20 True or False

Decide, then check the answer and reason below each statement.

Question 1

The RBI issued a circular on the compliance function and the CCO role in September 2020.

TRUE

RBI harmonised compliance function and Chief Compliance Officer norms for banks through this September 2020 circular.

Question 2

Under RBI's framework, a bank's CCO must be appointed for a minimum tenure of not less than three years.

TRUE

The minimum tenure safeguard is meant to protect the CCO's independence from short-term business pressure.

Question 3

The CCO should be positioned at least two levels below the bank's CEO.

TRUE

This seniority requirement gives the CCO sufficient stature to challenge business decisions.

Question 4

Compliance risk includes the risk of reputational damage arising from non-compliance with laws and regulations.

TRUE

Compliance risk covers legal sanctions, financial loss and reputational damage from failing to comply.

Question 5

In the three lines of defence model, internal audit forms the third line providing independent assurance.

TRUE

Internal audit independently reviews both business operations and the compliance and risk functions.

Question 6

The compliance function in banks is meant to be independent of business lines and insulated from business pressure.

TRUE

Independence from business lines is a core design principle of RBI's compliance framework.

Question 7

A CCO should not be given business targets that could compromise the independence of the compliance function.

TRUE

Business targets could create a conflict of interest that undermines objective compliance oversight.

Question 8

Compliance is a forward-looking function that operates continuously, unlike audit which reviews controls after the fact.

TRUE

Compliance interprets regulation and advises management in real time, while audit assesses controls periodically.

Question 9

The Prevention of Money Laundering Act 2002 is one of the laws relevant to a bank's compliance obligations.

TRUE

PMLA 2002 governs anti-money laundering and KYC obligations that banks must comply with.

Question 10

Compliance officers can use RegTech tools to help monitor transactions for anomalies at scale.

TRUE

RegTech enables automated surveillance of large volumes of accounts that manual review could not cover.

Question 11

Under RBI's framework, the Chief Compliance Officer reports directly to the branch manager rather than to the MD/CEO or board.

FALSE

The CCO reports to the MD and CEO or to the board or a board committee, not to a branch manager.

Question 12

Audit is a forward-looking function while compliance only reviews controls after problems occur.

FALSE

It is the reverse: compliance is forward-looking and day-to-day, while audit reviews controls after the fact.

Question 13

The RBI permits a bank to remove its CCO at any time without any board approval or safeguards.

FALSE

Removing a CCO requires board approval and, in some cases, prior intimation to the RBI.

Question 14

In the three lines of defence model, compliance and risk management form the first line of defence.

FALSE

Business units form the first line; compliance and risk management form the second line of defence.

Question 15

A bank's CCO can also hold business targets since this has no bearing on compliance independence.

FALSE

The CCO should not be given business targets, as these could compromise compliance independence.

Question 16

RBI's compliance framework applies only to public sector banks and not to private banks.

FALSE

RBI's compliance function and CCO framework applies across the banking system, not just public sector banks.

Question 17

The compliance department has no role in coordinating with the regulator during inspections.

FALSE

The compliance department is the principal point of contact with the regulator and coordinates inspections.

Question 18

Compliance risk assessment need never be reviewed once it is first approved by the board.

FALSE

A board-approved compliance risk policy should be refreshed and reviewed at least annually.

Question 19

The CCO's minimum tenure under RBI's 2020 framework is one year.

FALSE

The minimum prescribed tenure for a CCO under RBI's framework is not less than three years.

Question 20

Internal audit, not compliance, is responsible for the day-to-day interpretation of new regulations for business use.

FALSE

The compliance function, not internal audit, interprets new regulation and advises management day to day.