

# ICA International Certification in Regulatory Compliance Syllabus (Insurance, Malaysia)

## Unit 1 Understanding the regulatory environment

### Learning objectives

The purpose of this unit is to:

- explain the objectives of regulation in the general insurance market
- examine how regulation has evolved
- assess the impacts of key events in general insurance regulation
- explain the different international approaches and regulatory models

### Unit content

#### **1. Why do we need regulation? The objectives of regulation in the general insurance market**

##### 1.1 Maintaining market confidence

- 1.1.1 Enhancing consumer confidence
- 1.1.2 Loss of confidence due to financial scandals
- 1.1.3 Market stability

##### 1.2 Protecting consumers

##### 1.3 Preserving the integrity of the market

- 1.3.1 Financial crime and market confidence
- 1.3.2 Market abuse

##### 1.4 Overlapping objectives

#### **2. The role of Bank Negara Malaysia**

##### 2.1 The Bank Negara Malaysia's regulatory objectives

#### **3. The background to regulation**

##### 3.1 The role of the regulator

##### 3.2 Factors determining the shape of regulation

##### 3.3 Sources of regulation

- 3.3.1 Primary legislation
- 3.3.2 Secondary legislation
- 3.3.3 Regulation set by a regulator
- 3.3.4 Self-regulation

##### 3.4 Regulatory models

- 3.4.1 Institutional regulation
- 3.4.2 Functional regulation
- 3.4.3 A unitary approach – single regulator
- 3.4.4 A twin peaks approach – two regulators

#### **4. The regulatory timeline**

##### 4.1 Key event that have shaped the current regulatory environment

- 4.1.1 The contribution of GRC failures to regulatory compliance failure

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## Learning outcomes

By the end of this unit you should:

- understand that the objectives of regulation are protecting consumers and preserving market integrity to maintain confidence
- appreciate the variety of events that can threaten one or more of these objectives
- be able to explain how past problems and scandals have led to the present regulatory system, and to discuss specific examples
- appreciate the role of the regulators and the events that have shaped their role
- know the difference between primary legislation, secondary legislation, regulatory rules, guidance and self-regulation
- be aware of the four main current models of regulation: institutional, functional, unitary and the twin peaks approach
- understand how the credit crunch arose and developed
- appreciate some of the steps governments and regulators have taken in aid of consumer protection.

## Unit 2 International Regulation

### Learning objectives

The purpose of this unit is to:

- review the various national and international regulatory bodies and their powers and influence
- examine a range of national regulatory models, highlighting the differences and similarities
- give an overview of recent key legislation and the impact this has on international regulation
- assess the impact of global regulatory bodies on individual jurisdictions.

### Unit content

#### 1. The roles of the regulator

1.1 Authorisation

1.2 Standard setting

1.3 Supervision

1.3.1 Risk assessment

1.3.2 Monitoring

1.4 Enforcement

#### 2 Regulatory powers

#### 3 Different regulatory models around the world

3.1 The US

3.2 The European Union (EU)

3.3 The UK

3.4 Republic of Ireland

3.5 Hong Kong

3.6 Singapore

3.7 Dubai

3.8 Islamic financial centres

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- 3.9 China
- 3.10 Australia
- 3.11 New Zealand
- 3.12 India
- 3.13 Offshore financial centres (OFCs)

## 4 A look at recent international legislation

- 4.1 Areas of common interest

## 5 The influence of international bodies

### Learning outcomes

By the end of this unit the learner should:

- appreciate the range of powers generally held by national regulators, including the power to authorise firms and individuals, to set standards and rules, and to supervise the conduct of insurance firms
- understand the vital importance of risk assessment for the general insurance industry and its regulators
- be able to explain how regulators monitor businesses and enforce compliance with their rules
- be aware of the many different regulators that exist in different jurisdictions and the different models of regulation they have adopted
- appreciate how international bodies such as the Wolfsberg Group, the FATF, and the single markets initiatives in the EU have shaped regulation at an international level
- be aware of the range of these international bodies, which also include the Basel Committee for Banking Supervision, the Bank of International Settlements (BIS), the IMF and IOSCO.

## Unit 3 Compliance in Practice

### Learning objectives

The purpose of this unit is to:

- think about the responsibilities for compliance
- look at what we have to take into account when establishing appropriate compliance structures
- highlight the different compliance approaches and frameworks
- explore the role of the Compliance Officer and key compliance activities
- examine the key processes and procedures that fall within the compliance remit

### Unit content

#### 1. The compliance function

- 1.1 Who is accountable and who is responsible for compliance?
- 1.2 Approaches to compliance
  - 1.2.1 Risk based and cyclical compliance
  - 1.2.2 Principles based and rules based compliance – the key differences
- 1.3 International standards and guidelines
- 1.4 What does an effective compliance function look like?

#### 2. The role of the compliance function

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- 2.1 Compliance: the consultant
- 2.2 Compliance: the monitor
- 2.3 Compliance: the enabler
- 2.4 Compliance: the communicator
- 2.5 Compliance: the educator
- 2.6 Compliance: the facilitator
- 2.7 Setting and communicating policy guidance
- 2.8 Risk assessment
- 2.9 Internal and external liaison
- 2.10 Compliance plan
- 3. What is the role of the Compliance Officer?**
  - 3.1 Responsibilities
  - 3.2 The skills and qualities needed in the role
  - 3.3 Core processes and procedures
- 4. Key roles in the compliance function**
  - 4.1 Operational compliance team
  - 4.2 Monitoring team
  - 4.3 Anti-money laundering team
  - 4.4 Policy development team
  - 4.5 Business review team
  - 4.6 Training and competence (T&C) team
  - 4.7 Complaints and investigations team
  - 4.8 Project teams
- 5. Internal and external relationships**
  - 5.1 Internal relationships
  - 5.2 External relationships
- 6. Links between compliance, culture and ethics**
  - 6.1 Internal relationships
  - 6.2 External relationships

## Learning outcomes

By the end of this unit the learner should:

- appreciate the different approaches that may be adopted by firms seeking compliance with regulatory laws and rules (risk-based and cyclical compliance, principles-based and rules-based compliance), and ways of complying with international guidelines
- appreciate the varied responsibilities of the Compliance Officer and the skills and attributes needed to fulfil this role
- understand the key compliance activities – giving appropriate advice; setting compliance policy and communicating it throughout the business; training staff in their compliance responsibilities and monitoring how they carry these out; liaising with other internal functions and with external bodies such as the regulator
- be able to explain some of the core processes at the heart of compliance
- understand how compliance relates to other functions of the business.

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## Unit 4 Insurance, financial and operational risk management

### Learning objectives

The purpose of this unit is to:

- understand the basics of risk management and the risk management process
- explore and understand why we manage regulatory risk
- examine inherent risk in the insurance industry
- raise awareness of the benefit of good conduct
- highlight the different regulatory approaches to risk management

### Unit content

#### 1. What is risk?

- 1.1 Overview of risk management
- 1.2 Stages in the risk management process

#### 2. The role of risk management in the insurance sector

- 2.1 Regulatory perspectives on risk management
  - 2.1.1 Risk management regulation in Malaysia
  - 2.1.2 Bank Negara Corporate Governance Code
  - 2.1.3 Stress Testing

#### 3. Managing regulatory risk

- 3.1 Understanding regulatory risk
- 3.2 Governance, risk and compliance and the reasons why we manage regulatory risk
- 3.3 Where is risk inherent in the insurance industry?

#### 4. Conduct Risk

- 4.1 Understanding your firm's definitions of conduct risk
- 4.2 The benefits of good conduct
- 4.3 Business risk and best practice controls

#### 5. Managing conflicts of interest

- 5.1 Definition
- 5.2 Remuneration

#### 6. Managing the risk of errors and omissions

- 6.1 Monitoring
- 6.2 Reporting to the regulator

### Learning outcomes

By the end of this unit the learner should:

- describe a risk management process which can be applied to a company
- examine how to manage compliance risks faced by a company
- appreciate the benefits of good conduct and understand definitions of conduct risk
- understand different regulatory perspectives on risk management in the insurance sector

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## Unit 5 Managing the Risk of Money Laundering and Terrorist Financing

### Learning objectives

The purpose of this unit is to:

- raise awareness of some of the techniques used to launder money
- examine the different money laundering offences
- examine the types of internal procedures and controls that can help protect a business against the risk of money laundering or terrorist financing.

### Unit content

- 1. How are the proceeds of crime laundered?**
  - 1.1 The three-stage laundering process
- 2. The objectives of money laundering and vulnerabilities of insurance products**
- 3. Understanding money laundering offences**
- 4. The relationship between the MLRO, the MLPO and the Compliance Officer**
- 5. Designing an effective internal reporting system**
  - 5.1 Reporting lines
  - 5.2 Features of the reporting system
- 6 Terrorist financing and sanctions monitoring**

### Learning outcomes

By the end of this unit the learner should:

- be aware of the three-staged model of the money laundering process and understand its limitations be able to explain how the various products and services offered by the general insurance industry are vulnerable to money launderers
- be able to give examples of money laundering offences
- be able to define 'predicate criminal conduct'
- understand how insurance firms and their employees can be guilty of money laundering offences, including failure to make a report, failure to comply with regulation, and 'tipping off'
- be able to explain procedures and controls that can help a business protect itself from the risks of money laundering, including the appointment of an MLRO, MLPO and/or Compliance Officer, and how these roles differ and interact
- be able to design an effective internal reporting system
- be able to apply a risk-based approach to the avoidance of money laundering and handling terrorists funds, including how to implement CDD controls
- understand and be able to deal with the risks posed by politically exposed persons and business introduced by third parties
- appreciate the similarities and differences between money laundering and terrorist financing, and know how the US reaction to the terrorist attack in September 2001, primarily the USA PATRIOT Act, affects all institutions doing business in US dollars anywhere in the world
- appreciate how tax evasion can convert legally earned money into illegal funds and how this is regarded under various national legal systems.

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## Unit 6 Financial Crime Prevention

### Learning objectives

The purpose of this unit is to:

- provide an awareness of different forms of financial crime
- examine different forms of fraudulent conduct
- examine how a compliance professional can assist in protecting an insurance firm against loss due to fraud.
- provide an enhanced awareness of market manipulation/misleading statements
- examine the offences of insider dealing and market abuse.

### Unit content

1. **What is fraud?**
2. **Insurance fraud**
3. **Preventing fraud**
  - 3.1 The establishment of a code of ethics/ conduct for your firm
  - 3.2 Careful screening of job applicants
  - 3.3 Proper assignment of authority and responsibility
  - 3.4 Effective disciplinary measures
  - 3.5 Target hardening
  - 3.6 Management and delegated committees
  - 3.7 Whistleblowing
  - 3.8 The compliance role in dealing with fraud
- 4 Bribery and Corruption
- 5 Market manipulation/misleading statements, insider dealing and market abuse

### Learning outcomes

By the end of this unit the learner should:

- appreciate the range of financial crimes, including the many varieties of fraud, and how these are perpetrated by criminals outside and inside insurance firms
- be aware of how technology is being used to assist financial crime
- be able to put in place methods of reducing fraudulent activity by the firm's own employees as well as by outsiders, including the instilling of ethical values throughout the firm by suitable training and explicit policies
- be aware of the prevalence of corruption in jurisdictions in which your firm does business and the importance of avoiding the giving or taking of bribes or being involved in any other form of corruption
- appreciate the complexity of rules on market manipulation, market misconduct, misleading statements, insider dealing and market abuse, which differ significantly between jurisdictions, and the legal measures in place to counteract them, especially the EU Market Abuse Directive.