

## **Industry Seminar – 20 October 2011**

### **Presentation to Asset Managers and Stockbrokers – On-Site Visits**

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The majority of you would have experienced on-site visits by the Commission. The Commission's approach to onsite visits has changed over the years due to experience and external factors. Today I am going to relay to you the Investment Business Division's current approach to on-site visits.

#### **Why do we conduct on-site visits and how often?**

We consider on-sites an important regulatory tool as it helps us to effectively “kick the tyres” at a licensee. We aim to visit all licensees at least once every four years; however this is not fixed in stone, as we take a risk based approach to arranging on-sites visits.

#### **How do we advise licensees of a visit and what is our scope?**

The Financial Services Commission (Site Visits) (Bailiwick of Guernsey) Ordinance, 2008 (“the Ordinance”) provides the legal basis for the Commission to conduct on-site visits. Under the Ordinance the Commission can conduct onsite visits with or without the licensee's agreement and on limited grounds without notice. However, in respect of routine onsite visits we usually give 6-8 weeks' notice of a proposed date that we would like to conduct the visit. We ask that the Licensee confirm to us within one week of receiving the letter whether or not they are in agreement with the proposed date. We have in the past changed the date of an on-site visit, if for example, the Compliance Officer and/or MLRO is away from the office during the proposed dates.

To enable us to focus on areas where we see the greatest risk and to reduce the number of days that our staff are at your offices, our notice letter will enclose a list of information/documentation that should be submitted to the Commission a few weeks prior to the on-site visit. The list of information/documentation requested varies dependent on the type of business we are visiting, but ultimately our focus is on senior management control. Therefore, for all licensees, we would request copies of Board minutes, compliance and AML procedures and programmes approved by the Board to assess what controls the Board or equivalent has put in place to monitor compliance with the various regulatory laws, rules, regulations, codes and guidance. It is very much a top-down approach.

Our notice letter will state that at the commencement of the visit that we would like to meet with the Managing Director, Compliance Officer and any relevant officers you consider should attend to discuss future business plans and any preliminary issues we may have identified from the pre-submitted information/documentation. During the on-site visit we will need to speak to a number of staff, in particular, the Compliance Officer/MLRO and key

operational staff. Following these interviews we may request further information/documentation to support claims made.

To avoid any misconceptions by the on-site team it is helpful if requests for information/documentation are provided during the on-site visit on a timely basis.

### **How do we report issues to licensees?**

The Commission team and the Assistant Director responsible for the on-site visit team will conduct a close-out meeting with relevant officers of the company no later than 10 business days after the conclusion of the visit. This is an opportunity for the licensee to dispute any of the findings, if there are any; however you will be requested to support your claims with documentary evidence. You will receive a written summary of this meeting no later than two business days after the meeting. You will then have 10 business days to comment on the Commission's findings as presented at the close-out meeting and present any other submissions to support your case. The issues raised in these minutes will be the only issues raised in our on-site visit report, therefore it is imperative that you fully consider any issues raised. Your responses will be factored into the visit report that will be issued just over 30 business days after the conclusion of the on-site visit.

Whilst the report will be drafted by the team conducting the on-site visit, it is important to note that the report will be reviewed by both an Assistant Director and Deputy Director prior to its release to a licensee.

To ensure that the Commission is consistent in its approach to on-site visits this format of reporting has been rolled out across all of the Commission's regulatory divisions. We must going forward meet these deadlines.

### **Conclusion**

I would just like to conclude by stating that it is really important that you are able to back up your comments with documentary evidence because it's our view that if it is not documented then it has not been done.