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FAQs

Risk Management for UK

Authorised EMI and API



FAQ: Risk Management for UK Authorised EMI and PI Businesses

1. What is a Risk Register?

A Risk Register is a central document used in risk management to record identified risks, their mitigating controls, and assessments. It organises risks into categories, describes how each risk is mitigated, and assesses both Inherent Risk (likelihood and impact before mitigation) and Residual Risk (risk level after mitigation). It's an enterprise-wide tool, meaning it covers risks across the entire business. Typically, the Compliance Manager is responsible for the Risk Register as part of the second line of defence.

2. How does a Risk Register fit into a risk management framework?

The Risk Register is a key component of a Risk Management Framework:

- 🕒 **Risk Identification:** It starts with identifying risks, their controls, and initial assessments.
- 🕒 **Prioritisation:** Risks are prioritised based on their Inherent Risk, allowing focus on the most significant issues.
- 🕒 **Ongoing Monitoring & Reporting:** The Register is continuously updated to reflect changes in risks, controls, and assessments. It serves as a tool for monitoring risks and creating management reports.

3. What are the key stages in developing a Risk Register?

- 🕒 **Identify Risks:** Brainstorm, interview stakeholders, and analyse historical data to uncover potential risks impacting the business.
- 🕒 **Document Risks:** Record all identified risks and their assessments in the Register, along with their mitigating controls. Only documented risks are actively managed.
- 🕒 **Assess Inherent Risk:** Evaluate the Likelihood and Impact of each risk occurring, combining these scores to determine the Inherent Risk level.

- 🕒 **Prioritise Risks:** Rank risks based on their Inherent Risk score to focus efforts on the most critical ones first.
- 🕒 **Document Mitigating Controls:** For each documented risk, detail the controls implemented or planned to manage the risk to an acceptable level.
- 🕒 **Assess Residual Risk:** Evaluate the remaining risk after implementing controls (Residual Risk) and document it in the Register. Effective controls should reduce both Likelihood and Impact.

4. What information should a Risk Register include?

At a minimum, a Risk Register should include:

- 🕒 **Risk Reference:** A unique identifier (number or code) for each risk. **Warning:** This needs to be thought through carefully as it is easy to duplicate risks and have an inadequate identifier. Speak to us about your needs.
- 🕒 **Risk Description:** A clear and detailed explanation of the risk, its potential cause, and impact.
- 🕒 **Likelihood of Occurrence:** Assessment of the risk's single point likelihood using a numerical score or scale.
- 🕒 **Impact:** Assessment of the potential single point impact if the risk occurs, using a numerical score or scale.
- 🕒 **Mitigation Description:** A description of the controls in place or being developed to mitigate the risk.
- 🕒 **Risk Owner:** The role (not individual) responsible for monitoring the risk, its assessment, and implementing mitigation controls.

5. How are risks typically grouped within a Risk Register?

Risks are commonly categorised and sub-categorised to aid in managing them effectively and generating reports. For instance, risks could be grouped by business area, department, or risk type.

6. What is Inherent Risk?

Inherent Risk is the level of risk a business faces before any mitigating controls are implemented. It's calculated by considering both the Likelihood of a risk occurring and its potential Impact.

7. What is Residual Risk?

Residual Risk is the level of risk that remains after applying mitigating controls. Ideally, effective controls will lower the Likelihood and/or Impact of the risk, resulting in an acceptable level of Residual Risk.

8. Where can I find a template for a Risk Register?

The UK regulator rejects most “templated” documents, and a Risk Register is no different. The document needs to be relevant, pertinent and bespoke to the business. The inexperienced staff using complex and convoluted risk registers, intended for larger firms, can miss vital elements or discount impactful risks. Contact us with your needs and we will help you create a unique and personalised risk register for your business.

It is always best to create flow diagrams to identify the process, controls and then create risk and control self-assessments that are precise and specific.

Compliance Consultant has re-engineered risk frameworks and registers for FTSE100 companies down to small APIS.

Why Compliance Consultant?

Our Services

1. **FCA Authorisation Application Support:** Streamline VOPs and related processes.
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