

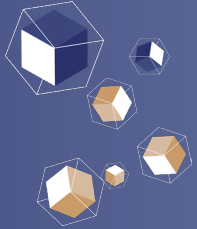


# RISK MANAGEMENT – REGULATORY EXPECTATION

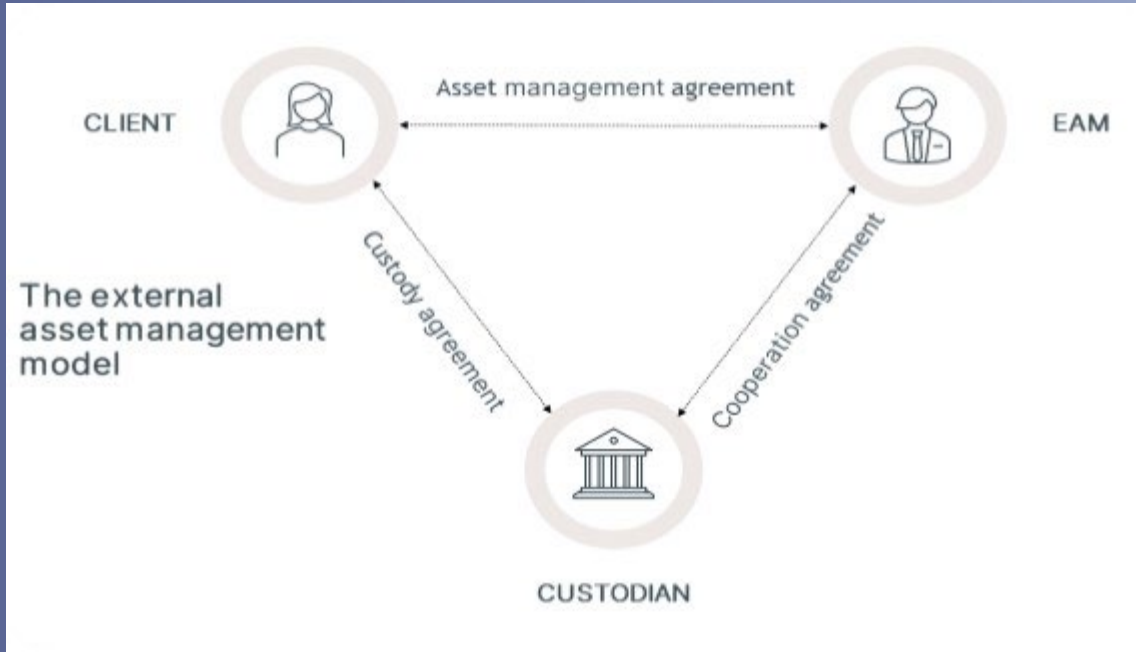
Vijay Bharadwaj – Ingenia Consultants

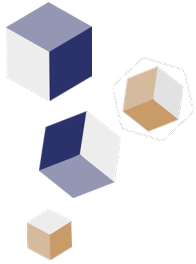
# BUSINESS MODELS





# TYPICAL BUSINESS ARRANGEMENT





# BUSINESS MODELS

**Discretionary Portfolio Management**

**Fee-Based Model**

**Advisory Services**

**Boutique EAMs**

**Robo-Advisory Integration**

**Multi-Family Office (MFO)**

**Platform EAMs**

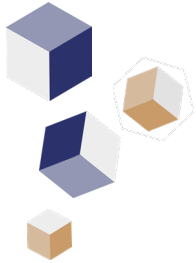
**Private Label EAMs**

**Hybrid EAMs**

**Commission-Based Model**

# REGULATORY EXPECTATIONS





# REGULATORY EXPECTATIONS

**Sound Governance and Oversight**

**Risk Identification and Assessment**

**Compliance with Laws and Regulations**

**Client Suitability and Due Diligence**

**Portfolio Risk Management**

**Liquidity Risk Management**

**Business Continuity Planning**

**Conflict of Interest Management**

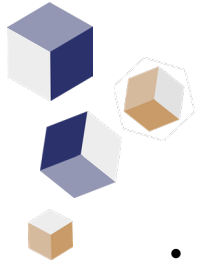
**Risk Reporting**

**Cybersecurity and Data Protection**

**Complaint Handling**

**Training and Competency**

**Technology Risk Management**



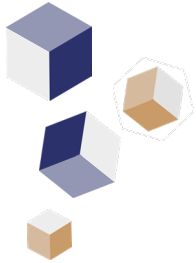
# THEMES FROM INFORMATION PAPERS

- Senior Management should maintain active oversight of the risk frameworks and processes. Should have a good understanding of the risk exposure and put in place plans to mitigate these risks
- Establishment of a sound and systematic framework for risk identification and management
- Risk assessment to be backed by quantitative and qualitative data
- Carry out remedial measures to address areas for improvement and mitigate risks that are beyond the risk appetite
- Have an ongoing process for performing gap analysis

# RISK TYPOLOGIES







# TYPICAL RISK TYPOLOGIES

## Investment Risk

- Market Risk
- Credit Risk
- Liquidity Risk

## Operational Risk

- Non-compliance with regulations
- Cybersecurity Risk
- Business Continuity
- Reputational Risk

## Conflict of Interest

## Client Risk Management

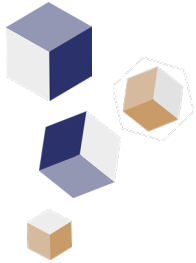
- Suitability
- Concentration
- AML/CFT - Due Diligence

## Regulatory and Compliance Risk

## Tax Reporting

## Operational Due Diligence

## Environmental Risk



# FOCUS ON RISKS RELEVANT TO YOUR BUSINESS

- Tax Risk - Accounts held in the name of the client vs. omnibus account
- Cybersecurity – How do you service your clients? Is this provided online or do you have a different delivery mechanism
- Conflict of Interest – External Investment vs. Own Funds – How is COI risk managed in this scenario

Understand what risks are relevant to your business. Be precise, not generic so that you know what are the relevant risk exposures and work towards addressing them

# INFORMATION PAPER/ CIRCULARS – KEY TAKEAWAYS



# KEY TAKEAWAYS – ML/TF – INFORMATION PAPER

- Poor risk awareness and failure to set the right tone from the top – inaccurate and insufficient information to support customers' risk profiles
- Errors in EWRA resulting in inaccurate ML/TF risk assessment
- Inadequate compliance and IA arrangements
- Failure to have a holistic view of ML/TF risk associated with their business model
- Inadequate EDD applied in the case of PEPs
- Inadequacy in the screening process
- Lack of assessment in retaining customers suspected to relate to ML/TF
- Lack of corroboration of customers' SOW and SOF
- Lack of awareness to file STRs on customers with adverse information

## KEY TAKEAWAYS – ML/TF – CIRCULAR

- Strengthen Board and senior management oversight and risk control functions
- Conduct additional review and quality assurance testing
- Ongoing vigilance and oversight over high-risk customers and transactions

EAMs continue to be vulnerable to ML/TF risks given their business model

# SUMMARY/ KEY TAKEAWAY



# SUMMARY – KEY TAKEAWAYS

- Risk Management is everyone's responsibility
- Substance over form
- Engage everyone, especially people closer to where the risks originate, and get them to provide inputs on how to mitigate/ minimize them
- Risk Management is an ongoing process and needs to be adapted to the changing risk landscape of the organization
- Create an environment where you encourage key members of staff to speak up and voice their opinion

# SUMMARY – KEY TAKEAWAYS

- Tone from the top and senior management sponsorship
- Risk framework and methodology
- Use of quantitative and qualitative data while assessing the risk
- Have a good understanding of the broader range of risks across the organization
- Put in place risk mitigation strategies
- Monitoring and reporting
- Regular reviews and continuous feedback



THANK YOU

