

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)

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> <i>controller</i>. • 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 <i>skilled person</i> due to the sensitive nature of the matter concerned. • 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.