



Your compliance function

Are you getting the basics right?

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Helping financial services firms understand regulatory expectations



An effective compliance function is key to any successful financial services firm

In the UK, the Financial Conduct Authority (FCA) and Prudential Regulation Authority (PRA) expect firms to maintain an effective compliance function, which operates independently from business activity. There are various general and sector specific rules from SYSC¹ and PRIN², Solvency II³, MiFID II⁴ as well as guidance for banks and MiFID II firms from the FCA⁵ and European Securities and Markets Authority (ESMA)⁶.

The FCA has previously made statements highlighting the role and value of an effective compliance function, in particular, for supporting the right culture for management of conduct risk.

In addition, the Senior Managers and Certification Regime (SM&CR) specifies that responsibility for Compliance Oversight (SMF 16) should be allocated to a director or senior manager with the aim of improving accountability and responsibility in this area.

The approach to compliance is therefore not simply based on meeting regulatory rules, it is much wider than that. It can add value through the safeguarding of customers, protecting reputations and assuring strategic execution.

In practice, effective compliance models vary from one firm to another depending on the scale, nature and complexity of business activities. It can therefore be difficult for firms to understand the overall expectations and how their arrangements compare with peers in the market.

1 FCA's Senior management arrangements, Systems and Controls (SYSC) High Level Standards

2 FCA's Principles for Businesses

3 Directive 2009/138/EC on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II)

4 Directive (MiFID –2014/65/EU) and Markets in Financial Instruments Regulation (MiFIR –2014/600/EU)

5 FCA's paper on 'The compliance function in wholesale banks' November 2017

6 ESMA Guidelines on certain aspects of the MiFID compliance function requirements 28 September 2012 (ESMA/2012/388)

An effective compliance function typically has involvement in the following areas:



Governance

- Independent challenge
- Policies and procedures
- Compliance reporting and management information (MI)



Tasks

- Compliance planning
- Compliance monitoring activities/outputs
- Horizon scanning
- Regulatory reporting/communications



Support

- Advice and oversight
- Issue identification, escalation and resolution
- Product development and governance
- Financial Promotions



People

- Culture
- Resource capability
- Training/communications

How can we help?

We have developed a risk based compliance framework evaluation tool that allows us to not only identify gaps and weakness in your current compliance arrangements but allows for the benchmarking of your firm.

This tool can be used to perform a 'health check' or conduct a more in-depth review of your compliance arrangements.



Provide internal or external compliance support.



Prepare reports to your Board on the activities of the compliance function together with associated compliance MI.



Undertake a compliance risk assessment to inform your compliance monitoring plan.



Prepare regulatory horizon scanning reports that are tailored to your firm.



Develop a compliance monitoring plan, including a timetable for reviews, high level scopes and resourcing plans.



Implement and maintain a compliance helpdesk function for any ad hoc compliance related queries from the business.



Deliver compliance monitoring reviews.



Draft, update and/or amend existing policies and procedures to ensure they are fit for purpose and tailored to your business.



Deliver training on regulatory issues, including the conduct rules as required by the SM&CR regime.



Design MI and compliance reports.



Help you comply with SM&CR.

Contacts

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