20 One-Liners to Remember

Quick-fire facts for last-minute revision.

1. **The compliance function in banks is an independent control that ensures adherence to laws, regulations and internal codes.**
This function protects depositor trust and bank reputation by preventing regulatory breaches before they occur.

2. **RBI issued a circular in September 2020 on the compliance function and the role of the Chief Compliance Officer in banks.**
The circular harmonised compliance practices and CCO requirements across Indian banks.

3. **Every bank must have an independent compliance function headed by a Chief Compliance Officer of adequate seniority.**
An independent, adequately staffed compliance function is a core governance requirement under RBI norms.

4. **The CCO must be appointed for a minimum tenure of not less than three years under RBI's framework.**
A fixed minimum tenure protects the CCO from being removed for taking unpopular compliance positions.

5. **The CCO should be positioned at least two levels below the CEO in the bank's hierarchy.**
Sufficient seniority gives the CCO the standing to challenge business decisions when needed.

6. **The CCO reports to the MD and CEO or to the board or a board committee, keeping the role independent of business lines.**
Reporting outside the business hierarchy prevents business pressure from diluting compliance oversight.

7. **Removing a CCO before tenure completion needs board approval and, in some cases, prior intimation to the RBI.**
This safeguard prevents arbitrary removal of a CCO who flags uncomfortable compliance issues.

8. **The CCO should not be assigned business targets or other duties that could compromise independence.**
Business targets could create incentives that conflict with objective compliance oversight.

9. **Compliance is forward-looking and embedded in daily operations, while audit reviews controls after the fact.**
Audit is a periodic after-the-fact check, whereas compliance operates continuously within business processes.

10. **In the three lines of defence model, business is the first line and internal audit is the third line.**
Business units own and manage risk directly as the first line of defence in this governance model.

11 **Compliance and risk management together form the second line of defence in the three lines of defence model.**

Compliance and risk management provide oversight and challenge to the first-line business units.

12 **Compliance risk is the risk of legal or regulatory sanctions, financial loss or reputational damage from non-compliance.**

This risk arises whenever a bank fails to follow applicable laws, regulations or codes of conduct.

13 **Managing compliance risk follows a cycle of identify, assess, monitor, report and remediate.**

This cycle helps banks continuously find and close compliance gaps rather than reacting only after breaches.

14 **A board-approved compliance risk policy should be reviewed and refreshed at least once a year.**

Regular review keeps the policy aligned with new regulations and emerging risk areas.

15 **The compliance department maintains a compliance manual and runs training and awareness programmes for staff.**

Training keeps staff aware of current regulatory requirements and how to apply them in daily work.

16 **The compliance function acts as the principal point of contact with the regulator during inspections.**
Compliance coordinates regulatory inspections and ensures supervisory observations are remediated.

17 **Compliance officers increasingly use RegTech to monitor transactions and flag anomalies across large volumes of accounts.**
Technology-driven surveillance helps compliance teams review far more transactions than manual checks allow.

18 **Key laws shaping bank compliance include the Banking Regulation Act 1949, the RBI Act 1934 and the PMLA 2002.**
These statutes, along with RBI master directions, form the core legal framework banks must comply with.

19 **The compliance function reports periodically to the board on breaches, near-misses and remedial action taken.**
Regular board reporting keeps directors informed of the bank's overall compliance health.

20 **A strong compliance culture, set by the tone at the top, helps reduce mis-selling and conduct failures.**
Leadership commitment to compliance shapes how seriously staff at all levels take regulatory obligations.

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