

The Compliance Policy (CP) & The Compliance Risk Assessment (CRAS)



Recent experience has revealed the above documents are a focus for the JFSC when undertaking onsite examinations. While the vast majority of regulated entities have a suite of compliance policies and procedures, not all have a document which sets out the overarching CP.

Businesses are now well versed in undertaking and documenting risk assessments. Usually, these risk assessments take three forms: (i) an Enterprise Business Risk Assessment; (ii) an AML/CFT Risk Assessment; and (iii) a combination of (i) and (ii). However, in our experience, not all businesses undertake and document a CRAS (whether stand-alone or as part of the Enterprise Risk Assessment).

WHAT SHOULD YOU BE DOING?

The CP

- Ensure your business has a policy which clearly sets out how compliance obligations are discharged - documenting the responsibilities of the compliance team and compliance related roles and responsibilities across business areas.

The CRAS

- Adopt a working definition of compliance risk.

- Confirm which regulatory risks will be addressed and how they interact with other risk assessments.
- Determine the types of compliance obligation to be included in the scope of the CRAS - examples include the local regulatory requirements, group requirements and contractual obligations. The categories applicable to such obligations are likely to include requirements relating to governance and internal control, regulatory reporting, conduct of business, prudential and financial crime.
- Develop or adopt a classification approach and assign compliance obligations to the relevant categories.
- Map controls to each compliance risk.
- Identify consistent risk indicators.
- Assess controls.
- Agree the process for calculating residual risk.

The CRAS should then be used to inform the Compliance Monitoring Programme and other risk mitigation systems and controls. The CRA should also support key management information presented to the board.

HOW CAN OBEN HELP?

We have a depth of experience in assisting entities with their governance and control environments including:

- Corporate Governance Reviews
- 3LOD reviews
- Board Effectiveness Reviews
- Mapping control frameworks against regulatory requirements
- Drafting Policies and Procedures
- Risk assessments

If you would like to discuss this topic further or if there is any other issue where we may be able to assist, please do not hesitate to contact one of the team.



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