

With the PRISM risk based approach to the supervision of licensees now firmly established in Guernsey, the Commission are working hard to build their knowledge of licensees through onsite visits resulting in a seeming flurry of notification letters being sent to Licensees across all divisions.

Of course achieving a successful outcome to an “onsite” requires careful planning and preparation and usually diverts senior resources away from normal business activities. In fact, it’s all too easy to underestimate the amount of time and effort that goes in to preparing for a PRISM onsite until you’ve been through one. With the risks of failure becoming more and more apparent, it is perhaps not surprising that many Licensees in anticipation of receiving notice of their next “onsite”, are wanting some assurance as to their state of preparedness.

Getting Prepared

So whether you’ve recently received notice of an onsite, or are still waiting (expectantly), addressing the following key points will help to achieve a successful outcome:

1. Familiarise yourselves with the GFSC Guidance on “Risk Based Supervision in Guernsey” (February 2016) and the format of the PRISM engagement programme and the 11 categories that form the basis of the GFSC’s probability risk assessment of your firm. Giving some consideration to these risk categories ahead of GFSC scrutiny will help you better demonstrate/ evidence how they are managed within your firm.
2. Responsibility – remember the Board as a whole is responsible for compliance. But it is advisable to appoint a project team headed up by a member of the board and include the Compliance Officer/MLRO and members of the compliance team to undertake the majority of the preparation and review. Independent third party review can add value. To ensure success: commit sufficient resources, identify objectives, assign responsibilities and set deadlines for delivery. Keep the action plan updated. The Board should also monitor and review progress on a regular basis. This will allow the Board to address any issues on a timely basis.
3. Content – just like any other important project a detailed action plan should be drafted to ensure that all key deliverables are addressed. Use the GFSC’s notification letter and the pre-visit information request to inform the scope of your action plan. Ensure that the reviews are carried out with sufficient detail to allow discovery of potential issues. Don’t forget to include the practical aspects of preparing for the visit (i.e. booking of meeting rooms, arrangement of security passes etc.)
4. Time Frame - it’s not uncommon for this exercise to uncover weaknesses (or to take much longer than anticipated) so it is advisable to start early to allow sufficient time to address any problems identified, preferably before the onsite starts. If material issues are uncovered don’t wait for them to be discovered by the Commission, report them upfront together with details of how you intend to remedy them.
5. Past GFSC correspondence - the Commission may want to check that any previous instructions to the firm to take action to mitigate has been taken, so be sure to review past GFSC correspondence including post onsite risk mitigation programs and “test” that the implementation has been and remains effective.
6. Defect Management – ensure that any issues identified as a result of compliance monitoring, breaches, errors or complaints have also been appropriately addressed.
7. Useful Resources – aside from making reference to the regulations, do make sure you’ve also considered amongst other things GFSC news; public enforcement notices (across all sectors); FAQs, reports on thematic reviews, details of industry day presentations (all available from www.gfsc.gg). These provide guidance as to the Commission’s expectations in relation to governance and risk management as well as the standards expected.

About the Pre-Visit Information Request

Once you've received notice of an onsite, you will receive a pre-visit information request containing a long list of documents to be provided to the Commission ahead of the onsite. This pack will facilitate the Commission's desk based probability risk assessment of the Licensee. Any gaps, inconsistencies or other matters of concern identified may lead to more in depth scrutiny during the visit. So it's important to ensure that it's right!

The list will typically include policies and procedures, governance and risk management data. Again, don't underestimate the time required to collate and review the information, nor the potential for this one-off exercise to uncover issues that should ideally have been spotted and addressed beforehand.

So what do you need to remember?

- Meet the deadline.
- Provide everything that has been requested.
- Answer the questions carefully and specifically (i.e. NOT just "see compliance manual").
- Ensure that what you're providing meets regulatory requirements.
- Check that there are no conflicts or inconsistencies contained within the information.
- To make it easy to review use the file structure referenced within the information request to order the documentation on the USB (an electronic submission is required).
- Finally ensure that it is all subjected to a thorough and appropriate 4 eyes review. The Board should have oversight of this submission.

Remember a hastily put together submission with no structure and material omissions will not provide any assurance to the regulator.

Interview Process

The interview based nature of visits conducted under PRISM, provide the Commission with an opportunity to gain a better understanding of the key issues within a firm, in particular with regard to governance, strategy and financial risks. They also provide an opportunity to investigate matters of concern and form an opinion as to the competency of the firm's leadership.

It's also no secret that the interviews can be challenging and the line of questioning under PRISM very different from the old engagement model. So bearing in mind that some people perform better than others under pressure, providing an opportunity for those individuals identified for interview to practice and get a feel for the sort of questions they might be asked, may help them perform more confidently during their actual Commission interviews. Enabling them to represent themselves and the firm in the best possible light.

In Summary

Theoretically a well run business with a robust governance and risk management framework should have nothing to fear from a regulatory visit, but they still present a challenge for firms, if only from a resourcing point of view. A successful outcome will definitely add value providing assurance to the Commission, customers and the firm, of the standards upheld and the competency of the leadership. So any investment in advance testing of your firm's preparedness is worthwhile. Certainly once the visit is over the business will be more robust and definitely glad that the visit is behind them – until the next time.



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Resolve can provide wide ranging assistance in relation to pre-visit planning and preparation, as well as post visit risk mitigation. For further information call us on [01481 726767](tel:01481726767) or email Sharon@resolvepartners.net and we can tailor a solution to suit your needs.