A pocket guide to: **FCC program operating models**

To find out how FCR Compliance can help you with your FCC program needs please contact Steve@FCRcompliance.com

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Why do I need an operating model?

A documented operating model explains how your FCC program operates.

This information will be requested as part of a financial crime compliance program visit/review by the FCA or Skilled Person.

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Why does the regulator care?

A clear operating model is essential to ensure an FCC program is designed and operating effectively. It:

- speaks to effective governance and oversight

- provides a controls, roles and responsibilities gap analysis

- identifies and tracks key risks

- maps down-stream impacts to changes in controls

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What is an operating model?

An operating model maps out your holistic control environment, including:

- All program elements (internal and external)
- Roles and responsibilities
- Program inputs
- Program outputs
- Inter-relationships
- Dependencies

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Suggested operating model structure

An operating model should be **specific to your business model and risk**. However, broadly speaking it should include:

1. **Teams, process and workflow** – who does what
2. **People** – who manages the process / risk and who do they report to
3. **Delivery** – what gets done where
4. **Technology/process** (including outsourcing) – how do we do it
5. **Management information** – what do we monitor
6. **Governance and oversight** – how is it overseen

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Teams, process and workflow

What information should you include?

- How roles and responsibilities are divided throughout the business
- How each team delivers their responsibilities
- How different areas of the business and teams inter-operate
- Are there any key dependencies, and if so what they are

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People

- **Who does what** – including specific roles, responsibilities and tasks and how responsibilities are delegated
- **Outline the required skill set to effectively execute roles** – this could be a role profile or be as simple as retaining the job advert detailing the required skills and experience
- **Detail reporting lines** – an organogram showing reporting lines also serves as a gap analysis to ensure there is adequate oversight and maps out any potential resource gaps

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Delivery

- **What will get done, where and by whom?**
- **Internal ownership** - what functions are performed internally and who owns the delivery and risk?
- **External ownership** - where functions are outsourced, map the responsibility for owning the outsourced execution and risk

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Technology & processes

- **Environments** – understand your technology environment and anticipate how changes will impact your business operations. For example, whilst AI is being increasingly adopted to drive operational efficiency, it carries new risks and may impact on other controls
- **Applications** – what the technologies and processes do, how they mitigate risk on their own and how they inter-relate. By mapping out inter-reliance, if part of the chain fails the downstream impact has been identified and mitigated

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Technology & processes

- **Pre-built systems** – where systems are pre-built, what is the support process and ownership? How do providers ensure a system's ongoing effectiveness – for example if you are using a 3rd party PEP screening tool, how frequently is it updated and audited?

- **Home-built systems** – who developed and owns the system technology? Who owns the risks? How frequently are they audited or calibrated? How are stakeholders informed of changes or issues?

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Management information

What will be reported and how?

- Set out your reporting processes and requirements
- Define your information requirements
- Establish a Key Performance Indicator (KPI) framework
- Identify your Key Risk Indicators (KRI) and thresholds, and how they will be reported and escalated
- Ensure you include process performance indicators
- Include any enhanced monitoring

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Governance and oversight

- How is the program overseen? This should include individuals, committees and forums, and map out delegated responsibilities
- Define your risks and controls, and where appropriate map these back to your MI
- Outline segregation of duties

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Steve Lockwood

Steve is one of FCR Compliance's founders. He has been a financial crime specialist for over 20 years.

Steve started his career in law enforcement investigating organized crime money laundering, he moved to the UK Financial Conduct Authority (FCA) as an investigator in Enforcement and then as a specialist supervisor in the Financial Crime Supervision team. Here he conducted reviews of regulated firms' financial crime compliance programs.

Since 2017 Steve has been helping clients to assess, develop and remediate their Financial Crime compliance programs.

In 2023 Steve was appointed to the International Compliance Association (ICA) panel of external experts.