# Compliance Deficiency Chart

This chart outlines some of the compliance risks that may exist in your business operations. As a Compliance Officer, you are responsible for designing and monitoring your compliance program. You must determine what risks exists, what tools are available to monitor the risks, and what checks and balances are in place to manage the risks. This may involve reviewing your overall compliance program annually, and recommending changes to your compliance or management committee. While you may delegate or outsource some compliance duties, you remain responsible for the results and the overall compliance of your firm.

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| | **1. Policies and procedures manual:** Outdated policies and procedures in practice. Inconsistent actual and written procedures. No regular manual updates. No written policies and procedures in key business areas. |
| | **2. Disaster recovery and business continuity:** Ineffective business continuity plans. Insufficient contingences planning for lost of key personnel. No plans for back-up operating facility. No testing of disaster recovery and business continuity plans. |
| | **3. Advertising and marketing:** Incorrect marketing materials. Marketing materials without relevant disclosure. Misleading performance calculations. Mixing hypothetical and actual performance. Claiming superior performance without grounds. Misrepresenting about the firm and its products. No procedures to identify unauthorized advertisements. |
| | **4. Know-your-client and suitability:** Incomplete or missing KYC and suitability information. Inconsistent or outdated KYC information. No process for regular KYC update. No evidence of KYC review and suitability assessment. Poor understanding of what is required to establish a suitability process and framework. |
| | **5. Registration administration:** Outdated NRD information. Unregistered advising staff. Unregistered branches. Unregistered discretionary trading of client accounts. No proper registration files and employment contracts. |
| | **6. Effective overall compliance program:** Problematic overall **c**ompliance design. Inadequate monitoring and supervisory procedures. Ineffective compliance reporting structures. No evidence of compliance review. No review of staff's activities. No investigation of red flags. No enforcement of existing compliance programs. |

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| | **7. Conflicts of interest and personal trading:** Undisclosed conflicts. No process to identify and manage conflicts. Poor personal trading policies. No evidence of personal trading activities review. No enforcement of personal trading policy to key access persons. |
| | **8. Disclosures:** No disclosure, or inadequate disclosure of related parties, related party services, and related party transactions. Failure to provide fair allocation policy to clients. Failure to disclose client fees or type of advisory services the firm provides. |
| | **9. Out-of-province or non-resident clients:** Advising non-BC clients without proper registration. Incorrectly applying the mobility exemption of Multilateral Instrument 11-101 *Principal Regulator System*. Misunderstanding registration requirements |
| | **10. Insider and early warning reporting:** No policies and procedures to detect clients or the firm as insiders. No policies and procedures to report insiders. Failure to report insider reports on the System for Electronic Disclosure by Insiders (SEDI) on time. |
| | **11. Trade execution:** Inadequate policies to monitor trading and operational risks. No evidence of trade review. Failure to maintain trading details. No consideration to trading costs and best execution. No policies and procedures to address National Instrument 24-*101 Institutional Trade Matching and Settlement.* |
| | **12. Record keeping:** Failure to keep key records. Incomplete compliance records. No evidence of internal controls performed. Missing key third-party outsourcing contracts or agreements. No controls to maintain confidentiality of client records. |