

# Financial Conduct Authority (FCA) Guidelines: Compliance Agent Checklist

This document provides examples of key areas and specific checks to ensure adherence to the Financial Conduct Authority (FCA) guidelines. The goal is to maintain market integrity, protect consumers, and promote competition.

## 1. Customer Onboarding and Due Diligence (KYC/AML)

Ensuring that firms know their customers and are not facilitating financial crime.

### Examples of Checks:

- **Identity Verification:**
  - Verify that customer identification documents (e.g., passport, driving license) are valid and unexpired.
  - Confirm that the customer's name and address match official records.
  - Check for discrepancies between provided information and public records.
- **Source of Funds/Wealth:**
  - Review documentation supporting the source of funds for large transactions (e.g., bank statements, salary slips, inheritance documents).
  - Assess the legitimacy of the source of wealth for high-net-worth individuals.
- **Politically Exposed Persons (PEPs) Screening:**
  - Confirm that all new and existing customers are screened against PEP lists.
  - Verify that enhanced due diligence measures are applied to identified PEPs.
- **Sanctions Screening:**
  - Ensure customers are screened against relevant sanctions lists (e.g., OFSI, UN, EU, US).
  - Confirm that alerts are investigated and escalated appropriately.
- **Risk Assessment:**
  - Review the firm's customer risk assessment methodology.
  - Verify that customers are categorized into appropriate risk levels (low, medium, high) based on their profile and activity.

## 2. Product Governance and Suitability

Ensuring that products and services are designed and distributed appropriately for target customers.

### Examples of Checks:

- **Target Market Definition:**
  - Verify that products have a clearly defined target market.

- Confirm that the product's features, risks, and charges are consistent with the needs of the target market.
- **Product Testing:**
  - Review evidence of product testing before launch, including stress testing and scenario analysis.
  - Ensure that products perform as expected and do not cause unforeseen harm.
- **Distribution Strategy:**
  - Assess whether the distribution channels are appropriate for reaching the identified target market.
  - Verify that distributors understand the product and its target market.
- **Suitability Assessments:**
  - Review records of suitability assessments for advised sales.
  - Confirm that recommendations are suitable for the customer's individual circumstances, objectives, and risk tolerance.
- **Ongoing Monitoring:**
  - Check for regular reviews of product performance and customer outcomes.
  - Verify that any issues identified (e.g., unexpected poor outcomes) lead to corrective action.

### 3. Financial Promotions and Communications

Ensuring that marketing materials are clear, fair, and not misleading.

#### Examples of Checks:

- **Clarity and Fairness:**
  - Review promotional materials for clear, concise language that is easy for the target audience to understand.
  - Ensure that key risks are prominently displayed and not downplayed.
- **Accuracy:**
  - Verify that all factual claims are accurate and supported by evidence.
  - Check for any misleading statements or omissions.
- **Balance:**
  - Assess whether promotions present a balanced view of potential benefits and risks.
  - Ensure that past performance is not presented as an indicator of future returns without appropriate warnings.
- **Approval Process:**
  - Confirm that all financial promotions are approved by a competent individual before dissemination.
  - Review records of approval and any amendments made.
- **Digital Communications:**
  - Check compliance of social media posts, website content, and email marketing with FCA rules.
  - Verify that disclaimers and risk warnings are present and effective in digital formats.

## 4. Market Conduct and Abuse

Preventing market manipulation, insider trading, and ensuring fair and orderly markets.

### Examples of Checks:

- **Order Handling:**
  - Review order execution records to ensure best execution obligations are met.
  - Verify that client orders are handled promptly and fairly.
- **Conflict of Interest:**
  - Assess the firm's policies and procedures for identifying and managing conflicts of interest.
  - Review records of identified conflicts and how they were mitigated.
- **Insider Information:**
  - Check for robust controls to prevent the misuse of inside information.
  - Verify that employees are aware of their obligations regarding market abuse.
- **Transaction Reporting (MiFID II/R):**
  - Confirm that all reportable transactions are accurately and timely reported to the FCA.
  - Review reconciliation processes for transaction reports.
- **Market Soundings:**
  - Verify that market sounding procedures are followed to prevent unlawful disclosure of inside information.
  - Check records of market soundings, including consent and confidentiality agreements.

## 5. Data Protection and Privacy (GDPR)

Ensuring that personal data is handled lawfully, securely, and transparently.

### Examples of Checks:

- **Lawful Basis for Processing:**
  - Verify that the firm has a lawful basis for processing all personal data.
  - Review privacy notices to ensure they clearly inform individuals about data processing activities.
- **Data Security:**
  - Assess the technical and organizational measures in place to protect personal data (e.g., encryption, access controls).
  - Check for evidence of regular security audits and penetration testing.
- **Data Subject Rights:**
  - Review procedures for handling data subject requests (e.g., access, rectification, erasure).
  - Verify that requests are responded to within the statutory timescales.
- **Data Breach Management:**

- Assess the firm's data breach response plan.
- Check records of any data breaches, including reporting to the ICO and affected individuals.
- **Data Retention:**
  - Verify that personal data is not retained for longer than necessary.
  - Review data retention policies and their implementation.

## 6. Complaints Handling

Ensuring that customer complaints are handled fairly, promptly, and effectively.

### Examples of Checks:

- **Complaints Procedure:**
  - Review the firm's complaints handling procedure to ensure it is clear and accessible to customers.
  - Verify that employees are trained on the procedure.
- **Complaint Logging:**
  - Check that all complaints are accurately logged and categorized.
  - Ensure that key details (e.g., date received, nature of complaint, resolution) are recorded.
- **Investigation and Resolution:**
  - Review a sample of complaint files to assess the thoroughness of investigations.
  - Verify that resolutions are fair and that redress is offered where appropriate.
- **Response Times:**
  - Monitor adherence to regulatory response times for complaints (e.g., 8-week deadline for final responses).
  - Check for any delays and the reasons behind them.
- **Root Cause Analysis:**
  - Assess whether the firm conducts root cause analysis for recurring complaints.
  - Verify that identified issues lead to improvements in processes or products.

## 7. Training and Competence (T&C)

Ensuring that staff are competent and adequately trained for their roles.

### Examples of Checks:

- **Training Needs Analysis:**
  - Review the firm's process for identifying training needs for different roles.
  - Verify that training programs are relevant and up-to-date.
- **Training Records:**
  - Check records of employee training, including dates, topics, and attendance.
  - Ensure that mandatory training (e.g., AML, market abuse) is completed by all relevant staff.

- **Competence Assessments:**
  - Review evidence of ongoing competence assessments (e.g., appraisals, performance reviews, observations).
  - Verify that staff maintain the necessary knowledge and skills.
- **Supervision:**
  - Assess the adequacy of supervisory arrangements, particularly for new or less experienced staff.
  - Check records of supervisory meetings and feedback provided.
- **Continuing Professional Development (CPD):**
  - Verify that relevant staff meet their CPD requirements.
  - Review CPD plans and records.

## 8. Reporting and Record Keeping

Ensuring that firms maintain accurate records and submit timely reports to the FCA.

### Examples of Checks:

- **Record Accuracy:**
  - Review a sample of records (e.g., client files, transaction data) for accuracy and completeness.
  - Verify that records are easily retrievable.
- **Record Retention:**
  - Check that records are retained for the required regulatory periods.
  - Review data archiving and deletion policies.
- **Regulatory Reporting:**
  - Verify the accuracy and timeliness of all regulatory submissions to the FCA (e.g., Gabriel reports, financial statements).
  - Check for robust internal controls over reporting processes.
- **Audit Trails:**
  - Assess the availability and integrity of audit trails for key systems and processes.
  - Ensure that changes to data or systems can be tracked.
- **Management Information (MI):**
  - Review the MI produced for senior management and the board.
  - Verify that MI provides a clear and accurate picture of compliance risks and performance.