



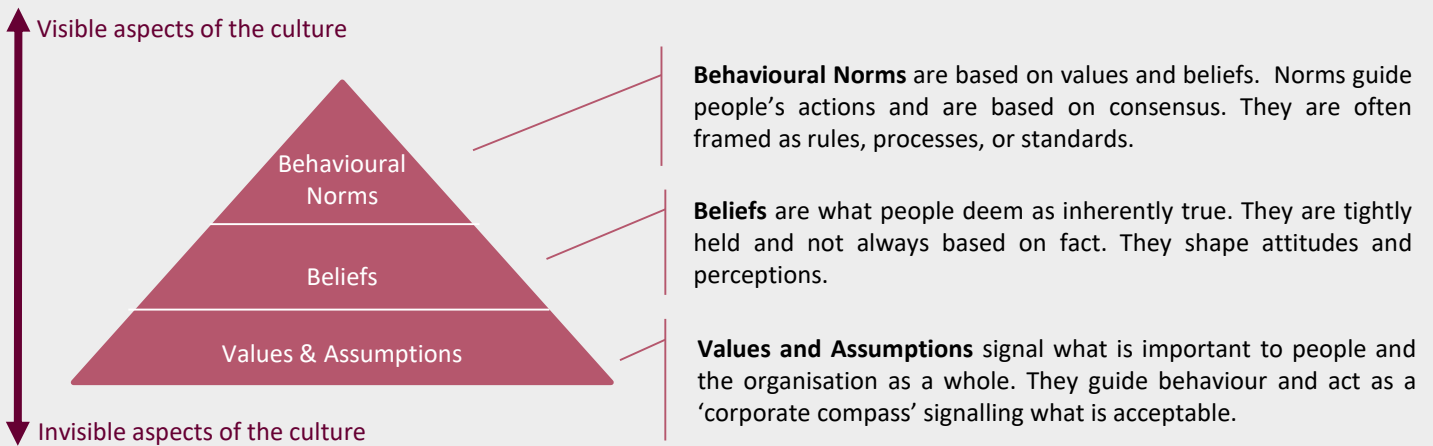
**Regulatory Focus**

Risk Culture Implementation

**What is Organizational Culture?**

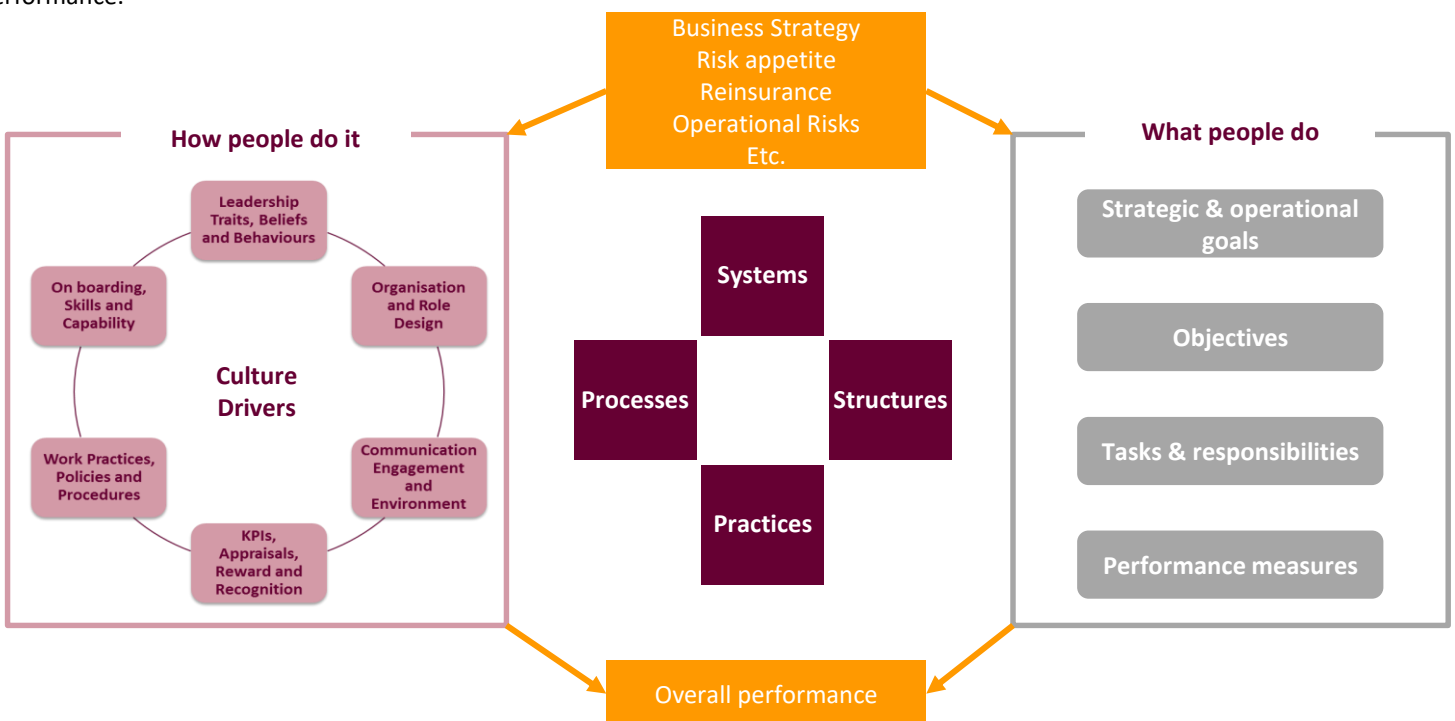
**Organisation culture** defines the unique identity of an organisation. It builds commitment towards a common purpose; determines how things get done; and shapes the attitudes and behaviours of employees (Robbins, 1989). The following shows the 3 levels of organisation culture expression:

3 levels of organisation culture expression



**How Culture can drive business excellence ?**

A strong culture in both visible and invisible aspect builds competitive advantage and drives business excellence. When aligned with a clear vision and strategy, it becomes a powerful medium in driving employee engagement and financial results. Below figure shows that both the business strategy and the culture drivers embedded in systems, structures, practices and processes impact the overall performance.









## Regulatory Focus

### Risk Culture Implementation

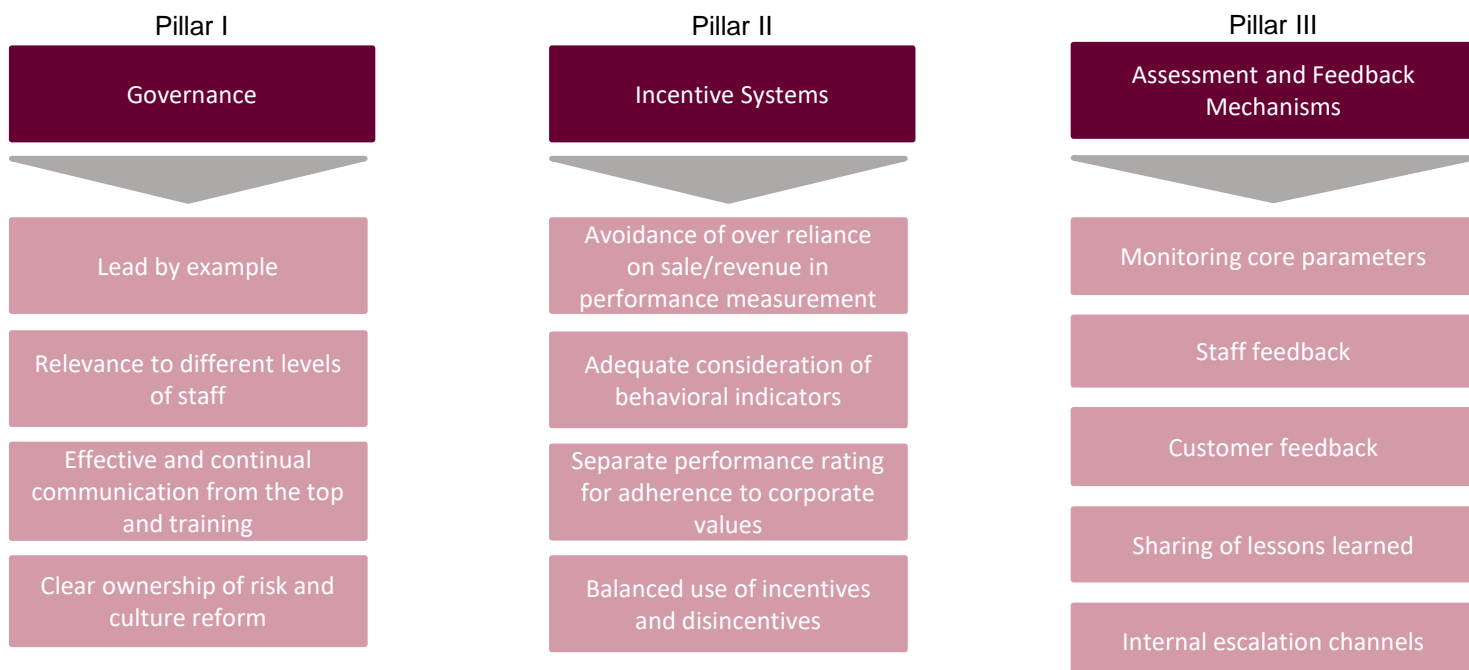
#### Building Blocks of a Risk Culture

In order to build a sound risk culture, we need some building blocks. The building blocks of a risk culture consist of **tools-oriented** and **people-oriented**. The tools-oriented blocks focus on the organisation, such as the reputation, the processes and the resources. The people-oriented blocks focus on the employees, such as their values and behaviours. The following are some examples of tools-oriented and people-oriented blocks:

<p><b>A company's reputation</b> (benchmark, customers' complaints, regulatory fines), its capacity to answer regulatory risk requirements and the risk behaviour of its employees.</p>	<p><b>Tools-oriented</b></p> <p><b>Success</b></p> 	<p><b>People-oriented</b></p> <p><b>Values</b></p> 	<p>A strong risk culture is derived from four main drivers: the <b>leadership from the top</b>, a structured <b>top-down communication</b> to onboard 100% of the employees' <b>responsiveness</b> at all levels of the organisation, and <b>commitment</b> from all employees to enhance the risk awareness.</p>
<p><b>Processes are the route that will lead to the Risk Management outcomes.</b> Insurers have to make sure that they have the accurate structures and processes in place to support their risk culture and to drive the expected behaviours effectively.</p>	<p><b>Processes</b></p> 	<p><b>Behaviours</b></p> 	<p>Under the increasing pressure of regulators, insurers tend to deploy <b>risk behaviour frameworks</b>, enabling them to define and assess their risk appetite (through reporting, behavioural charters, controls, stress tests, etc.).</p>
<p><b>Resources comprise three main factors: people, systems and projects.</b> Closely linked to the Risk Function Target Operating Model (TOM), these resources will have to be allocated between BAU and Culture implementation in accordance with the priorities defined by the company.</p>	<p><b>Resources</b></p> 	<p><b>Climate</b></p> 	<p>A risk-oriented climate cultivates engagement and awareness to <b>empower all employees</b>, not only risk professionals such as actuaries, <b>with risk management objectives</b>.</p>

#### Three pillars for promoting sound bank culture

Besides the above building blocks, the HKMA has proposed a three-pillar approach, which includes governance, incentive systems and assessment and feedback mechanisms.

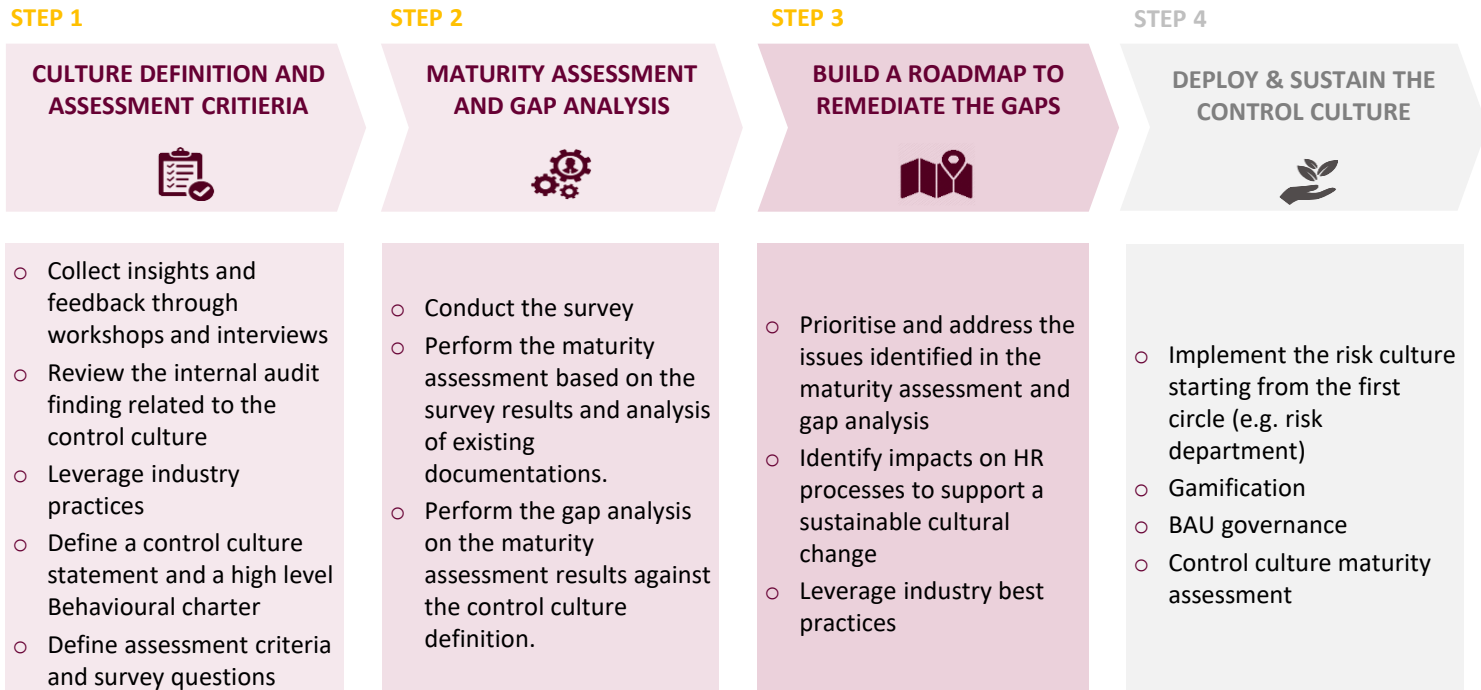


## Regulatory Focus

### Risk Culture Implementation

#### Holistic Approach to Implement Sound Risk Culture:

Sia-Partners proposes the below 4 steps approach to implement a sound risk culture, which takes into account the HKMA 3 pillars and the building blocks of the risk culture:



#### Illustration of Risk Culture Implementation Tools:

Implementing risk culture is not just about establishing new processes and procedures. In fact, it is a programme based on a **blended learning & communication** process to embed the Control Culture in the daily operational activities. There are a few tools which can facilitate the implementation of risk culture.



##### Video teaser

This method is a useful channel to introduce the Control Culture Transformation Initiative, normally by the COO & Head of Operations



##### Video-scribing

This method is a useful channel to socialise the Control Culture initiative and to raise awareness on Control & Risk



##### “A day in the life of”

The objective of this method is to let staff to find out more about a typical day in the life of the Control Function to experience issues the Control team is facing



##### Self-assessment

This method is useful to assess employees’ awareness and knowledge to identify the gaps and the training needs in order to develop effective Control behaviours



##### Control challenge

This method is to organise an internal competition with reward and recognition to share the best practices and to foster the Control Culture



##### E-learning

This method is to develop Control skills and Control Culture through sharing of key concepts and best practices, including the policy, processes and procedures



##### Control-Day

This method is to organise forums and information sessions using a variety of animation modalities to raise awareness on Control

Regulatory Updates

Global | Key BCBS Releases

Source: BCBS

Date Published	Title	Regulator's Purpose and Objectives
7 Jun '17	Sound management of risks related to money laundering and financing of terrorism: revisions to correspondent banking annex - final document	The BCBS issued guidelines to clarify on the rules applicable to banks regarding correspondent banking relationships. They also provide guidance on the application of the risk-based approach when conducting correspondent banking activities.

Global | Key BIS Releases

Source: BIS

Date Published	Title	Regulator's Purpose and Objectives
22 May '17	FinTech credit: Market structure, business models and financial stability implications	The report sets out the implications on financial stability should the growth of FinTech credit accounts for a significant share of overall credit. It highlights that while the growth of FinTech credit could be beneficial to financial stability by providing access to alternative fund sources and driving efficiency on incumbent banks, it may lead to weaker lending standards in the market. The challenges to the regulatory perimeter and monitoring have also been addressed in the report.

Global | Key FSB Releases

Source: FSB

Date Published	Title	Regulator's Purpose and Objectives
27 Jun '17	Report on the financial stability implications from FinTech	This is a report on the potential financial stability implications from FinTech and FSB has identified three major areas as priorities for international collaboration, (i) operational risk management from third-party service providers; (ii) cyber risks mitigation; and (iii) macro-financial risks monitoring. The report introduced a framework which defines the in-scope FinTech activities and highlighted that international bodies and national authorities should taken FinTech into account in their risk assessment and regulatory frameworks.
29 Jun '17	FSB reports on OTC derivatives markets reforms	FSB published three progress reports regarding the OTC derivatives market reforms. The reports evaluate the (i) effectiveness of the reforms and their broader effects since the financial crisis; (ii) implementation progress since June 2016; and (iii) progress in addressing legal barriers to reporting and accessing OTC derivatives trade data.
6 Jul '17	Resolution planning guidance for global banks and resolution reforms implementation reports	FSB published two guidance documents on the implementation of the Total Loss-Absorbing Capacity ("the TLAC standard") and the continuity of access to Financial Market Infrastructures ("FMI guidance"). The TLAC standard sets out the size and composition of internal TLAC requirement, cooperation and coordination between home and host authorities while the FMI guidance sets out the arrangements and safeguards to facilitate the continuity of access to FMIs.

Global | Key GFXC Releases

Source: GFXC

Date Published	Title	Regulator's Purpose and Objectives
25 May '17	Global code of conduct sets out good foreign exchange market practice	The Foreign Exchange Working Group has established a global code of conduct for the wholesale FX market. The Code contains 55 principles covering areas, including ethics, transparency, governance and information sharing. It also addresses complex topics, such as electronic trading, algorithmic trading and prime brokerage.

## Regulatory Updates

### Global | Key IOSCO Releases

Source: IOSCO

Date Published	Title	Regulator's Purpose and Objectives
31 May '17	Objectives and Principles of Securities Regulation	The IOSCO published a document setting out 38 principles of securities regulation, which are based upon three objectives of securities regulation: <ol style="list-style-type: none"> <li>i. protecting investors;</li> <li>ii. ensuring that markets are fair, efficient and transparent; and</li> <li>iii. reducing systemic risk.</li> </ol>
31 May '17	Methodology for Assessing Implementation of the IOSCO Objectives and Principles of Securities Regulation	The document sets out the methodology for implementing the objectives and principles of securities regulations.

### Hong Kong | Key FSTB Consultation Papers

Source: FSTB

Date Published	Title	Regulator's Purpose and Objectives
23 Jun '17	Gazettal of Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) (Amendment) Bill 2017 and Companies (Amendment) Bill 2017	The Government published in the Gazette the Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) (Amendment) Bill 2017 and the Companies (Amendment) Bill 2017 on 23 June 2017. This is to extend the current AMLO to:- <ol style="list-style-type: none"> <li>i. prescribe statutory CDD and record-keeping requirements applicable to solicitors, accountants, real estate agents and trust and company service providers ("TCSPs") when these professionals engage in specified transactions;</li> <li>ii. introduce a licensing regime for TCSPs; and</li> <li>iii. require Hong Kong incorporated companies to maintain beneficial ownership information.</li> </ol>

### Hong Kong | Key HMKA Regulatory Updates

Source: HKMA

Date Published	Title	Regulator's Purpose and Objectives
3 Apr '17	Basel Committee Standards – Consolidated and enhanced framework for Pillar 3 disclosure requirements	The 2017 package, issued on 29 Mar 2017, covers three main elements: <ol style="list-style-type: none"> <li>i. consolidation of all the existing BCBS disclosure requirements into the Pillar 3 framework;</li> <li>ii. the introduction of "dashboard" of a bank's key prudential metrics and a new disclosure template on prudential valuation adjustments; and</li> <li>iii. updates to reflect ongoing reforms to the regulatory policy framework.</li> </ol>
12 May '17	Commencement notice and protected arrangements regulation under Financial Institutions (Resolution) Ordinance gazetted	The Government published in the Gazette the Financial Institutions (Resolution) Ordinance (Commencement) Notice ("the Commencement Notice") and the Financial Institutions (Resolution) (Protected Arrangements) Regulation ("the Regulation"). The Regulation imposed appropriate constraints on the resolution authorities (i.e. the Monetary Authority, the Insurance Authority and the Securities and Futures Commission) in the event that the authorities are required to exercise resolution powers to manage the orderly failure of a non-viable systemically important FI in Hong Kong. The Commencement Notice of the Ordinance and the Regulation came into operation on 7 July 2017.

Regulatory Updates

Hong Kong | Key HKMA Consultation Papers

Source: HKMA

Date Published	Title	Regulator's Purpose and Objectives
18 Apr '17	Consultation on Implementation of Basel III Leverage Ratio Framework	<p>This is a consultation paper regarding the implementation of Basel III Leverage Ratio Framework of BCBS. This paper outlines the "two-phase approach" of HKMA for implementation:</p> <ul style="list-style-type: none"> <li>i. First phase (from 1 January 2018) – the minimum liquidity ratio (LR) requirement will be set at 3%; and</li> <li>ii. Second phase – the minimum LR requirement and its calculation methodology will be revised as necessary in accordance with the final LR framework.</li> </ul>
27 Jun '17	Joint HKMA-SFC consultation result on the OTC derivatives regulatory regime	<p>This is a consultation conclusion on the prescription of additional markets and clearing houses and the exclusion of Delta One Warrants from the definition of "OTC derivative product" under the OTC derivatives regulatory regime.</p>

Hong Kong | Key SFC Consultation Papers

Source: SFC

Date Published	Title	Regulator's Purpose and Objectives
8 May '17	Consultation Paper on the Proposed Guidelines on Online Distribution and Advisory Platforms	<p>The SFC proposed to introduce a set of specific guidelines for entities/person providing order execution, distribution and advisory services (including the provision of robo-advice) in respect of investment products via online platforms. The proposed guidelines aim to provide tailored guidance and clarity on the design and operation of online platforms.</p>
9 May '17	Consultation Paper on Proposals to Reduce and Mitigate Hacking Risks Associated with Internet Trading	<p>This is a consultation paper to incorporate into the SFC guidelines the basic cybersecurity controls introduced in the "thematic review of the resilience to hacking risks of brokers engaged in internet trading" in late 2016.</p>

Japan | Key JFSA Releases

Source: JFSA

Date Published	Title	Regulator's Purpose and Objectives
26 May '17	Revision of Banking Law	<p>Due to the accelerated FinTech movement on a global scale, the Japanese Government introduced an institutional framework to promote innovation through collaborations between financial institutions and FinTech companies while not compromising data protection.</p>

Japan | Key JSDA Releases

Source: JSDA

Date Published	Title	Regulator's Purpose and Objectives
23 Feb '17	Target Implementation Date for Shortening of Japanese Government Bonds Settlement Cycle to T+1	<p>The JSDA announced that the target date for the implementation of T+1 JGB settlement cycle will be on 1 May 2018 (trade date basis).</p>



## Regulatory Updates

## Singapore | Key MAS Releases

Source: MAS

Date Published	Title	Regulator's Purpose and Objectives
28 Apr '17	Consultation Paper I on Draft Regulations Pursuant to the Securities and Futures Act	<p>This is a consultation paper on the key amendments to the following legislations in relation to the implementation of the SF(A) Act on OTC derivatives regulatory reforms:</p> <ol style="list-style-type: none"> <li>i. New Securities and Futures (Markets) Regulations;</li> <li>ii. New Securities and Futures (Financial Benchmarks) Regulations; and</li> <li>iii. Amendments to the Securities and Futures (Offers of Investments) (Collective Investment Schemes) Regulations 2005 to implement changes under Part XIII of the SFA in relation to funds, including real estate investment trusts.</li> </ol>
12 May '17	Consultation Paper on Proposed Amendments to Requirements in Credit Loss Provisioning	<p>This is a consultation paper on the potential regulatory changes regarding the introduction of Expected Credit Loss model, which is a new approach adopted in IFRS 9 <i>Financial Instruments</i> and SFRS 109 <i>Financial Instruments</i> for the estimation of allowance for credit losses.</p>
7 Jun '17	Consultation Paper on Provision of Digital Advisory Services	<p>This consultation paper sets out MAS's assessment of the unique characteristics and risks posed by digital advisory services, along with MAS's regulatory expectations. The paper also sets out the proposed legislative amendments to facilitate the provision of digital advisory services in Singapore.</p>

## Latest Sia Partners' Financial Blog Updates

- [WannaCry Ransomware – A Wake-Up Call for Cybersecurity and Data Management](#) [Read More](#)
- [SVF Licensing Regime in Hong Kong and Current Landscape](#) [Read More](#)
- [Civil Liability Imposed on Compliance Officer for Regulatory Misconduct](#) [Read More](#)
- [Update on 5G Liquidity Reporting Requirements and Framework?](#) [Read More](#)
- [Intelligent Automation – Reinventing Efficiency](#) [Read More](#)
- [Blockchain : a confirmed omnipresence](#) [Read More](#)
- [Ring-fencing: The Challenges Facing UK Banks](#) [Read More](#)
- [Is regulation of AI algorithms the way forward?](#) [Read More](#)
- [Interview with the Hong Kong Applied Science and Technology Research Institute \(ASTRI\) on Distributed Ledger Technology \(DLT\)](#) [Read More](#)

About Sia Partners



<b>155</b> M\$ Revenue in 2016	<b>1999</b> Creation date	<b>2x</b> Doubled in size over the last 3 years
<b>20</b> Offices worldwide	<b>850</b> Consultants	<b>25+</b> Nationalities

> A team with **unparalleled expertise** able to deliver superior value and tangible results for our clients

> A culture of **excellence and high standards** for our clients and our team

<b>15%</b> Strategy	<b>70%</b> Business Transformation	<b>15%</b> IT & Digital Strategy
------------------------	--	--

<b>230</b> Clients	<b>20%</b> Key clients include 20% of Fortune 500	<b>7,000</b> Assignments since our creation
-----------------------	---	---

**10** Sector teams and **11** Service teams  
Our teams are fully integrated with a global reach

<b>#7</b> in Vault Top 10 Consulting APAC list	<b>40,000+</b> Followers on LinkedIn	<b>90%</b> Of our consultants define Sia Partners as a Great Place to Work
--	--	--

Your Risk & Regulatory Contacts in Asia

<p><b>Vincent KASBI</b> Head of Asia <a href="mailto:vincent.kasbi@sia-partners.com">vincent.kasbi@sia-partners.com</a></p>	<p><b>David HOLLANDER</b> Head of Singapore <a href="mailto:david.hollander@sia-partners.com">david.hollander@sia-partners.com</a></p>	<p><b>Makoto SUHARA</b> Head of Japan <a href="mailto:makoto.suhara@sia-partners.com">makoto.suhara@sia-partners.com</a></p>	<p><b>Helina LO</b> Project Director, Hong Kong <a href="mailto:helina.lo@sia-partners.com">helina.lo@sia-partners.com</a></p>	<p><b>Raymond TSUI</b> Senior Manager, Hong Kong <a href="mailto:raymond.tsui@sia-partners.com">raymond.tsui@sia-partners.com</a></p>
---	--	--	--	---