

Chapter 5

Reports by skilled persons

Non-exhaustive list of examples of when the FCA may use the skilled person tool (This Annex belongs to SUP 5.3.1AG)

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Toolkit purpose	Purpose for use of tool	Examples of reasons for use of tool
Diagnostic	<ul style="list-style-type: none"> • To find out more about a concern (e.g. the result of a visit, risk assessment, or notification) and determine whether action is needed to mitigate a risk to the <i>regulatory objectives</i> or to determine whether there may have been a breach of a <i>rule</i> or of a <i>threshold condition</i> or, in the case of an <i>RIE</i>, failure to meet the recognised requirements. • To assess the implications of, and <i>firm's*</i> response to, a change of circumstances e.g. <ul style="list-style-type: none"> - proposed entry into new business area; - new control structure; - merger or take-over; - new IT system; or - launch of an E-Commerce venture. 	<ul style="list-style-type: none"> • Concern about effectiveness of the <i>firm's*</i> internal audit department. • Concern about reliability of submitted financial returns. • Inability of a <i>firm*</i> to quantify its current financial position. • Assessment of consequences of incomplete customer files. • Concern about quality of systems and controls. • Indication of financial crime or <i>money laundering</i>. • Concern about a <i>firm's*</i> controller. • Assessment of control structure when a <i>bank</i> (specialising in consumer lending) diversifies into commercial lending.
Diagnostic/monitoring	<ul style="list-style-type: none"> • To verify information provided to the <i>FCA</i>. 	<ul style="list-style-type: none"> • Verification of a specific return to give the <i>FCA</i> assurance of the quality of information provided.
	<ul style="list-style-type: none"> • To collect information required by but not provided to the <i>FCA</i> by the <i>firm*</i>. • To update information previously provided to the <i>FCA</i> but not kept up to date by the <i>firm*</i>. 	<ul style="list-style-type: none"> • Failure by a <i>firm*</i> to provide or keep up to date information required by the <i>FCA</i>.
Monitoring	<ul style="list-style-type: none"> • To review systems and controls • To complement baseline monitoring 	<ul style="list-style-type: none"> • Assessment of systems and controls in <i>firms*</i> where identified as a risk mitigation priority. • In-depth review of part of a <i>firm*</i> which is material to the <i>firm's</i> risk profile but of which the <i>FCA</i> does not consider it has an adequate, up-to-date understanding.
Preventative	<ul style="list-style-type: none"> • To gather and analyse information on an identified risk and develop recommendations for resolution. 	<p>Review of identified control weaknesses over <i>client money</i> to obtain recommendations to ensure compliance with the relevant <i>rules</i>.</p>

Toolkit purpose	Purpose for use of tool	Examples of reasons for use of tool
Remedial	<ul style="list-style-type: none">• To assist in the design of a customer redress programme.• To assist in the design of a remedial action plan.• To oversee and report on remedial action plan.	<ul style="list-style-type: none">• Where possible, the FCA has identified possible losses from failure to reconcile assets or from mis-posting of transactions to the general ledger.• To report on quality of work undertaken and adherence to milestones in the action plan.

* or, where applicable, the other persons in SUP 5.2.1 G.

Non-exhaustive list of examples of when the FCA may itself appoint a skilled person rather than require a firm to do so

Toolkit purpose	Purpose for use of tool	Examples of reasons for use of tool
Diagnostic/ monitoring/ preventative/ remedial	(any of the above)	<ul style="list-style-type: none">• To provide a report or information that is urgently required.• To assert a greater degree of control over the appointment and oversight of the skilled person due to the sensitive nature of the matter concerned.• To assert a greater degree of control over the appointment and oversight of the skilled person in circumstances where more than one firm* is the subject of the same report or information required.