

## SECTION 166

# SKILLED PERSON REVIEWS



### WHAT IS IT?

Section 166 of the Financial Services & Markets Act 2000 gives the Financial Conduct or Prudential Regulatory Authorities (FCA & PRA) the power to commission an independent review into certain areas of a firm's activities that cause concern or where they deem that further analysis is required. These are commonly referred to as Skilled Person Reports, and they have become an important supervisory tool which is frequently utilised by the FCA and PRA.

### WHAT AREAS OF THE BUSINESS CAN A SKILLED PERSON REVIEW ADDRESS?

The categories of skilled person reports are referred to as Lots and cover the following areas:

- ▶ **Lot A:** Client assets
- ▶ **Lot B:** Governance and individual accountability
- ▶ **Lot C:** Controls and risk management frameworks
- ▶ **Lot D:** Conduct of Business
- ▶ **Lot E:** Financial Crime
- ▶ **Lot F:** Prudential – Deposit takers, Recognised Clearing Houses and PRA-designated investment firms
- ▶ **Lot G:** Prudential – Insurance
- ▶ **Lot H:** Prudential – credit, market, pension and liquidity risk within investment firms, intermediaries and Recognised Investment Exchanges
- ▶ **Lot I:** Prudential – operational risk, recovery and resolution and wind-down within Investment Firms, Intermediaries and Recognised Investment Exchanges
- ▶ **Lot J:** Technology and Information Management

### HOW IS A SKILLED PERSON APPOINTED?

A skilled person can either be appointed by one of the UK regulators, or by the regulated firm. If appointed by the firm, this will require approval from the regulator. In both situations the regulator has ultimate control over the scope of the review. However, the regulated firm is responsible for meeting the costs of all work undertaken by the skilled person and for meeting the requirements of the Supervision handbook, during the course of a skilled person review.

### HOW DO I APPOINT A SKILLED PERSON?

The FCA and PRA have a published panel of available providers to undertake skilled person reviews under each Lot. The Skilled Person Panel can be viewed on the FCA website. BDO has been appointed to the Skilled Person Panel in respect of Skilled Person Lots A to J.

### DO THE REGULATORS ALWAYS INSTRUCT A SKILLED PERSON REVIEW?

The regulators may also use other tools to seek an opinion on the adequacy of a firm's controls, or to test its compliance with regulatory expectations. Sometimes, they may ask for an attestation, usually from a senior individual on the management

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body of the firm about the effectiveness of controls and standard of compliance across the business. Where the regulators instruct this course of action, it is encouraged that firms seek professional advice and input.

### HOW CAN BDO HELP?

Should your firm become subject to a skilled person review, BDO has the experience and capability to undertake the review to a high standard as we have carried out reviews across most Skilled Person Lots. We can also provide expertise and support when firms are being requested by the regulator to take voluntary action in respect of a firm's core business areas or critical support functions. As part of the process to be re-appointed on to the Skilled Person Panel, BDO was assessed across a range of criteria, including the evaluation of previous work examples, the technical resource within our firm, the methodology for conducting reviews and pricing. BDO scored very highly across the board and was re-appointed to all the newly defined Skilled Person Lots.

However, we all that know prevention is better than cure. Therefore, we would encourage firms to seek our assistance before regulatory action commences. Our regulatory experts has the knowledge, skills and expertise to provide ad-hoc, periodic or regular reviews of the compliance and governance arrangements in place at your firm.



Relevant services include:

- ▶ skilled person review;
- ▶ healthcheck review;
- ▶ past business review;
- ▶ attestations;
- ▶ risk mitigation programmes;
- ▶ remediation and redress projects;
- ▶ ongoing compliance monitoring and assistance; and
- ▶ enforcement advice (including VREQs).

If we can be of assistance, or if you would simply like a sounding board about any concerns or regulatory contact that you may have received, then please contact us.

