



## **Q: How could we structure our compliance framework?**

A “compliance framework” is essentially a set of policies, procedures, and controls that a firm has in place to ensure compliance with regulatory requirements. The compliance framework should ensure that the firm meets its compliance obligations and should operate to prevent, detect, and correct any compliance issues that may arise.

A compliance framework typically includes the following elements which will need to work together in order to ensure that regulatory requirements are met:

1. **Compliance policies:** These are the written policies, agreed by the Board, that specify the firms’ approach to meeting compliance obligations. Each regulatory requirement would logically have an associated policy which clearly states the approach to be taken by the firm.
2. **Compliance procedures:** These are the specific procedures that describe how policy will be implemented by the firm. They should be operational in nature and enable the reader to understand what actions are required to meet the associated policy. Compliance policies and procedures would typically be documented in a Compliance Manual, and supporting documents inc. Safeguarding Policy and Outsourcing Policy.
3. **Compliance training:** The training provided to staff to ensure that they understand their responsibilities with regard to the firms’ compliance arrangements. Responsibilities will differ between roles and should be documented in role-specific job descriptions.
4. **Compliance monitoring:** The processes operated by the firm to ensure that the compliance arrangements are periodically reviewed, specifically the review of (i) policies, to ensure that they reflect regulatory requirements and guidance, and (ii) procedures, to ensure that they implement policy (and are being operated as intended).

The compliance monitoring activities would typically involve the use of a Compliance Monitoring Programme (“CMP”). The activities of the Compliance Manager and Internal Audit function would form part of the compliance monitoring activities.

5. **Compliance reporting:** The reporting of compliance management information to the Board is essential to enable their oversight of the business. Compliance reporting information will also need to be provided to the FCA as a condition of authorisation (there are pre-defined reports that must be submitted at certain intervals as well as event driven notifications).
6. **Compliance incident management:** A process to address any compliance issues or incidents that may arise, or be identified through the activities of the Compliance Manager or Internal Audit, will also need to be operated by the firm to ensure that it continues to meet regulatory requirements and addresses any incidents to resolve the underlying root cause(s).

Having a compliance framework, including a Compliance Manual and associated policy documents, will help the firm to ensure that it is adhering to all relevant regulations and guidance. We have a number of template compliance policy documents available from the PACNET website, here: [www.pacnet.info/shop](http://www.pacnet.info/shop)