

Compliance for brokerages fast-tracked

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China will accelerate the establishment of the compliance-management system among brokerage firms to meet the demand of opening the industry to foreign peers.

Compliance consists of policies and procedures that guide adherence to laws and regulations to improve risk control.

The Securities Association of China held its first training class on the compliance-management system this month for as many as 300 company executives and regulatory officials.

This signals the installation of a compliance-management system among brokers will be operational, said a statement on the Website of the association yesterday.

Heads of compliance departments of Citigroup, Lehman Brothers Inc, Royal Bank of Canada and BOC International Holdings Ltd introduced their practices during the training class.

"The establishment of a compliance-management system will have a direct impact on the well-being of brokerage firms," the statement said. "It is an integral part to constitute brokers' core competitiveness.

"The system is also a key element to guarantee the survival and development of the industry, as well as to raise the effectiveness of regulators' supervision, and to meet the demands of brokers for growth and innovation."

The establishment of the system requires people who are proficient in the securities business and related laws and regulations. It also requires an independent department that has the power to look into all business-management sectors of the firm.

"The China Securities Regulatory Commission is doing the right thing ... compliance is so important for brokers," said Victor Wang, a Hong Kong-based analyst at UBS AG, according to Bloomberg News.

"I don't believe the short-term impact is huge. It will take years for brokers to implement such changes into daily operation."

Earlier this year, China issued a compliance-management guidance for commercial banks. Details of the rules for brokerage firms have not yet been released.(Shanghai Daily)

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