
FINAL NOTICE

VIP Wealth Ltd

**CIBA Building
146 Hagley Road
Birmingham
B16 9NX**

15 February 2018

ACTION

1. By an application dated 28 September 2016 VIP Wealth Limited ("VIP") applied under section 55A of the Act for Part 4A permission to carry on the following regulated activities;
 - i. Advising (excluding pension transfers/opt-outs);
 - ii. Making arrangements with a view to transactions in investments; and
 - iii. Arranging (bringing about deals).
2. The Application was completed by the provision of further information on 1 April 2017.
3. For the reasons listed below, the Authority has refused the Application.

REASONS

4. By way of a decision notice dated 19 December 2017 ("the Decision Notice") the Authority gave VIP notice that it had decided to refuse the Application on the basis that it was not satisfied that it could ensure that VIP met, and would continue to meet, the threshold conditions (in particular, the appropriate resources and suitability threshold conditions).
5. VIP had 28 days from the date of the Decision Notice to refer the Authority's decision to the Tribunal. On 28 December 2017 VIP made an application for an extension of

14 days to make the reference, which was granted by the Tribunal; on 29 January 2018 VIP informed the Tribunal that it had decided not to make a reference.

6. Under section 390(1) of the Act, the Authority, having decided to refuse the Application and there having been no reference of that decision to the Tribunal, must give VIP a Final Notice of its decision to refuse the Application.
7. For the reasons set out herein, the Authority cannot ensure that VIP will satisfy, and continue to satisfy, the threshold conditions set out in Schedule 6 of the Act.
8. The Authority's conclusions are based on an assessment of:
 - a) the Application and additional documentation submitted by VIP;
 - b) the Interviews;
 - c) VIP's written and oral representations;
 - d) the response by the Authority's Authorisations Division to VIP's representations; and
 - e) all supplemental statements and related documents.
9. The Authority is not satisfied that VIP's proposed holder of the CF1 (Director), CF10 (Compliance oversight) and CF11 (Money laundering reporting) controlled functions meets the necessary standard of competence for the CF10 and CF11 roles, and therefore considers that she is not a fit and proper person to perform these controlled functions.
10. Based upon its concerns regarding VIP's proposed CF10 and CF11 controlled function holder, the Authority considers that it cannot be satisfied that, if the Application were granted, VIP would satisfy and continue to satisfy, threshold conditions 2D (Appropriate Resources) and 2E (Suitability).
11. In light of the above, the Authority has refused the Application.

DEFINITIONS

12. The definitions below are used in this Final Notice.

"Act" means the Financial Services and Markets Act 2000

"AML" means anti-money laundering;

"Application" means the application referred to in paragraph 1 above;

"Authority" means the Financial Conduct Authority;

"CFD" means contract for difference;

"the Decision Notice" means the decision notice dated 19 December 2017 given to VIP by the Authority.

"ETF" means exchange traded funds;

"the Handbook" means the Authority's Handbook of Rules and Guidance;

“Interviews” means the interviews with Employee A conducted by the Authority on 14 February 2017 and 25 May 2017, in respect of the Application;

“MtR” means the Authority’s letter sent on 29 June 2017 stating that it was minded to refuse the Application;

“MtR Response” means VIP’s response dated 12 and 16 July 2017 and 6 September 2017;

“Part 4A permission” means the permission granted by the Authority pursuant to Part 4A of the Act;

“SYSC” means the Senior Management Arrangements, Systems and Controls sourcebook in the Handbook;

“Tribunal” means the Upper Tribunal (Tax & Chancery Chamber); and

“Warning Notice” means the warning notice given to VIP dated 14 September 2017.

RELEVANT REGULATORY PROVISIONS

13. Details of the regulatory provisions relevant to this Notice are set out in Annex A.

FACTS AND MATTERS

14. The Authority received the Application on 28 September 2016 which included the application for Employee A to perform the CF10 (Compliance oversight) and CF11 (Money laundering reporting) controlled functions.

15. VIP’s business model entails the provision of investment advisory and ‘execution only’ services, with its main focus being on the provision of CFDs, equities, ETFs, commodities and foreign exchange to retail and professional clients (along with ‘eligible counterparties’). VIP has also confirmed that it intends to provide training and seminars to potential clients.

16. The Authority has recently conducted a review of firms offering CFD products, and has set out its concerns in its ‘Dear CEO’ letter (published on 2 February 2016) and ‘Consultation Paper CP16/40’ (published in December 2016). These concerns include:

- a) the risk of rapid, large and unexpected losses;
- b) retail clients opening accounts and trading CFD products they do not adequately understand,
- c) evidence of poor conduct and risks to investor protection, and
- d) insufficient AML controls in place to manage the increased risks posed by higher risk clients.

17. The Authority considers that any applicant for CF10 and CF11 roles has to have the capability to assess and address the particular risk(s) in a firm’s business model and that, with regard to CFDs, the systems and controls for dealing with these products need to be particularly robust.

18. The Authority expect any individual undertaking the CF10 and CF11 controlled functions at an authorised firm to have a sound knowledge and understanding of the requirements of these roles. The Authority considers that this is of particular

importance within a firm such as VIP, where the individual responsible for the CF10 and CF11 functions will have sole responsibility for compliance oversight and for ensuring that money laundering regulations are followed within the firm.

Employee A's career history and qualifications

19. The Authority considers that Employee A's relevant experience for the controlled function roles is limited and notes that, although Employee A had (between August 2014 and July 2016) operated various compliance roles (on a full and part-time basis) within an authorised firm, this had been in an 'administrative/compliance support' capacity without regulatory responsibility for, or substantive involvement in, ensuring regulatory compliance.
20. Regarding Employee A's relevant qualifications, the Authority notes that, although she is planning to sign up for the 'ICA Advanced Certificate in Compliance', her qualifications, and training so far undertaken, are limited to:
 - a) an online AML course with Oplex Careers (completed in July 2016);
 - b) a half-day seminar on financial crime (completed in September 2016);
 - c) a one-day conference on the securities industry (attended in October 2016);
 - d) a one-day compliance course with CCL Limited (completed in December 2016);
 - e) a one-day AML course with CCL Academy Limited (completed in December 2016); and
 - f) a one hour online training course on the Authority's GABRIEL system (completed in May 2017).
21. As such, the Authority considers that Employee A has limited past experience or relevant qualifications on which she can draw to perform the CF10 and CF11 roles to the relevant standard. This gives rise to concerns as to her competence and capability to perform these roles. As summarised below, these concerns were substantiated by her responses to various questions in interview and at the oral representations meeting.

Outcome of Interviews

22. In order to assess Employee A's fitness and propriety to perform the proposed controlled functions, the Authority invited Employee A to the Interviews, at which the primary focus was her competence.
23. The two interview panels, each comprised of five different individuals with the relevant expertise required to assess Employee A's competence, considered that Employee A had not met the competence requirements expected of an individual performing the CF10 and CF11 functions at VIP.
24. The interview panels considered that Employee A was unable to demonstrate the expected level of knowledge in key areas, including being unable to provide a response to a number of important questions. On a number of occasions, Employee A was only able to provide responses to questions that should have been within her knowledge by referring to written material brought with her to interview.

Part 4A permissions and prudential classification

25. During the Interviews, Employee A was asked a number of questions that probed her understanding of the regulatory regime as it would apply to VIP. These questions were relevant to, in particular, the proposed CF10 role, as the person performing that function would be expected to understand the regulated activities that the firm was authorised to perform, how this translated into practice (i.e. to ensure the firm's business activities fell within its permissions) and more generally to ensure the firm's compliance with regulatory standards. However, Employee A failed to demonstrate an adequate understanding in a number of basic respects:

- a) During the second interview, Employee A was asked about the Part 4A permissions applied for by VIP. Employee A stated: "yes we've permissions for shares, contracts for difference, spot FOREX, I think there's a list of about 10 permissions that we have which I have, have got listed". The Authority considers that Employee A's response showed that she was unable to articulate the permissions applied for (instead listing some of the applicant's investment types). The Authority considers that an understanding of VIP's permissions is of fundamental importance as it defines the extent of the regulated activities that may be undertaken. The Authority would expect an individual proposing to undertake the compliance oversight function (CF10) at a firm to clearly understand, and be able to articulate, the permissions applied for and to understand the difference between the firm's investment/product types and the Part 4A permissions.
- b) During a discussion concerning the fact that certain customers would use VIP for 'execution-only' services (i.e. without taking advice), Employee A was asked to identify the type of permission required in this scenario (the permissions being 'Making arrangements with a view to transactions in investments' and 'Arranging (bringing about deals in investments)'). Employee A was unable to do so. The Authority would expect an applicant for the CF10 role to be familiar with the relevant permission(s) required to undertake the firm's specific proposed activities.
- c) When asked about VIP's prudential classification (i.e. an exempt 'Capital Adequacy Directive' (CAD) firm), Employee A answered that it was a "category D non-complex firm". This answer was incorrect as it is a prudential category that was in use before the classification was changed in 2007 and as such cannot be relevant to VIP. VIP's prudential classification is an important factor because this limits the firm's activities to the receipt and transmission of orders; the individual fulfilling the CF10 role within the firm would be required to ensure that the firm did not engage in activities that were not permitted.

26. The Authority considers that the questions set out above relate to fundamental aspects of the regulatory regime in which VIP would operate, and that Employee A's responses demonstrate that she did not have sufficient understanding of this. This directly impacts upon the assessment as to whether she is able to demonstrate that she has the required level of competence and capability to undertake the roles.

Risks specific to the firm

27. Products: During the second interview, Employee A was asked questions about VIP's CFD product (which she confirmed was one of two "key products" for the firm), and her knowledge of CFDs generally. Employee A was asked what the underlying markets would be for VIP's CFDs, but was unable to answer this question. Taking into account the fact that this is one of the firm's 'key products', and the risks associated

with this product, the Authority considers that it is of particular concern that Employee A did not demonstrate knowledge of a basic aspect of one of the firm's 'key products' (which then raises concerns as to whether she has an in-depth knowledge and understanding).

28. Compliance monitoring: An understanding of the key areas of monitoring activity concerning a firm of this nature is required in order to allow a person responsible for compliance oversight effectively to identify and address risks. The Authority has the following concerns in this regard:
 - a) When asked about the 'key areas' of monitoring, the Authority considers that Employee A did not demonstrate that she had an in-depth understanding in this area; she answered the question by reading from the contents page of VIP's 'Compliance Monitoring Programme' and was unable to highlight which points were the most important or to give comprehensive answers to questions relating to compliance monitoring that required summarising information distributed across different policies. The Authority considers that this raises concerns as to the depth and breadth of Employee A familiarity with a key process for which she would have responsibility (in the proposed CF10 role).
 - b) The Authority also has wider concerns as to Employee A's experience and knowledge of compliance monitoring generally. In the first interview, Employee A was asked whether one of VIP's other directors had always held compliance roles within the 'first line of defence' (i.e. functions that own and manage risk). She replied 'yes', and then 'no', and then appeared unclear as to the meaning of the term 'line of defence' (in that she was unable to provide an answer to this question). The Authority would have expected Employee A to be able to demonstrate a sound understanding of compliance frameworks, which would have included being familiar with the concept of separate 'lines of defence'.
29. Financial crime risks: An understanding of the financial crime risks specific to the industry in which a firm operates is required to allow a money laundering reporting officer (CF11) to address risks effectively. The Authority considers that Employee A was able to articulate general financial crime risks, but lacked the depth of understanding expected of a holder of the CF11 function and did not demonstrate an adequate appreciation of how CFDs could be used to launder money. When asked to explain how money could be laundered through VIP, Employee A mentioned that dealing with the risks of financial crime was a priority for VIP. However, she could not give any specific examples of such risks or explain in detail the methods that VIP intended to use to mitigate them.
30. The Authority considers that Employee A's responses demonstrate that she lacks the depth of understanding and technical knowledge required of a candidate for these functions.
31. On 29 June 2017 the Authority sent VIP the MtR outlining its concerns, and invited VIP to respond to the concerns detailed, which arose out of the Authority's review of the material concerning Employee A's role and the Interviews. On 12 and 16 July 2017 and 6 September 2017, VIP provided its MtR Response (including attached documentation in support of Employee A's application). The Warning Notice was issued to VIP on 14 September 2017 and subsequently VIP made written and oral representations.
32. The issues detailed above were revisited during the oral representations meeting held by the Authority (on 30 November 2017). Despite the fact that following the Interviews VIP was made aware of the Authority's concerns regarding Employee A's

competence Employee A has not undertaken any substantial additional training and the Authority is not satisfied that Employee A's understanding of the compliance and money laundering issues relating to VIP's business has improved sufficiently to reach an acceptable level.

33. The Authority has considered all the material referred to in paragraph 5 above, and remains of the view that there are significant concerns regarding Employee A's competence and capability to perform the proposed controlled functions, and that the further material provided since the MtR were not sufficient to allay and/or resolve the Authority's concerns.

IMPACT ON THE THRESHOLD CONDITIONS

34. The regulatory provisions relevant to this Decision Notice are referred to in Annex A.

35. The Authority considers that, having regard to all of the circumstances, it cannot be satisfied that VIP will satisfy, and continue to satisfy, the threshold conditions for which the Authority is responsible (as required by section 55B(3) of the Act in order for the Authority to grant authorisation).

36. With regard to Employee A's proposed holding of the CF10 and CF11 roles, the Authority has identified concerns with the level and adequacy of her:

- a) career history and qualifications; and
- b) understanding of the regulatory regime, VIP's products and the risks that are specific to the firm.

37. The Authority is not satisfied that Employee A has the required competence and capability to perform the CF10 (Compliance oversight) and CF11 (money laundering reporting) controlled functions at VIP, for the reasons set out in paragraphs 14 to 28 above.

38. VIP is required by SYSC 3.2.8 and SYSC 3.2.6I to allocate the CF10 and CF11 roles within the firm and has put forward Employee A to undertake these roles. Absent a competent CF10 and CF11 function holder, VIP has not satisfied the Authority:

- a) that it has the appropriate resources; and
- b) that it is fit and proper and can conduct its business in compliance with proper standards.

39. As a result of the concerns identified above, the Authority does not consider that the threshold in section 55B(3) of the Act is met in relation to threshold conditions 2D (Appropriate resources) and 2E (Suitability).

Representations

40. Annex B contains a brief summary of the key representations made by VIP and how they have been dealt with. In making the decision which gave rise to the obligation to give this Decision Notice, the Authority has taken into account all of the representations made by VIP, whether or not set out in Annex B.

IMPORTANT NOTICES

41. This Final Notice is given under section 390(1) of the Act.

Publication

42. Sections 391(4), 391(6) and 391(7) of the Act apply to the publication of information about the matter to which this Notice relates. Under those provisions, the Authority must publish such information about the matter to which this Notice relates as the Authority considers appropriate. The information may be published in such manner as the Authority considers appropriate. However, the Authority may not publish information if such publication would, in the opinion of the Authority, be unfair to you or prejudicial to the interests of consumers or detrimental to the stability of the UK financial system.
43. The Authority intends to publish such information about the matter to which this Final Notice relates as it considers appropriate.

Authority contacts

44. For more information concerning this matter generally, contact Karen Avis, Manager, Authorisations at the Authority (direct line: 020 7066 3380/ email: karen.avis@fca.org.uk).

Val Smith
Chair of the Regulatory Transactions Committee

ANNEX A

REGULATORY PROVISIONS RELEVANT TO THIS DECISION NOTICE

Relevant Statutory Provisions

1. Section 55A(1) of the Act provides for an application for permission to carry on one or more regulated activities to be made to the appropriate regulator. Section 55A(2) defines the "appropriate regulator" for different applications.
2. Section 55B(3) of the Act provides that, in giving or varying permission, imposing or varying a requirement, or giving consent, under any provision of Part 4A of the Act, each regulator must ensure that the person concerned will satisfy, and continue to satisfy, in relation to all of the regulated activities for which the person has or will have permission, the threshold conditions for which that regulator is responsible.
3. The threshold conditions that relate to the current application are set out in Part 2 of schedule 6 of the Act. In brief, the threshold conditions relate to:
 - (1) Threshold condition 2B: Location of offices
 - (2) Threshold condition 2C: Effective supervision
 - (3) Threshold condition 2D: Appropriate resources
 - (4) Threshold condition 2E: Suitability
 - (5) Threshold condition 2F: Business model

Relevant provisions of the Authority's Handbook

Threshold Conditions - COND

4. In exercising its powers in relation to the granting of a Part 4A permission, the Authority has regard to guidance published in the Handbook, including the part entitled 'Threshold Conditions' ("COND"). Provisions relevant to the consideration of the current application include those set out below.

General guidance

5. COND 1.3.2G(2) states that, in relation to threshold conditions 2D to 2F, the Authority will consider whether a firm is ready, willing and organised to comply on a continuing basis with the requirements and standards under the regulatory system which will apply to the firm if it is granted Part 4A permission.
6. Under COND 1.3.3AG, in determining the weight to be given to any relevant matter, the Authority will consider its significance in relation to the regulated activities for which the firm has, or will have, permission, in the context of its ability to supervise the firm adequately, having regard to the Authority's statutory objectives. In this context, a series of matters may be significant when taken together, even though each of them in isolation might not give serious cause for concern.
7. COND 1.3.3BG provides that, in determining whether the firm will satisfy, and continue to satisfy, the Authority's threshold conditions, the Authority will have

regard to all relevant matters, whether arising in the United Kingdom or elsewhere.

8. COND 1.3.3CG provides that, when assessing the Authority's threshold conditions, the Authority may have regard to any person appearing to be, or likely to be, in a relevant relationship with the firm, in accordance with section 55R of the Act (Persons connected with an applicant). For example, a firm's controllers, its directors or partners, other persons with close links to the firm (see COND 2.3), and other persons that exert influence on the firm which might pose a risk to the firm's satisfaction of the Authority's threshold conditions, would be in a relevant relationship with the firm.

Threshold condition 2D (Appropriate Resources)

9. COND 2.4.1A(1) states that the resources of the applicant must be appropriate in relation to the regulated activities that the applicant carries on or seeks to carry on.
10. COND 2.4.1A(2)(a) states that the matters which are relevant in determining whether the applicant has appropriate resources include the nature and scale of the business to be carried on by the applicant.
11. COND 2.4.1A(4) states that the matters which are relevant in determining whether the applicant has appropriate non-financial resources include:
 - a) the skills and experience of those who manage the applicant's affairs;
 - b) whether the applicant's non-financial resources are sufficient to enable the applicant to comply with –
 - i) requirements imposed or likely to be imposed on the applicant by the Authority in the course of the exercise of its functions;
 - ii) any other requirement in relation to whose contravention the Authority would be the appropriate regulator for the purposes of any provision of Part 14 of this Act
12. COND 2.4.2G(2) states that the Authority will interpret the term 'appropriate' as meaning sufficient in terms of quantity, quality and availability, and 'resources' as including all financial resources (though only in the case of firms not carrying on, or seeking to carry on, a PRA-regulated activity), non-financial resources and means of managing its resources; for example, capital, provisions against liabilities, holdings of or access to cash and other liquid assets, human resources and effective means by which to manage risks.
13. COND 2.4.2G(2A) states that non-financial resources of a firm for the purposes of the threshold conditions include any systems, controls plans or policies that the firm maintains and the human resources the firm has available.
14. COND 2.4.2G(3) states that high level systems and control requirements are in SYSC. The Authority will consider whether the firm is ready, willing and organised to comply with these and other applicable systems and controls requirements when assessing if it has appropriate non-financial resources for the purpose of threshold condition 2D.

15. COND 2.4.4G(2) states that, when assessing whether a firm has appropriate resources, the Authority will have regard to matters including:

- d) Whether the firm has taken reasonable steps to identify and measure any risks of regulatory concern that it may encounter in conducting its business and has installed appropriate systems and controls and appointed appropriate human resources to measure them prudently at all times.

Threshold condition 2E: Suitability

16. COND 2.5.1A(1)G states that the applicant must be a fit and proper person having regard to all circumstances, including:

- b) the nature (including the complexity) of any regulated activity that the applicant carries on or seeks to carry on;
- c) the need to ensure that the applicant's affairs are conducted in an appropriate manner, having regard in particular to the interest of consumers and the integrity of the UK financial system;
- e) whether those who manage the applicant's affairs have adequate skills and experience and act with probity; and
- f) whether the applicant's business is being, or is to be managed in such a way as to ensure that its affairs will be conducted in a sound and prudent manner.

17. COND 2.5.4G(2) states that examples of the kind of general considerations to which the Authority may have regard when assessing whether a firm will satisfy, and continue to satisfy, threshold condition 2E include, but are not limited to, whether the firm:

- a) conducts, or will conduct, its business with integrity and in compliance with proper standards;
- b) has, or will have, a competent and prudent management; and
- c) can demonstrate that it conducts, or will conduct, its affairs with the exercise of due skill, care and diligence.

18. COND 2.5.6G provides that examples of the kind of particular considerations to which the Authority may have regard when assessing whether a firm will satisfy, and continue to satisfy, this threshold condition include, but are not limited to, whether:

- 1) The firm has been open and co-operative in all its dealings with the Authority and any other regulatory body (see Principle 11 (Relations with regulators)) and is ready, willing and organised to comply with the requirements and standards under the regulatory system (such as the detailed requirements of SYSC and, in relation to a firm not carrying on, or seeking to carry on, a PRA-regulated activity only, the Prudential Standards part of the Handbook) in addition to other legal, regulatory and professional obligations; the relevant requirements and standards will depend on the circumstances of each case, including the regulated activities which the firm has permission, or is seeking permission, to carry on.

- 1A) the firm has made arrangements to put in place an adequate system of internal control to comply with the requirements and standards for which the Authority is responsible under the regulatory system;
- (7) the firm has put in place procedures which are reasonably designed to:
 - a. ensure that it has made its employees aware of, and compliant with, those requirements and standards under the regulatory system that apply to the firm for which the Authority is responsible and the regulated activities for which it has, or will have permission;
 - b. ensure that its approved persons (whether or not employed by the firm) are aware of those requirements and standards under the regulatory system applicable to them;
 - c. determine that its employees are acting in a way compatible with the firm adhering to those requirements and standards; and
 - d. determine that its approved persons are adhering to those requirements and standards.
- (14) the governing body of the firm is organised in a way that enables it to address and control the regulated activities of the firm, including those carried on by managers to whom particular functions have been delegated.
- (16) the firm has taken reasonable care to ensure that robust information and reporting systems have been developed, tested and properly installed.

Senior Management Arrangements, Systems and Controls ("**SYSC**")

19. SYSC 3.2.8R(1) states that a firm which carries on designated investment business with or for retail clients or professional clients must allocate to a director or senior manager the function of:

- (a) having responsibility for oversight of the firm's compliance.

20. SYSC 3.2.6IR states that a firm must:

- (1) appoint an individual as money laundering reporting officer, with responsibility for oversight of its compliance with the Authority's rules on systems and controls against money laundering.

ANNEX B

REPRESENTATIONS

1. VIP's representations (in italics), and the Authority's conclusions in respect of them, are set out below.

Relatively modest size of VIP

2. *[Employee A's] competence is adequate for the nature and scale of the business to be carried on by VIP considering that VIP projects that it will be a relatively modestly sized business, taking on only 15 clients in the first year and increasing to 30 in the second year. Even though [Employee A] may not be at the level of the best compliance professionals of the industry, her trajectory in compliance is very impressive and demonstrates her abilities.*
3. The Authority must ensure that, if authorised, VIP will satisfy and continue to satisfy the threshold conditions set out in Schedule 6 of the Act. The Authority is not satisfied that VIP has adequate non-financial resources, as the proposed holder of the CF10 and CF11 functions does not meet the necessary standard of competence. In arriving at this conclusion the Authority has taken account of the view expressed by the Upper Tribunal in its decision in *Tariq Carrimjee v FCA* [2016] UKUT 0447 (TCC) that "*it is in the nature of compliance responsibilities that those who exercise them need to be able to respond to circumstances which are rare and unusual.*" Notwithstanding the relatively modest size of VIP, the Authority has taken into account the complexity of its operations and the products that are traded; in particular CFDs, which carry high risk. The systems and controls of firms dealing with this product need to be particularly robust. Employee A has not demonstrated the level of competency and capability to discharge these functions adequately not just in comparison with the best professionals in the industry but viewed in relation to the particular nature of VIP's business.

The Authority's statutory competition objective

4. *The Authority's statutory competition objective should weigh in favour of authorising VIP.*
5. The competition objective does not override the objective to protect consumers. On the contrary, the Authority must promote competition in the interest of consumers. Consequently, the decision to refuse authorisation does not undermine the competition objective.

Employee A's commitment to ensure VIP's compliance

6. *[Employee A] is determined to build a culture of compliance at VIP and to ensure that it complies with regulatory requirements in every respect. In contrast to many professionals in the industry [Employee A] genuinely wishes to achieve compliance and takes this task very seriously. She is dedicated and diligent.*
7. The Authority does not question Employee A's honesty, diligence and dedication. These qualities of hers are not the focus of the Authority's concern. She has not demonstrated sufficient competence for the CF10 and CF11 functions.

Qualifications of Employee A

8. *In addition to the courses and trainings already undertaken, [Employee A] is currently preparing for the ICA Advanced Certificate in Compliance and will sign up for the course if authorisation is granted to VIP. Furthermore, being registered with the Chartered Institute for Securities and Investment, she has access to various webinars and podcasts that she uses for her professional development. She has also signed up for the Authority's bulletins and other newsletters to be up to date with new developments in the field of compliance and anti-money laundering.*
9. The training completed by Employee A consists of no more than a few days of courses and attendance at conferences. By contrast, the ICA course which Employee A plans to attend takes six months to complete. Since the Authority's concerns regarding her qualifications were communicated to VIP Employee A has had ample time in which to commence (or indeed complete) the course, but she has not done so. Qualifications are not essential provided a candidate is able to satisfy the Authority that they have adequate skills and knowledge. Accordingly, at the Interviews and at the oral representations meeting Employee A was given the opportunity to demonstrate that her knowledge and skills are of a sufficient level despite the lack of extensive formal training; she failed to do so.

Experience and career history of Employee A

10. *Previously [Employee A] held a compliance support role at an authorised firm that is bigger than VIP. Her work assisting the holder of the CF10 and CF11 functions at that firm was greatly appreciated. Her involvement in the compliance function was not restricted to administrative tasks. She was involved in client on-boarding, compliance monitoring visits and risk assessment procedures as well. She was ultimately offered the CF10 and CF11 roles at that firm but chose not to accept them because she was not satisfied with the firm's culture; this shows that she has sufficient insight into compliance matters to recognise deficiencies.*
11. The Authority considers the tasks that Employee A was involved in to be straightforward and not going significantly beyond a compliance support role. They were performed under the supervision of the appointed CF10 and CF11 holder, and so the experience upon which she can draw is limited. Furthermore, Employee A considered that the firm in question did not have a satisfactory compliance culture. Employee A has not demonstrated, therefore, that she has ever had the opportunity to perform at a high enough level or observe how these functions are effectively performed.

Additional compliance assistance from outside firm

12. *VIP plans to engage an outside firm to provide additional compliance assistance to it in the form of yearly reviews and ad hoc advice. VIP accepts the fact that the cost of these services is high compared to VIP's projected profits for the first years of business. VIP has sufficient resources to pay for these services even if that means that the directors will draw no salary, despite VIP being a fulltime job for all three directors.*
13. The Authority is not satisfied that, even given the available capital and the information in relation to salaries, compliance costs at the level indicated are sustainable in VIP's particular financial situation. In addition to the concerns about the financial arrangements, the Authority does not consider that the assistance from the outside company would address concerns about the adequacy of resources of VIP. The proposal for a yearly review risks VIP identifying issues too

late to deal with them effectively; also, for ad hoc advice to be effective VIP must itself have the competence to recognise a potentially problematic situation. It must be resourced to ask the right questions at the right time and know how to implement the advice received. The Authority is not satisfied that this would be the case for VIP.

Systems and controls put in place at VIP

14. *One of the three directors, who has over 15 years of experience in the compliance field, is satisfied that VIP's systems and controls are fit for purpose. The Authority has not made any criticisms of VIP's written compliance materials.*
15. It is a necessary but not sufficient condition that VIP's written policies are of an adequate standard. Ultimately the responsibility would rest with Employee A to ensure compliance with the regulatory regime and the Authority's rules on systems and controls against money laundering. The Authority is not satisfied that she could discharge this responsibility even with the support of the other directors and the written policies.

Reliance upon written materials during the Interviews

16. *The Interviews are not memory tests. As [Employee A] drafted the policies that she relied on during the Interviews she has a thorough knowledge of them. When discharging her functions at VIP she would not be expected to resolve problems without referring to the written policies.*
17. The Authority accepts that the Interviews are not intended to be memory tests. The Authority's concerns stem from Employee A's use of the documents to answer questions by reading from them rather than only occasionally refreshing her memory from them. She also used them to answer simple questions and on a number of occasions, despite the fact that the interview panel repeatedly expressed its desire to hear the answers in Employee A's own words. The Authority does not dispute that the circumstances of an interview are different from the ones in which Employee A would have to carry out her duties, but considers that to deal effectively with compliance or money laundering problems, it may be necessary to act in a swift and decisive manner, which is only possible with the knowledge necessary to resolve such problems. The Authority considers that Employee A was unable to highlight which points were the most important or to give comprehensive answers to questions relating to compliance monitoring that required summarising information distributed across different policies.

Understanding of the regulatory regime

18. *[Employee A] is aware of the Part 4A permissions that VIP is applying for as well as its prudential classification. The reason why her answers to questions relating to these issues might not have been accurate or – with regard to the prudential classification – correct is that the questioning was vague and at times abrupt, with questions not pertaining to the same subject, which made her momentarily confused.*
19. The Authority considers that the questions asked in the course of the Interviews were not vague, and that asking a series of questions, some of which are not related to the previous one, is not unusual within the context of an interview. These circumstances should not have affected Employee A's ability to give accurate answers to these questions, had she possessed sufficient understanding of basic regulatory concepts. The performance of Employee A at the Interviews was

assessed by ten different people (panels consisting of five members at each of the Interviews) who were chosen for their experience and expertise in the segment of the industry where VIP wishes to operate. Even though Employee A may be familiar with the Part 4A permissions VIP is applying for now that they have been drawn to her attention, this in itself is not sufficient to address the Authority's concerns about her competence.

Understanding of proposed product range

20. *When asked about CFDs during the second interview [Employee A] asked for a short break. After the break this question was not asked again and thus [Employee A] was not given a fair chance to demonstrate her knowledge of CFDs.*
21. Neither before nor after the break did Employee A indicate that she knew the answer to the question relating to the CFDs. She could have revisited the question at any point during the interview but she did not do so. Information provided by Employee A about CFDs at other points during the Interviews and since then can be characterised as high-level, consisting of basic descriptions which are not such as to demonstrate an adequate level of understanding.

Understanding of the risks specific to the firm

22. *[Employee A] understands the risks specific to VIP's business and in particular relating to CFDs. She understands the importance of assessing the suitability of clients before taking them on board and is confident that the systems put in place at VIP are appropriate for this purpose. Money laundering risk is also a high priority and will be addressed by drawing up risk profiles for the clients and random spot checks of paperwork.*
23. Although Employee A did give general and high-level information about risks including risks of financial crime, she did not demonstrate a thorough understanding of these risks. In particular, she failed to go beyond the general description of compliance policies and demonstrate her knowledge with analysis or with practical examples. The Authority is not satisfied that she can identify and then act effectively to deal with risks that may crystallise during operations. Given the size of the firm, Employee A would have sole responsibility for ensuring compliance which could include dealing with conflicts with staff, including other directors. The Authority has concerns about Employee A's capacity to act with sufficient authority in such situations.

Employee A's anxiety during the Interviews

24. *Due to particular personal circumstances [Employee A] often experiences anxiety which in normal circumstances does not affect her work and day to day activities. However the confrontational atmosphere of the Interviews, where at times she felt attacked, made [Employee A] anxious to the point of having a panic attack during the second interview. This significantly impaired her performance. She is confident that her anxiety would not affect her work at VIP because she would have to carry out her duties under much less stressful circumstances.*
25. The Authority does not accept that the Interviews were conducted in a confrontational manner or that Employee A had cause to feel "attacked" by the members of the interview panels. Employee A did not indicate during either of the Interviews that she was experiencing anxiety beyond the level that is to be expected in such situations. Further, when performing the duties of the CF10 and

CF11 functions it is not uncommon that stressful situations arise and the holder of the functions must act firmly even if that causes conflicts with staff or management.