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FAQs

EMI and API Risk

Management Framework



FAQ: EMI and PI Risk Management Framework FAQ

1. What is a Risk Management Framework and why is it important for my business?

A Risk Management Framework is a set of policies, procedures, and tools used by Electronic Money Institutions (EMIs) and Payment Institutions (PIs) to identify, assess, mitigate, monitor, and report risks. It's a regulatory requirement in the UK, ensuring compliance with the Electronic Money Regulations 2011 and the Payment Service Regulations 2017. A robust framework allows you to proactively manage potential threats to your business, ensuring its stability and success.

2. What are the key components of a Risk Management Framework?

- ⦿ A typical Risk Management Framework includes:
- ⦿ Policies: documented guidelines outlining the approach to risk management, often within a Compliance Manual or separate Risk Management Policy document.
- ⦿ Procedures: detailed steps for implementing the policies, ensuring consistent risk management practices.
- ⦿ Responsibilities: clearly defined roles and accountability for risk management tasks, documented in job descriptions.
- ⦿ Risk Register: a central document for recording and tracking identified risks, their assessments, and mitigation strategies.
- ⦿ Business Continuity Plan (BCP) / Disaster Recovery Plan (DRP): plans to address potential disruptions and ensure business continuity.
- ⦿ Wind Down Plan: a plan outlining steps to be taken in case the business needs to cease operations, minimizing risks during closure.
- ⦿ Board Reporting: regular reporting mechanisms to inform the board of directors about key risks and the effectiveness of risk management efforts.

3. What are the key stages of the risk management process?

The risk management process typically involves the following stages:

- ⦿ Identify: Uncovering potential risks that could affect your business. This requires staff training and effective risk identification procedures.

- 🕒 **Record:** Documenting identified risks in the Risk Register, including their descriptions, assessments, and mitigation plans.
- 🕒 **Assess:** Evaluating the severity of each risk, prioritizing them based on their potential impact and likelihood.
- 🕒 **Mitigate:** Taking action to reduce the likelihood or impact of risks, which could involve avoiding, transferring, mitigating, or accepting the risk.
- 🕒 **Monitor:** Continuously reviewing the effectiveness of risk mitigation strategies and adjusting them as needed to address evolving risks.
- 🕒 **Report:** Communicating key risk information to relevant stakeholders, including the Board, to facilitate informed decision-making.

4. What is the purpose of a Risk Register?

The Risk Register is a central document within the Risk Management Framework that serves as a repository for all identified risks. It includes details such as risk descriptions, assessments, owners, mitigation strategies, and residual risk levels. The Risk Register facilitates risk monitoring, reporting, and overall management.

5. Who is responsible for risk management within my organisation?

While everyone in the organisation has a role to play, day-to-day risk management responsibility often sits with a dedicated role in the 'second line of defence'. However, specific risk management responsibilities should be defined for different roles, including those at the Board level, ensuring accountability across the business.

6. How do Business Continuity Plans (BCP) and Disaster Recovery Plans (DRP) fit into the Risk Management Framework?

BCPs and DRPs are essential components of the framework as they outline procedures for dealing with unforeseen events that could disrupt business operations. These plans help mitigate risks associated with disruptions, ensuring business continuity and minimizing potential losses.

7. Why is a Wind Down Plan important?

A Wind Down Plan outlines steps to be taken if the business needs to cease operations. It ensures an orderly closure, minimizing risks to customers, employees,

and other stakeholders. This proactive approach demonstrates responsible business conduct.

8. How often should I review my Risk Management Framework?

The Risk Management Framework should be reviewed and updated regularly to ensure its continued effectiveness. This involves reviewing and updating risk assessments, mitigation strategies, and the overall framework to reflect changes in the business environment, regulatory landscape, and the nature of risks faced by the company.

Why Compliance Consultant?

Our Services

1. **FCA Authorisation Application Support:** Streamline VOPs and related processes.
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 - Risk Evaluation
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 - Wind Down Planning
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3. **Continuous Compliance Monitoring:** Align with FCA's vigilant oversight.
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