



# Driving an embedded Regulatory Environment – Tips for Success

9<sup>th</sup> May 2018

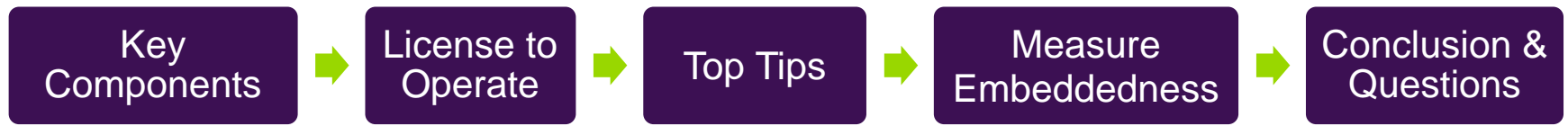
OISIN STRONGE

SUPERVISOR - RBK CREDIT UNION DIVISION

We're by your side



# Agenda



# What are the key components in an embedded Regulatory Environment?

1. Proactivity
2. Getting Your Internal Audit function right
3. Getting your Risk Management Framework right
4. Getting your Compliance Function right
5. Correct allocation of resources
6. Good relationship with the regulator

# Licence To Operate



# Tip # 1 – Independence/Synergy/Productivity of Functions

- > Synergy of approach – Internal Audit, Risk, Compliance and External Audit
- > Constant Communication
- > Share findings and flag areas of control deficiency
- > A Head Coach – Who and Why?
- > We are all on the same team

# Tip # 2 – Prompt action to RMP Findings

- > When you receive your PRISM RMP make sure you act within the allotted timeframe
- > Same applies for Internal Audit, Risk, Compliance, Due Diligence and all other findings
- > Assign responsibility to members of your management team
- > Show your “Audit Trail” – action plans, timeframes and owners

# Tip #3 – Policies and Procedures

- > Ensure your policies meet the minimum requirements
- > Ensure you update your policies on a regular basis
- > Communicate your policies and procedures to staff
- > Provide regular training to staff on the controls and processes detailed in the policies
- > Be aware of “upstream Compliance” and proactively review controls, procedures and policies
- > Ensure it does what it says on the tin

# Tip # 4 – Get Fundamentals right

- > Segregation of duties
- > Dual authorisation and review
- > Avoid key person dependency
- > Risk Appetite Statement
- > Detailed test plans
- > Reporting – format, content and frequency



# Tip # 5 – Use your Advisors and reach out to other Credit Unions

- > Proactive functions and have “No Surprises” from CBI
- > Speak to your advisors
- > Reach out to other CEO’s
- > Use the Thematic reviews for guidance
- > Avoid falling into the same pitfalls as other Credit Unions

# Tip # 6 – Relationship with the Central Bank of Ireland

- > Approach to PRISM reviews – offensive vs defensive vs open minded
- > Mock PRISM Inspection
- > Key Stakeholder meeting
- > Implementation of findings
- > Use your Internal Audit or Risk and Compliance function to review your RMP findings post implementation
- > Clean bill of health - MOT

# Tip # 7 – Outsourcing

- > In-House vs Outsourcing
- > Perform adequate Due Diligence on your outsourced providers
- > Service Level Agreements
- > Ongoing review
- > Annual review process and delegation

# Tip # 8 – Developing your frameworks – ask yourself the questions

- > Does your Internal Audit function meet the needs of your Credit Union and the Central Bank?
- > How embedded is my risk and compliance function?
- > Am I GDPR ready?
- > Are we fulfilling our AML requirements?
- > Software

# How do we measure embeddedness



**Embedded Credit Union**

- > Overall score = 38/50 or 76%
- > almost fully embedded

**Non - Embedded Credit Union**

- > Overall score = 21/50 or 42%
- > deficiencies noted – work to be done

Area	Embedded Credit Union Score	Non - Embedded Credit Union Score
RMP /Restrictions/Breach	7	4
Proactivity of functions	8	3
Policies and procedures	6	3
Knowledge and Training	9	5
Risk	8	6
<b>Overall score</b>	<b>38/50</b>	<b>21/50</b>

> All CU's should complete this analysis as part of an effectiveness review

# Top Tips

- 1 • Independence of the functions
- 2 • Prompt Action to RMP
- 3 • Policies and Procedures
- 4 • Get Fundamentals Right
- 5 • Use your advisors
- 6 • Relationship with Central Bank
- 7 • Outsourcing
- 8 • Develop the framework

# Conclusion

- > Independent proactive functions
- > Address your RMP items
- > Upstream Compliance
- > Build your CBI relationship – “Earned Flexibility”

# Questions







# Thank you

 @RBK  
 @RBKCA  
 @RBK  
 [www.rbk.ie](http://www.rbk.ie)

**We're by your side**

Oisín Stronge  
Supervisor  
T: +353 9064 80600  
E: [ostronge@rbk.ie](mailto:ostronge@rbk.ie)

#### Disclaimer

While every effort has been made to ensure the accuracy of information within this publication is correct at the time of going to print, RBK do not accept any responsibility for any errors, omissions or misinformation whatsoever in this publication and shall have no liability whatsoever. The information contained in this publication is not intended to be an advice on any particular matter. No reader should act on the basis of any matter contained in this publication without appropriate professional advice.