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Preparing for ARROW visits and SIF interviews

We help firms prepare for ARROW visits (an FSA inspection visit). We also prepare senior executives and NEDs for SIF interviews. This document explains our approach to ARROW preparation – which is proactive rather than reactive. SIF interview preparation is a more limited task but we adopt a similar approach.

Our proposal

Our proposal will be tailor-made to your business and our knowledge of FSA's current Arrow methodology. It will prepare you for a future Arrow visit, and additionally:

- - Provide independent assurance and benchmarking of your regulatory compliance;
- - Enable you to benefit from current best practice recommendations; and
- - Ensure you are in tune with FSA's current "tougher" approach not just in conducting Arrow visits but across a broad range of live issues, such as remuneration.
- Our approach

We consider that there are two focus points in this exercise:

ARROW issues

We will replicate the current methodology used by FSA when performing an ARROW visit. ARROW is the name given to FSA's biennial inspection visit to major "relationship managed" firms that focuses on their:

- Systems and controls;
- Risk management; and
- Governance.

We consider that the structure of the inspection visit should follow the ARROW format, which entails (i) requesting a set of documentation and procedures; (ii) interviewing senior staff on the basis of this material; (iii) advising the firm of remedial action that it is required to take.

Wider issues

The second objective is to conduct a thorough review of your "business as usual" operations. We will perform a detailed walk-through of your business to ensure that each of FSA's key rules has been identified and its requirements addressed. We will adopt a pragmatic and risk-orientated approach and make use of our current extensive knowledge of your business to ensure that we focus on the key risks as well as covering a broad range of business. Areas for review include:

- The firm's strategy and management of strategy risks;
- Responsibilities of senior management and the role of non-executive directors;
- Organisational structure, reporting lines, processes to manage and monitor risk, administrative and accounting procedures;
- Systems and controls including in relation to sales and post-sale processes, client communications;
- Training and competence and approved persons procedures including compliance with APER;
- TCF/TCF related issues;
- Compliance monitoring programme;

- Code of ethics, conflicts and controls;
- Record keeping and reporting;
- Remuneration and incentives policies;
- Critical or important outsourcings;
- Data security;
- AML procedures;
- Market abuse and protection against financial crime;
- Business continuity policy;

Benefits for you

The overall benefit of this review will be to give YOU and its senior officers assurance that:

- Your business will sustain an ARROW visit with no unpleasant surprises; and
- Your general compliance with FSA rules is satisfactory, and that any areas for improvement can be addressed in short order and with a minimum of difficulty.

Our expertise

We have undertaken six ARROW preparation projects in the past six months across the full range of financial services institutions including an international fund manager and a major retail bank. We are well-placed to assist you in identifying the documents FSA will require and to carry out a protective pre-visit review, to prepare directors and key personnel for their FSA interviews and to ensure that you are properly prepared for FSA's visit.

Our skills and experience in this area have encompassed many different sectors, clients and issues and means that we are in a position to hit the ground running, delivering value from day one. By drawing on our extensive expertise we will be able to provide you with specifically tailored guidance, advice and training to ensure you will have a sound understanding and will be fully prepared for all aspects of an FSA inspection.

What clients have said about our recent ARROW preparation work:

- I think an accountancy firm tends to do a lot more of the giving you great wedges of slides ...but not perhaps quite as specific as to current trends in the FSA, current hot topics that I think Simon particularly has his finger on the pulse of that I think was quite helpful – Head of Legal, Retail Bank
- They were also very able to answer specific challenges from some of the Executives as well in a way that was just very helpful, cut through the wiffle-waffle and made people sit up and take notice – Head of Legal, Retail Bank
- Simon was able to ascertain where I was uncomfortable and therefore I would take the action required to sort things. And there were other areas where he was kind of helping me see where I might want to think about things differently and I found that useful – Head of Risk, Retail Bank
- As it turned out the interview that CMS put us through was significantly more rigorous than anything the FSA came up with – Head of Risk, Retail Bank

Our role - helping you achieve your objectives

Our role is to help you ensure that your firm is fully prepared for its FSA ARROW visit on time and to cost. We will deploy our experience of advising on these issues to run the project efficiently and help you ensure that the business is ready and prepared in good time.

STAGE 1 – PREPARING THE GROUND

It is essential that all personnel involved in the project, particularly members of the Board, understand the aims and objectives of the ARROW visit, the process and what FSA will be looking for. We will therefore propose an initial Board presentation (which can be attended by anyone else you feel would benefit) setting out the ARROW process, tips for the interview, issues for you, focus on individuals and the new regulatory environment. This will be tailored to your business but to give you an idea of the type of presentation, we enclose at Appendix A a presentation given to the Board of a major retail bank in August 2009. As part of Stage 1 we will also provide you with our overview of the ARROW process tailored to your business.

STAGE 2 – INITIAL SCOPING AND PROJECT PLAN

We will work with you to ensure that your project plan covers all aspects you need to consider when preparing for your ARROW visit and that impetus is maintained up to the date the FSA visit starts. The project plan will, of course, need to be specifically tailored to your business. We have a template project plan that we regularly use when assisting clients and enclose a copy at Appendix B. You may wish to use this as the basis for your own project plan or as a “sense check” against your existing project plan.

STAGE 3 – THE FSA DOCUMENT REQUEST

We can help you to identify the documents that FSA are likely to request from you. This will enable you to carry out a protective review of the documents to ensure that you have them all ready for production, that version control is in place and that action is taken to address any issues identified before the FSA request is made. We can provide a list of the likely documents and enclose at Appendix C a sample document request for another bank that will be tailored to your business.

STAGE 4 – INDIVIDUAL PRE-INTERVIEW PREPARATION

It is important that all those being interview by FSA are aware of current regulatory concerns attaching to your business. We will therefore prepare a tailored reading list together with a note detailing the key themes and explanatory notes to enable your senior management team to ensure that they are able to deal with any questions raised by FSA during the interview process on regulatory developments affecting your business.

STAGE 5 – INTERVIEW PREPARATION

We will carry out “mock” interviews with each person due to be interviewed by FSA. Drawing on our significant experience in dealing with such matters, we will spend between one and two hours with each person, asking the questions that FSA is likely to ask in relation to that person’s role and responsibilities within your organisation. At the end of each interview we will carry out a de-brief and where necessary highlight those areas where further preparation is required by the individual. Sometimes it is necessary to carry out a second interview, but this is rare. An example of an interview grid we use for these sessions is enclosed at Appendix D. A grid is prepared for each individual interview and is based on a review of the documents provided to FSA as a result of the document request.

STAGE 6 – FEEDBACK

After FSA has undertaken its visit we will work with you to assess the outcomes including, where relevant, any additional work to be undertaken under a Risk Mitigation Programme.

These are our suggested stages and represent a framework that we have successfully used with a number of firms. You may want to adopt this approach or, alternatively, you may wish to tackle your project in a completely different way. However you want to proceed, we can use our significant experience of preparing firms to enable you to achieve the optimum result and we look forward to discussing your approach and requirements with you.

Our team

Demonstrating our capabilities

A selection of our relevant ARROW experience undertaken over the past six months:

Preparing the UK branch of an overseas wholesale bank for its ARROW visit in July/August 2009 where FSA had concerns relating to its fraud and anti money laundering controls. The focus was on ensuring that the bank satisfied FSA that matters were being dealt with appropriately and that the firm should not be referred to enforcement – in which we succeeded.

Preparing a major retail bank for its ARROW visit in August/September 2009 where the particular focus was on Treating Customers Fairly and business strategy to start deposit-taking and offering mortgages. This work included briefing each member of the Board including all non-executive directors and a number of key personnel. In this case, FSA particularly focussed on the banks’ treasury operations and use of the ICAAP.

Preparing an international fund manager for its ARROW visit in October 2009. This included preparing those responsible for international offices in Europe and Asia with particular reference to outsourced arrangements where concerns had been raised. The client felt particularly vulnerable in relation to the matter of remuneration and incentives and our preparation ensured that all key personnel were properly able to deal with the questions raised by FSA on this core issue.

Preparing a mono-line credit card issuer and bank for its ARROW visit in November 2009. This firm has been subject to previous enforcement action by FSA in relation to sales of PPI and it was therefore critical that the firm and its management were able to demonstrate that business was being dealt with in strict compliance with FSA requirements.

Preparing the Board of a mutual insurer for its ARROW visit in December 2009, covering the key issues of strategy and board effectiveness.

Assisting the insurance arm of a major UK charity in its preparations for an anticipated ARROW visit over the next few months, in particular dealing with issues arising from the unsanctioned holding of client monies throughout a significant branch network.

Our commitment on fees

In this economic climate, we want to ensure we provide you with a service that is value for money and can provide you with cost certainty.

We can discuss alternative fee arrangements with you. We can provide you with one or more costs estimate for the entire project based on alternative arrangements and discuss this further with you.