

Investment Business: On-Site Activity and Future Areas of Focus

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Introduction



- Common on-site Findings
 - Corporate Governance
 - Conduct of Business
 - Mystery Shopping
 - AML/CFT
- Future areas of focus
 - Off-site supervision
 - On-site supervision
 - Regulatory policy

Common on-site findings (1)



- Corporate Governance
 - Business Risk Assessments
 - Conflicts of Interest
 - Product due diligence
 - Compliance function
 - Independence & challenge
 - Monitoring controls
 - Reporting

Common on-site findings (2)



- Conduct of Business
 - Suitability
 - Documenting & maintaining client knowledge
 - Client risk appetite/tolerance
 - Concentration risk
 - Switching
 - Product suitability/product approval
 - Fee transparency
 - Notifications to the Commission

Common on-site findings (3)



- Mystery Shopping 2014
 - Adviser behaviour
 - Insufficient explanation of services and charges
 - Playing down important documents
 - Assessing Customer Needs
 - Prejudging risk tolerance / assuming objectives
 - The advice process
 - Poor link to client objectives & risk tolerance
 - Potential conflicts not explained
 - Documentation/literature
 - Delays / Excessive Jargon

Common on-site findings (4)



- AML/CFT
 - AML Business Risk Assessment
 - Client AML Risk Ratings
 - Certification of documents
 - Source of funds vs source of wealth
 - Application of enhanced due diligence
 - Introduced relationships
 - Suspicious activity reporting

Future areas of focus (1)



- Off-site supervision
 - Potential historic mis-selling
 - Complaints/CI Ombudsmen
 - Thematic questionnaires
 - Electronic analysis of information
 - Annual Registration Fee Forms
 - Senior Management & Investment Employee info
 - Engaging with Compliance Officers
 - Emerging risks

Future areas of focus (2)



- On-site supervision
 - Suitability remains our primary focus
 - Product due diligence
 - Assessing culture within a business
 - Platform bias

Future areas of focus (3)



- Regulatory policy
 - Pensions regulation?
 - MiFID 2?
 - Qualifications Guidance Note (minor amendments)
 - Statements of Professional Standing
 - Suitability of advice Guidance Note
 - PII requirements
 - Vulnerable persons