

Overview

If you are authorised by the FCA, you will need to have a suite of documents to demonstrate that you are complying with UK regulatory requirements and are operating in line with the FCA's expectations. These documents are the compliance foundations of your business from the UK regulator's perspective; therefore not producing them on demand is a red flag that your business could be operating without adequate controls. Additionally annual review processes and on-going monitoring requirements are stipulated in the FCA's handbook. Failure to adhere to these requirements is a breach of FCA rules and can potentially lead to disciplinary action.

In this briefing we outline what these documents are and what they are designed to do. We can provide you with templates and assist you to adapt these templates to fit your business model. We can also assist with on-going maintenance and review procedures.

Compliance Manual

The FCA expects you to have the majority of your key compliance policies in one place. These policies demonstrate that you have internal controls around fundamental regulatory issues such as conflicts of interest, market abuse and money laundering. The compliance manual itself will be wide ranging, and must cover all aspects of the business from marketing to trading.

You must have made this manual available to all staff and conducted suitable training sessions (at least

annually) to ensure that all staff are reminded about the contents of the manual and what conduct is required of them.

Compliance Monitoring Plan

This document is related to the risk register, which highlights the key risks to the business. In this document, you not only illustrate that your senior management team is aware of the operational risks faced by the business, you demonstrate that the key compliance risks have also been identified, suitable controls put in place to mitigate them, and routine checks performed on these controls to ensure they are operating as expected and any potential issues are being flagged. This plan should also include any remedial action taken when testing has identified that gaps may exist.

This is a compliance 'living' document that staff should be continually updating.

Risk Register

The risk register is a document for senior management and should be reviewed regularly in a suitable governance forum. This document identifies all the material risks posed to business operations and, where possible, identifies controls in place to reduce any such risks. This document feeds into the Internal Capital Adequacy Assessment Process ('ICAAP') and Pillar 3 disclosure referenced below and is used to identify where additional regulatory capital should be held against operational risk that cannot be sufficiently reduced by other means.

ICAAP and Pillar 3 disclosure

The ICAAP document is used by UK senior management to review the current level of regulatory capital held by the firm and should be reviewed at least annually. This could be requested by the FCA at any time to perform a 'SREP', whereby they review the ICAAP document and assess if they agree that sufficient capital is being held. If they disagree with the firm's current level, they have the power to require the firm to set aside more capital, which could have a substantial impact on business profitability.

The Pillar 3 disclosure is linked to the ICAAP. It is a required public disclosure in prescribed terms of the firm's current regulatory capital. Firms normally make this available on their website.

Stewardship Code

Firm's undertaking regulated activities in the UK are required to state either that they comply with the UK's Financial Reporting Council's Stewardship Code or if not, what their alternative arrangements for are. The substance of the Stewardship Code relates to institutional shareholder engagement and activism. This statement must also be publicly available and the normal route is via the firm's website.

MLRO Annual Report

All UK regulated firms must have a nominated CF10 and CF11, under the FCA's Approved Persons regime. These individuals are responsible for producing an annual report covering

the firm's anti-money laundering controls to be presented to senior management. This is vital, as without this oversight, the FCA will consider the firm at higher risk of being used as a money-laundering vehicle.

Remuneration Policy Statement

The FCA has released a template Remuneration Policy Statement that it expects all firms to make available to investors and the regulator on demand. This states how the firm complies with the Remuneration Code, identifies the number of 'Code staff' (senior management and portfolio managers) and makes the required remuneration disclosures.

Please contact us at:
Regent's Compliance
info@regentscompliance.com
0203 710 0142
07795261311
www.regentscompliance.com