



An 'ANMI – Learning' Initiative Seminar series on 'Organization Development for Effective Compliance Management'

ANMI – Learning' an education initiative of the WIRC of ANMI conducted a two day seminar on 'Organizational Development for Effective Compliance Management' at the NSEIL Auditorium on the 12th and 19th February, 2011.

The Seminar Theme

The Financial Markets have an established tradition of providing financial services to clients and counterparties to



interest of the investors.

The need for a code of conduct, or in other words compliance rules, arises because investors have negligible inside information of the industry and are disorganized; and because the market is prone to manipulation by the organized financial sector. Regulatory compliance requirements aim to supervise the Internal Governance of financial organizations to protect market integrity and the interest of investors.

On the other hand Organizational Development and Internal Governance aims to develop an internal code of organizational behavior to evolve governance standards for effective handling of client's capital and risk with an



adherence to regulatory requirements and ethical behavior to protect their client's interest.

The sessions, spread over two days, explored aspects for development of the organization to

meet compliance requirements and more importantly also an exploration of the challenges in compliance management the brokerages are likely to face with an increase in levels of operations and the ethical dilemmas one faces in our daily operations. About 180 members attended the seminars.

On February 12th 2011:

▪ **Ms. K. Kamala – Sr. Vice President of NSEIL spoke on:**

▷ **Current Challenges in Compliance Management & Dealing with Financial Disputes**

Ms. Kamala expressed that compliance management is always for the long term and should not be viewed as a short term activity. It is a question of institutional building for evolving a compliance culture.

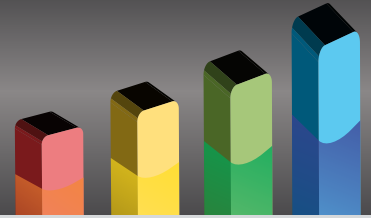


Compliance should not be viewed as a short term activity involving mere compliance of circulars; compliance management is a question of building a relationship with your customer and acting in good faith for his benefit. She also spoke on how the geographical spread of the company strains compliance activities and offered an insight on how maintenance of compliance requirements helps in risk mitigation of organizations. Speaking on financial disputes she explained that dispute with clients generally occur when the organization does not build a relationship of best service to the client.

▪ **Mrs. Deena Mehta of M/s Asit C Mehta Intermediates Limited spoke on:**

▷ **HR Compliance – Before, during and after - Personnel Risk & Hiring policies, Integrity at Work and Risk awareness of poaching on staff.**

“Building Growth Together”



Listening to Mrs. Mehta just one thought comes to mind; that integrity in servicing clients is the winning solution for not just brokerages but for all types of businesses. She explained that integrity implies that any investment advice offered to the client should essentially be based on his ability to face a



financial loss and a possible loss of capital. She explained that integrity implies that any investment advice offered to the client should essentially be based on his ability to face a financial loss and a possible loss of capital. She explained that one of the greatest drawbacks in marketing staff is that staffs do not bother to assess the capital of the client and their ability to recoup losses. Investment advice can never be the same for all clients. Most marketing staff offer investment advice to meet their targets set by the company and forget the clients interests. Good hiring policies should always be based on an understanding of the staff's ability to act in integrity and management policy should in effect reward a staff member who advises clients in an ethical manner keeping the client's interest paramount to his own. She advised a regular training of staff on ethical values in client servicing. Most brokerages poach on staff and some consider it an acceptable practice; She cited examples where poaching could be counterproductive. She explained that her company generally recruits fresh staff and trains staff continually to meet company requirements rather than poach on staff from other organizations.

▪ **Mr. Uday Tardalkar, Vice President - Operations of Tata Securities spoke on:**

▷ **Standardized Operating Processes (SOP) - SOP Theory and Evolving SOP**

Mr. Tardalkar explained that effective organizations work through a defined and coordinated series of actions which lead to a desired result; in other words a method of doing something. This involves setting out a series of steps or instructions to complete a particular task involving repetitive

tasks. Such standardised steps are essential as the same task would be performed by any staff without loss of performance or effectiveness. He emphasised that an omission of any of the steps could be chaotic to business practices and that without a SOP businesses generally function haphazardly and are prone to failure. He analysed the various aspects to evolve an effective SOP.



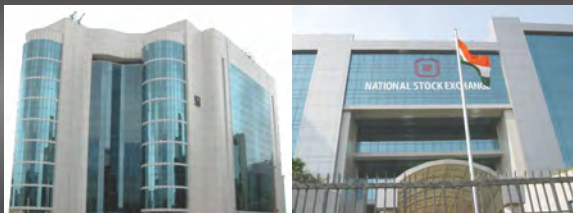
▪ **Mr. Shankar Gawade, of M/S Enam Securities Limited spoke on:**

▷ **Leveraging Technology for Building Processes**

Taking off from the presentation of Mr. Uday Tardalkar, Mr. Gawade explained that evolving a



business process the organization needs to do to meet the needs and expectations of their customers, whether they are internal or external consumers of a product or service. He then elaborated the role of IT in businesses would include - Reengineering Business Processes, defining Strategic Users of Information Technology, Building a Customer Focused Business, Improving Business Quality & Creating a Virtual Company. He explained that IT driven processes involve a shift towards a process centric thinking & Independent Processes to achieve Business Efficiency and to Maintain Business Agility (Quick decision making ability). Technology in Broking is needed as it is an under penetrated market and IT would help in management for an increased clientele. It would transform the industry. He elaborated on aspects of Disaster Recovery management through IT. Mr. Gawade then proceeded to explain how processes using IT would simplify and speed up decision making capability and he cited practical examples of IT processes for both internal and external users of the company.



On February 19, 2011:

- **Mr. Chandresh Shah, Vice President – Tata Capitals Limited spoke on:**

- ▷ **Risk Management and Increasing Risk Tolerance of the organization**



Mr. Chandresh Shah explained that risk can be defined as the volatility of unexpected outcomes generally related to the value of assets or liability or interest. He explained that Risk could be divided into two types i.e. Business Risk

and Non Business Risk. Business Risk (Also called operating Risk) is those which the corporation willingly assumes to create a competitive advantage for its shareholders. Whereas Non Business Risks are those over which the organization has no control. He elaborated and categorised the types of Risk with practical examples and case studies of prominent failures of risk controls which led to massive losses. He explained that the objectives of Risk Management were to maintain Solvency of the Company due to unexpected loss, maintain Profitability of the Company by controlling expected loss. He further explained theoretical methods of measuring and calculating risk faced by the company under different scenarios.

- **Mr. Nanda Mohan Shenoy, President of ISACA Mumbai Chapter elaborated on:**

- ▷ **Using Information Technology in Risk Management and Surveillance.**



Mr. Nanda Mohan Shenoy used transactional studies to analyze failures in management and controls with practical case studies. He then proceeded to

explain the types of events that could result in loss in an organization. He further explained the possible use of soft ware to controls the various event types that occur in any broking organization throughout its risk management, compliance & settlement procedures.



- **Mr. Bhavesh Vora of BRV and Associates spoke on:**

- ▷ **Controls Theory and Initiating Organization Controls**

Control Management is but an extension of setting processes in place. A process implies control of the process – a process w/o controls is aimless management. Mr. Bhavesh Vora elaborated on how making a study of the processes and evolving a step by step risk mapping of every activity to define the risk faced by the company in case of a loss of control over a particular activity.

- **Mr. Sagar Tanna of M/s Tanna Software spoke on:**

- ▷ **Leveraging IT for Monitoring Suspicious and Fraudulent Trade Activity under the Anti Money Laundering Act and the FUTP Regulations.**

Mr. Sagar Tanna explained the AML Regulations under different authorities. He the use of a systematic work flow method for client CDD through client KYC, Client screening, monitoring transactions and creating alerts in case of any transactions against violating regulations, screening of clients risk & financial profile to create client trading alerts and determining transaction that are suspicious according to AML and FUTP regulations.

