

## 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"> <li>• 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.</li> <li>• To assess the implications of, and <i>firm's*</i> response to, a change of circumstances e.g. <ul style="list-style-type: none"> <li>- proposed entry into new business area;</li> <li>- new control structure;</li> <li>- merger or take-over;</li> <li>- new IT system; or</li> <li>- launch of an E-Commerce venture.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Concern about effectiveness of the <i>firm's*</i> internal audit department.</li> <li>• Concern about reliability of submitted financial returns.</li> <li>• Inability of a <i>firm*</i> to quantify its current financial position.</li> <li>• Assessment of consequences of incomplete customer files.</li> <li>• Concern about quality of systems and controls.</li> <li>• Indication of financial crime or <i>money laundering</i>.</li> <li>• Concern about a <i>firm's*</i> controller.</li> <li>• Assessment of control structure when a <i>bank</i> (specialising in consumer lending) diversifies into commercial lending.</li> </ul>
Diagnostic/monitoring	<ul style="list-style-type: none"> <li>• To verify information provided to the <i>FCA</i>.</li> </ul>	<ul style="list-style-type: none"> <li>• Verification of a specific return to give the <i>FCA</i> assurance of the quality of information provided.</li> </ul>
	<ul style="list-style-type: none"> <li>• To collect information required by but not provided to the <i>FCA</i> by the <i>firm*</i>.</li> <li>• To update information previously provided to the <i>FCA</i> but not kept up to date by the <i>firm*</i>.</li> </ul>	<ul style="list-style-type: none"> <li>• Failure by a <i>firm*</i> to provide or keep up to date information required by the <i>FCA</i>.</li> </ul>
Monitoring	<ul style="list-style-type: none"> <li>• To review systems and controls</li> <li>• To complement baseline monitoring</li> </ul>	<ul style="list-style-type: none"> <li>• Assessment of systems and controls in <i>firms*</i> where identified as a risk mitigation priority.</li> <li>• 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.</li> </ul>
Preventative	<ul style="list-style-type: none"> <li>• To gather and analyse information on an identified risk and develop recommendations for resolution.</li> </ul>	<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"><li>• To assist in the design of a customer redress programme.</li><li>• To assist in the design of a remedial action plan.</li><li>• To oversee and report on remedial action plan.</li></ul>	<ul style="list-style-type: none"><li>• Where possible, the FCA has identified possible losses from failure to reconcile assets or from mis-posting of transactions to the general ledger.</li><li>• To report on quality of work undertaken and adherence to milestones in the action plan.</li></ul>

\* 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"><li>• To provide a report or information that is urgently required.</li><li>• To assert a greater degree of control over the appointment and oversight of the <i>skilled person</i> due to the sensitive nature of the matter concerned.</li><li>• To assert a greater degree of control over the appointment and oversight of the <i>skilled person</i> in circumstances where more than one <i>firm</i>* is the subject of the same report or information required.</li></ul>