Financial Stability Board (FSB) was established in response to the global financial crisis
  - The FSB's primary focus to date has been on addressing the risk posed by financial institutions whose failure is considered a threat to the international financial system
  - These financial institutions are referred to as **global systemically important financial institutions (G-SIFIs)**
- International Organization of Securities Commissions (IOSCO)
  - The International Organization of Securities Commissions (IOSCO) was established to promote high standards of securities regulation, the exchange of information between national regulators and set standards for the surveillance of international securities transactions

CYU #1 –central banks

Which function is performed by a central bank? Select the best answer.

Oversees the safety and efficiency of national payment systems

Insures customer deposits held at financial institutions

Monitors the market and business conduct of financial institutions

Exchanges information between national securities regulators

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INDUSTRY REGULATIONS

The primary goals of financial services regulations are to:

- Support financial stability
- Protect depositors and investors
- Promote fair, efficient and transparent financial markets
- Ensure financial institutions are able to meet future obligations, such as deposit withdrawals

Financial services laws and regulations vary by country, but most countries have laws and regulations that address:

- Licensing requirements for financial institutions
- Permissible activities and investments
- Reporting requirements
- Minimum capital requirements for financial institutions to ensure their solvency
- Liquidity requirements
- Market and business conduct
- Internal controls (such as ensuring appropriate loan underwriting standards are in place)

The most important regulations facing the industry today address:

- Capital and supervisory rules
- Anti-money laundering
- Consumer privacy and data protection
- Securities trading

To learn more about other laws and regulations impacting financial institutions, follow these links to the Inside Financial Services Wiki:

- Consumer protection
- Bank secrecy and tax evasion
- Investor protection
- Investment fund requirements
- Corporate governance
- Accounting standards

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Capital and Supervisory Rules

Capital and supervisory rules are focused on ensuring financial institutions have enough capital to meet their future obligations and is one of the most important areas of banking regulation. These rules are sometimes referred to as **prudential rules**.

The purpose of capital in a bank is to absorb losses, primarily losses associated with credit risk and market risk. These losses are part of the banking business, and the ability of individual banks to absorb these losses as they occur supports the stability and soundness of the overall financial system.

Regulators watch bank capital levels closely. To ensure banks have enough capital, regulators require banks meet or exceed minimums for specific capital ratios. Today, these capital requirements are determined primarily by guidelines set by the Basel Committee.

In 1992 the Basel Committee introduced global "standards" for capital and supervisory rules in an effort to establish a common set of rules worldwide. These standards are now referred to as **Basel I**. In 2004 the Basel Committee release **Basel II** which refined some capital calculations and introduced new capital requirements for operational risk.

After the global financial crisis, Basel II guidelines came under heavy criticism for failing to prevent the crisis. In response the Basel Committee introduced new measures in 2010 referred to as Basel III.

Basel III and Basel IV

Basel III requirements were designed to increase the amount of capital held by banks and discourage riskier activities (such as proprietary trading) by raising the amount of capital needed for these activities. More specifically, Basel III:

- Raised the minimum capital ratios banks must meet
- Introduced a leverage ratio
- Established new minimum liquidity requirements

Basel III has had significant implications for banks, pressuring bank profitability and pushing banks to:

- Focus more on deposits for funding
- Restrict their lending activities to preserve capital
- Limit dividend payments, raise new capital, sell non-core operations and reduce proprietary trading and other riskier activities to free up capital

Since Basel III, the Basel Committee has introduced new capital standards related to credit risk, operational risk and a credit valuation adjustment. These standards are collectively referred to as Basel IV.

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Stress Testing

Stress testing is a process in which a bank and/or regulator projects a bank's capital and financial positions under extreme market and economic conditions. In response to the global financial crisis, some banking regulators (including the Federal Reserve, the European Central Bank and the Bank of England) require their largest banks to conduct stress tests at least once a year.

In the US, the Federal Reserve's annual stress testing process is referred to as the C**omprehensive Capital Analysis and Review (CCAR)**. As part of the CCAR process, banks submit proposed capital plans that include paying cash dividends to shareholders and/or buying back stock. For their capital plans to be approved, banks must meet minimum capital ratios under the Federal Reserve's stress scenario.

Anti-Money Laundering

Anti-money laundering (AML) regulations impose specific requirements on financial institutions to combat money laundering. AML regulations are also referred to as **Know Your Customer (KYC)** regulations.

Money laundering is the process in which criminals or terrorists attempt to disguise the source of funds by creating confusion through a series of banking transactions. Money laundering is considered a type of financial crime.

Closely related to AML regulations are **economic sanctions requirements** that prohibit financial institutions from conducting business with specific individuals, organizations or foreign governments.

AML regulations require financial institutions to:

- Develop, administer and maintain programs that comply with AML regulations, including internal controls and personnel training
- Implement customer identification programs (CIP) that include verifying customers opening new accounts are not known criminals or terrorists
  - These requirements include retaining records to provide to government investigators if requested
- Ensure funds are not transferred to customers on government watch lists
- File Suspicious Activity Reports (SARs) and Currency Transaction Reports (CTRs) with regulators

AML efforts have been led primarily by the US:

- In 1970 the US passed the Bank Secrecy Act (BSA) which required banks to support AML efforts
- In 2001 these regulations were strengthened (and extended to other financial institutions) when the US passed the USA Patriot Act in response to the terrorist attacks of 9/11

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While AML and economic sanctions requirements have existed for many years, enforcement of these requirements has increased significantly in the past decade. Many large banks have been fined hundreds of millions and even billions of dollars for AML violations.

In addition, new AML regulations are being introduced. In most countries these new AML regulations follow international standards set by the Financial Action Task Force (FATF).

To comply with AML regulations, financial institutions continue to:

- Converge AML compliance with broader fraud prevention activities
- Develop predictive analytics and artificial intelligence to improve AML and fraud prevention
- Invest in software systems to improve their ability to monitor transactions for potential money laundering
- Automate account opening procedures to ensure customer information is collected and stored
- Automate their regulatory AML filings

To reduce their exposure to AML and sanctions violations, some banks have:

- Closed accounts associated with international money transfer companies
- Severed relationships with banks and other financial institutions in "high-risk" countries, such as North Korea and Iran

Consumer Privacy and Data Regulations

In general, consumer privacy and data regulations really cover two distinct areas:

- Consumer privacy regulations limit the ability of financial institutions to market to customers and share customer data with third parties, including other financial institutions
- Consumer data protection regulations require financial institutions to protect sensitive customer data from unauthorized access

The distinctions between these two are subtle, and many regulations address both consumer privacy and data protection. As a result, these regulations are usually grouped together when discussing their impact on the financial services industry.

There are a several important factors associated with consumer privacy and data protection regulations in the financial services industry:

- Regulations in many jurisdictions require companies to notify regulators and impacted customers of security breaches compromising sensitive customer information
    - This allows data breaches to quickly become public knowledge, creating reputational risk
- Financial institutions are not just responsible for their own systems

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    - Many of these regulations require financial institutions to ensure (or at least evaluate) the cybersecurity of third party service providers with access to sensitive customer data
- Consumer privacy and data protection regulations often conflict with other industry regulations
    - For example, anti-money laundering regulations require financial institutions to share information on their customers with government agencies
    - However consumer privacy regulations limit a financial institution's ability to share customer information, even with government agencies
    - This conflict is especially pronounced when a global financial institution is trying to comply with anti-money laundering regulations in one country while trying to comply with consumer privacy regulations in another country

Ensuring compliance with consumer privacy and data protection is usually part of a financial institution's fraud management and cybersecurity activities.

Consumer privacy and data protection regulations are not new to the financial services industry. Many of the important regulations impacting the industry today were put in the place in the mid and late 1990s. Nonetheless, data breaches related to sensitive customer data continue. In response, several new consumer data (and related) regulations have been implemented or introduced in recent years, including the General Data Protection Regulation (GDPR) in the EU and the California Consumer Privacy Act (CCPA).

Securities Trading Regulations

There are many important regulations that address securities trading, including:

- The Securities Exchange Act of 1934 and the Investment Advisers and Investment Company Acts of 1940 in the US
- The Markets in Financial Instruments Directive (MiFID) in the EU
- The Financial Instruments and Exchange Law in Japan
- The Securities and Futures Ordinance in Hong Kong

As with other regulations regulatory enforcement of securities trading has become more aggressive since the global financial crisis, especially after revelations of pricing fixing and manipulation related to the Libor interest rate benchmark and foreign exchange trading.

In addition to large fines and settlements related to securities trading violations, several new regulations have been introduced, including:

- MiFID II
- OTC derivatives trading rules
- Proprietary trading restrictions

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MiFID II

MiFID II is the term used to describe a number of amendments to the EU's MiFID.

MiFID II is a broad and ambitious effort to make EU financial markets more transparent, efficient and resilient. MiFID II impacts participants across capital markets and investment management, including brokerage firms, investment management firms and execution venues.

MiFID II brings more activities and securities into the scope of the MiFID regime while centralizing more regulatory power in the European Securities and Markets Authority (rather than national regulators). More specifically, MiFID II:

- Mandates the trading of certain securities on regulated execution venues
- Extends MiFID transparency rules beyond equities to bonds, commodities, derivatives and other financial instruments
- Strengthens investor protection by introducing new rules related to business conduct and organizational responsibilities, including limitations on sales commissions
- Requires new risk controls related to algorithmic trading
- Requires execution venues to make trade data available publicly, including the establishment of a consolidated tape mechanism that will provide centralized records of trading activity across markets
- Requires brokerage firms to unbundle transaction and research costs paid by asset managers
- Strengthens record-keeping requirements

Derivatives Trading Rules

To reduce the counterparty risk and systemic risk associated with over-the-counter (OTC) derivatives, regulators have implemented new rules for trading (and settling) these securities.

In general, these rules:

- Require swaps dealers to register and subject themselves to regulation
- Moved most trades involving swaps to electronic trading through execution venues called **swap execution facilities (SEFs)**
- Route the settlement of OTC derivatives trades to central clearing
- Require all derivatives contracts be reported to a central trade repository
- Implement collateral requirements for bespoke contracts

Proprietary Trading Restrictions

Regulators in several countries have implemented restrictions on proprietary trading by banks, including:

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- The Volcker Rule in the US
    - The Volcker Rule bans proprietary trading by banks, although there are exemptions that allow banks to:
        - Engage in proprietary trading of US government, agency, state and municipal obligations
        - Distribute securities as part of securities underwriting
        - Trade securities as part of market making activities
        - Buy and sell securities to support hedging activities
    - The Volcker Rule also:
        - Prohibits banks from owning or sponsoring hedge funds and private equity funds
        - Requires banks to report certain metrics designed to monitor trading activities
- Ringfencing requirements in the UK
    - Ringfencing is a requirement for financial institutions to isolate (or **ring fence**) certain business activities into separate subsidiaries that are self-financed and independently capitalized
    - In the UK, banks with more than £25 billion in deposits are required to ring fence deposit-taking banking operations from proprietary trading and other related activities

Even in countries that have not implemented regulations specifically restricting bank proprietary trading, most banks have reduced their proprietary trading in recent years. This is primarily a result of changes in capital requirements (driven by Basel III) that make it difficult for banks to generate enough profitability from proprietary trading to justify the large amounts of capital required to support the business.

CYU #2 – Consumer Privacy

Ensuring compliance with consumer privacy regulations is usually part of which activity within a financial institution? Select the correct answer.

- Fraud prevention and cybersecurity
- Credit risk management
- Internal Audit
- Corporate governance

CYU #3 – MIFID II

Which is a component of the MiFID II amendments? Select the best answer.

- Limits MiFID transparency rules to equities
- Requires the trading and settlement of instruments on the same platform
- Requires new risk control mechanisms related to algorithmic trading

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- Ensures brokerage firms combine transaction and research costs

Executives

The primary executives responsible for a financial institution's regulatory compliance include:

- General Counsel
- Chief Compliance Officer
- SVP, Internal Audit

General Counsel

The General Counsel leads the financial institution's Legal Department. The General Counsel and Legal Department are responsible for:

- Reviewing laws and regulations to identify the institution's compliance requirements
- Producing and reviewing legal documentation, including:
    - Contracts and agreements with customers and vendors
    - Information published for customers (such as account terms and conditions)
    - Standard contracts for use in specific situations
- Ensuring appropriate corporate governance
- Leading the institution's litigation efforts

In some institutions, the Legal Department actively works with regulators and politicians to influence and shape regulations and potential legislation.

The General Counsel usually reports directly to the Board of Directors to maintain its independence from the lines of business when performing its responsibilities.

Chief Compliance Officer

The Chief Compliance Officer (CCO) leads the financial institution's Compliance Department. The Chief Compliance Officer and Compliance Department are responsible for overseeing an institution's compliance with industry regulations, as well as other business, worker, environmental, health and safety regulations.

More specifically, Compliance is responsible for:

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- Establishing specific procedures and policies to ensure regulatory compliance
- Training personnel on regulatory issues and internal procedures
- Monitoring the institution's on-going compliance
- Ensuring IT systems support regulatory compliance

The Compliance Department is typically part of a financial institution's Legal Department or a separate department reporting directly to the Board of Directors to maintain its independence from the lines of business when performing its responsibilities.

While Compliance is a staff function independent of the lines of business, compliance officers and compliance staff are typically assigned to specific business units. In smaller financial institutions, compliance officers may be line of business executives with additional compliance responsibilities assigned to them.

Regulatory compliance is also the responsibility of product, distribution, operations and other executives responsible for the day-to-day management of the institution.

SVP, Internal Audit

The SVP of Internal Audit manages a financial institution's Internet Audit group. The SVP of Internal Audit and the Internal Audit function are responsible for examining, evaluating and reporting on the institution's financial and operational controls, including those related to financial reporting, information systems, corporate governance, operational risk, information security and anti-money laundering. As part of their audits, Internal Audit reviews accounts, records, transactions, procedures and IT systems.

By design, Internal Audit acts independently of the Legal Department, the Compliance Department, the lines of business and other support functions. The Internal Audit group is directed by the institution's Audit Committee, which reports directly to the Board of Directors.

CYU #4 –Executives

Which executive is responsible for establishing specific procedures and policies, training personnel and ensuring IT systems are in place to support regulatory compliance? Select the correct answer.

- Chief Compliance Officer
- SVP, Internal Audit
- General Counsel

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REGULATORY COMPLIANCE

As you have seen in this course, regulation of the financial services industry continues to increase.

The primary goals behind ongoing regulatory changes are to:

- Promote financial stability by increasing transparency and "de-risking" the financial system through more stringent capital requirements and restrictions on certain business activities
- Increase investor and consumer protection
- Prevent market abuses

Financial institutions are taking several steps to improve regulatory compliance and control the increasing costs associated with compliance. These steps include:

- Improving and testing controls across the "three lines of defense"
    - The "three lines of defense" is an approach designed to ensure effective compliance governance
    - This approach establishes roles, responsibilities and accountabilities for compliance control and decision-making across three groups within a financial institution:
        - Lines of business
            - The day-to-day operations of the lines of business are considered the first line of defense
            - The lines of business are responsible for:
                - Establishing appropriate controls
                - Ensuring management is adequately trained to monitor compliance
                - Actively managing and reporting on compliance issues
        - Compliance Department
            - The Compliance Department is considered the second line of defense
            - The Compliance Department has oversight responsibility, which includes:
                - Developing and implementing regulatory compliance policies and procedures
                - Monitoring compliance with policies and procedures
        - Internal Audit
            - Internal Audit is considered the third line of defense
            - Internal Audit is responsible for objectively evaluating, reporting and making recommendations for improvement related to controls and governance
            - Internal Audit is independent of the first two lines of defense
- Centralizing compliance management

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- Historically financial institutions have taken a silo-ed approach to managing regulatory compliance, with each line of business (or department) managing its own compliance
    - With this decentralized approach (and the increase in regulations), compliance costs have grown faster than revenue and other expenses in most financial institutions
    - In response, financial institutions have been centralizing compliance management to improve compliance, lower compliance expenses and adapt more quickly to future regulations
    - The move to centralized compliance management is also driven by the common IT needs and challenges facing financial institutions across multiple regulations; for example:
        - Improved data management, advanced risk modelling and analytics are needed to comply with capital rules and securities trading regulations
        - Updated regulatory reporting applications and systems are needed to comply with capital rules and AML regulations
- Improving coordination between Compliance, Risk Management, Finance and IT
    - Many of today's industry regulations directly relate to a financial institution's ability to manage risk and accurately account for and report on its financial position; for example:
        - Capital rules and stress testing relate directly to a financial institution's ability to manage credit, liquidity, market and operational risk
        - Capital rules, corporate governance regulations and accounting standards directly impact a financial institution's financial management and reporting
    - Other important regulations may not relate directly to risk management, but they certainly have indirect consequences; for example:
        - Cybersecurity is needed to prevent unauthorized access to systems in support of corporate governance and consumer data protection compliance
        - Fraud prevention is closely integrated with anti-money laundering efforts
        - Cybersecurity and fraud management, in turn, are both important parts of operational risk management
    - The bottom line is improved risk and financial management translates into improved regulatory compliance
- Developing standardized data platforms for regulatory, risk and finance reporting and analytics
- Employing dashboards, alerts, predictive analytics and machine learning to identify compliance concerns more quickly
- Investing in robotic process automation to automate regulatory reporting and lower compliance costs
- Improving regulatory archiving and e-discovery systems
- Leveraging surveillance tools to ensure traders, sales people, loan officers and other workers comply with regulations
- Outsourcing elements of regulatory reporting to reduce costs

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CYU #5 –compliance initiatives

Course Objective Met: OBJ 4
Lectora Location: End of Chapter

Match the regulatory compliance three lines of defense role to the business group by choosing the appropriate group from the drop down menu. Then click Submit to see if you are correct.

Lines of business	Provides the first line of defense by managing and reporting on compliance issues.
Compliance Department	Provides the second line of defense by developing and implementing regulatory compliance policies and procedures.
Internal Audit	Provides the third line of defense by objectively evaluating, reporting and making recommendations for improvement related to controls and governance.

Final Test

To successfully complete this course, you must score at least 70% on the test. There are 10 questions in total. When you have answered all the questions in the test, submit it to info@goto-psi.com and it will be graded. Good luck!

Question #1

Which of the following is a primary goal of financial services regulations introduced over the past decade? Select the correct answer.

De-risk the financial system

Encourage industry consolidation

Limit government interference in the financial services industry

Stimulate economic growth

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Question #2

What regulator was created to address risks posted by global systemically important financial institutions? Select the correct answer.

Financial Stability Board

Basel Committee

The Financial Conduct Authority

The Bank for International Settlements

Question #3

What is the primary regulatory change associated with Basel III guidelines? Select the best answer.

They require hedge funds to register and submit to regulation

They introduce four new regulators in the EU

They prevent banks from conducting proprietary trading

They create higher capital requirements for banks

Question #4

The Volcker Rule in the US and ringfencing requirements in the UK are designed to prevent depository institutions from incurring losses associated with what business activity? Select the best answer.

Asset management

Commercial lending

Proprietary trading

Consumer finance

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Question #5

What steps are financial institutions taking to improve regulatory compliance and control costs associated with compliance? Select all that apply.

Improving regulatory archiving and e-discovery systems

Leveraging surveillance tools

Outsourcing elements of regulatory reporting

Centralizing internal audit

Question #6

Which executive is responsible for reviewing laws and regulations to identify the institution's compliance requirements and ensuring appropriate corporate governance? Select the correct answer.

Chief Information Officer

General Counsel

Chief Risk Officer

Chief Operating Officer

Question #7

What rules have been introduced to reduce the counterparty and systemic risk associated with OTC derivatives trading? Select the best answer.

The requirement for all derivatives contracts to be reported to a central trade repository

The elimination of all bespoke contracts

The elimination of central clearing for OTC derivatives

The requirement for all options dealers to register as depository institutions

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Question #8

Which regulations require financial institutions to perform rigorous customer identification procedures during account opening and then retain records related to these identification procedures? Select the correct answer.

AML regulations

Corporate governance regulations

Consumer privacy regulations

Data regulations

Question #9

Which groups within a financial institution are considered part of the “three lines of defense” when managing regulatory compliance? Select all that apply.

Lines of Business

Internal Audit

Finance

Human Resources

Question #10

Which executive is responsible for examining, evaluating and reporting on the institution’s financial and operational controls? Select the correct answer.

Chief Compliance Officer

SVP, Internal Audit

Chief Financial Officer

Chief Operating Officer

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