

Ten things you need to do before a regulator comes knocking

By Robert Osbourne and Jennifer Fiddian-Green

All regulated entities, at some point, will have an examination or review by their respective regulator(s). Receiving the notification that a firm will be subject to an examination can be stressful. This feeling is common, but it can also indicate the firm's preparedness for the review and the perceived level of compliance with their regulatory obligations.

To alleviate stress, a firm should start preparing for their regulator visit as soon as the current one ends. Preparation should be a year-round task that forms part of an entity's ongoing operational effort.

It's normal to feel a little nervous before a regulator visit, especially when it's your AML program that the focus of attention. Here are ten things you should do to get ready:

1. Stop panicking and get organized.

The examiner's notification letter usually gives advanced notice and requests documentation of your AML compliance policies and procedures, risk assessment and training programs. If the request can be completed quickly and on time, it conveys to the examiner that you're organized and you take compliance seriously.

2. Get senior management involved and interacting.

In order to demonstrate a "culture of compliance" it is important to have senior management interact with the examiners either at the initial meeting and/or the exit interview.

3. Let everyone know about the visit.

Communicate the pending examination to the various stakeholders in the firm such as senior management, the AML department, and business line heads. Identify someone who will be the point of contact for the examiner. The Chief AML Officer is typically that person.

4. Close the gaps and track your progress.

Review all issues noted in the last examination and the action plan that was implemented to close those gaps. Ensure that the corrective actions and deadline dates have been met and if not, be able to provide the examiner with the firm's progress.

5. Update and align the risk assessments.

Ensure the entity's risk assessment has been updated to reflect any changes in services, locations, and new controls. Also confirm that AML policies and procedures are aligned with the risk assessment.

6. Update the AML Program.

Verify that the AML Program has been updated with: changes resulting from the last examination, changes to the AML regulations, organizational changes such as acquisitions and changes in management.

7. Receive senior management sign-off and approvals.

Confirm senior management or the Board of Directors have approved any revisions to the risk assessment, policies and procedures and training programs.

8. Make information available to the regulator.

Make the following information available: the entity's AML compliance testing including any reviews by internal audit or an external service provider, the results and any remedial actions taken or to be taken.

9. Check and double-check.

Ensure the effectiveness of suspicious activity monitoring and reporting processes, KYC policies, higher risk client identification, enhanced due diligence and monitoring, PEP Screening etc.

10. Identify the issues yourself, before they do.

If there are potential issues or deficiencies that are self-evident the entity should consider identifying them.

It's easy to be caught up in the anticipation of the regulator visit. Make sure you plan ahead, have a solid understanding of your current status and have all the appropriate information accessible. These can go a long way to making the regulator visit a little more pain-free.

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