



Q: How should a Compliance Manual be structured?

The Compliance Manual should provide the reader with an overview of the compliance arrangements that are operated by the firm. In this context, 'arrangements' would include both the compliance **policies** and the **procedures** that are maintained by the firm.

In order to provide context, the Compliance Manual could also include an overview of the regulations and guidance applicable to each area of compliance that is within scope.

A Compliance Manual should work as a 'top-level' document, describing the approach taken by the firm to address the full scope of the applicable regulatory requirements but also referencing separate documents that provide the next level of operational detail. By doing so, the Compliance Manual will help you collate and control all documents within your compliance framework.

Where firms try to include detailed procedural information in their Compliance Manual, the manual tends to become unwieldy and onerous to keep updated.

A Compliance Manual structure that works well, addresses each area of regulatory requirements in a separate chapter, for example, separate chapters for governance arrangements, risk management, internal controls, capital requirements, safeguarding etc. Note that anti-financial crime arrangements would logically be addressed in a separate document, e.g. in an 'AML Manual'. The focus of a Compliance Manual should be the FCA requirements of authorisation. The approach to have separate a Compliance Manual and AML Manual would be aligned with the maintenance of separate MLRO and Compliance Manager roles (even if performed by the same individual).

Within each chapter of the Compliance Manual the content could be structured into four broad sections:

- **Regulatory requirements** – extracts from the relevant regulations in order to provide background to the regulatory requirements
- **Guidance** – extracts from FCA guidance, EBA Guidelines, etc. to provide additional context to the regulatory requirements
- **Policy** – the policies developed by the firm to meet the above requirements; and
- **Procedures** – detail on the procedures that are operated to enact each policy.

Supporting documents with detailed procedural information should be referenced in the Compliance Manual. There are several advantages to this approach, including:

- Reducing the overall size of the Compliance Manual to keep it manageable
- Allocating responsibility for the production and update of the supporting documents to operational roles (at the first line of defence) rather than the Compliance Manager (at the second line of defence)
- Ensuring that changes in procedures (which are likely to happen frequently) can be addressed quickly by updating the supporting documents rather than the main Compliance Manual; and
- Ensuring that sensitive information is contained in the supporting documents, rather than in the Compliance Manual (which would typically be available to all staff as a reference / training document).