

Q: What is a Compliance Monitoring Programme and how should it be used?

The purpose of a Compliance Monitoring Programme (“CMP”) is to help ensure that the firm meets its compliance obligations, i.e. the CMP is a ‘tool’ used by compliance staff to coordinate the ongoing compliance review and monitoring activities. Firms need to periodically check that their compliance policies reflect regulatory requirements and that their procedures implement the policies – a CMP would be used to guide the checks and record the results.

The CMP would be part of the firm’s “Compliance Framework” and should help the user identify areas of the Compliance Framework that require attention, either to remedy areas of non-compliance or to pro-actively address areas where there is a risk of non-compliance. The CMP should ensure that a systematic approach is operated when monitoring compliance arrangements and producing associated reporting information.

In a similar manner to the Risk Register operating at the centre of the Risk Management Framework, the CMP will operate at the centre of the firm’s Compliance Framework. The compliance monitoring activities should enable the firm to identify compliance issues before they become major problems, take proactive measures to address those issues and thereby prevent regulatory breaches, potential penalties and reputational damage.

The Board would typically delegate the day-to-day responsibility for the development, maintenance and operation of the Compliance Framework, including the CMP, to a role such as a Compliance Manager.

A CMP typically includes the following elements:

1. **Monitoring plan:** This is a documented plan that outlines the scope and frequency of the monitoring activities. The monitoring plan could be prepared in a spreadsheet, each row detailing a specific check (e.g. on a policy or procedure) and associated information including responsibility for performing the checks, the results of the checks, recommended actions, responsibility for sign-off, and the frequency of the checks.
2. **Testing procedures:** A documented set of procedures that outline the specific steps that will be taken to test the firm’s compliance policies and procedures. This would essentially be a short description, to accompany the monitoring plan (as described above), providing insight into how the CMP will actually be operated and integrated into the Compliance Framework.
3. **Reporting:** A defined reporting structure showing how compliance monitoring information and findings will be reported within the firm. Reporting information, provided in relation to the compliance monitoring activities, would include information derived from the use of the CMP and could be included in a pre-defined reporting format for inclusion in Board reporting materials.
4. **Resolution:** A documented process describing how compliance issues that have been identified through the use of the CMP will be resolved.