**Overview**

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| **Audit field:** | **Conduct Rules / Risk management in connection with cross-border services** |
| **Audit depth:** | [Audit / Critical assessment] |
| **Regulations**  (non-exhaustive list) | CISA 14 / CISO 12 and 12a / CISO-FINMA 67ff.  FinIA 9, FinIO 12, 41 and 57  FINMA-Circular 2017/6 Direct Transmission |
| **Supportive documents** |  |
| **Sign-offs:** | |  |  |  |  | | --- | --- | --- | --- | | **Sign-offs:** | **Name:** | **Function:** | **Date:** | | Preparer: | [Name] | [Assistant / Senior / Manager / Senior Manager / Partner] | [DD.MM.YYYY] | | Reviewer: | [Name] | [Senior / Manager / Senior Manager  / Partner] | [DD.MM.YYYY] | |

**This is a standard audit program. It is the audit team’s responsibility to adapt the standard audit program to the audited institution’s specific situation   
 (size, business model, organization, processes, risk exposure etc.). If the audit points are not carried out in full, the underlying rationale must be   
 explained in the working paper.**

**Overall conclusion**

| **Topic:** | **Information / Description:** |
| --- | --- |
| Overall assessment | |  |  | | --- | --- | | **Confirmation in audit report:** | **Conclusion:** | | Confirmation that methods / processes for identification, measurement, management and monitoring of cross-border risks were adequate and, in case of the audit depth “audit”, were applied effectively. | ***Yes*** *(Audit / Critical assessment) /* ***No*** | |
| Summary of significant findings / notices of reservation and recommendations (Details see below) | [Summary of significant findings / Notices of reservations and recommendations] |
| Audit field, results and work performed by Internal Audit on which audit firm placed reliance (including audit firm’s own assessment) | [Description] |

**Audit points – Risk management in connection with cross-border services**

| **No.** | **Topic:** | **Procedures for audit depth  “critical assessment”:** | **Additional procedures for audit depth “audit”:** | **Procedures performed / Findings** | **WP Ref.:** |
| --- | --- | --- | --- | --- | --- |
| *Confirmation that methods / processes for identification, measurement, management and monitoring of cross-border risks were adequate and, in case of the audit depth “audit”, were applied effectively.*  *Bestätigung, dass die Methoden / Prozesse zur Identifikation, Messung, Bewirtschaftung und Überwachung von Cross-Border Risiken angemessen waren und im Falle der Prüftiefe „Prüfung“ effektiv angewendet wurden.*  *Confirmation que les méthodes / processus relatifs à l’identification, la mesure, la gestion et la surveillance des risques cross-border ont été appropriés et en cas d’étendue d’audit « audit » ont été effectivement appliqués.* | | | | |  |
|  | **Risk Policy** | *Assess whether risk policy, internal regulations, guidelines, manuals and job descriptions adequately define responsibilities, approval powers, limits, reporting and escalation lines for risks from cross-border services (incl. administration, asset management or advisory services for foreign collective investment schemes and cross-border distribution) considering the size, business and organizational complexity and the compliance risk of the institution, notably* |  |  |  |
| Assess whether internal rules adequately define the business strategy and service model (incl. procedures for targeting, relationship management, doing business and communication) for target countries, excluded countries and non-target countries (those which are neither target nor excluded countries). |  |  |  |
| Assess whether the documented cross-border strategy is sufficiently detailed, clear and transparent to ensure that the governing bodies can take informed decisions on risk appetite and tolerance and whether it is adequate with regard to the institution’s business and organizational complexity (notably the selected target markets, the institution’s assessment of the compliance of its service models for the target markets and the obtained licenses and approvals). |  |  |  |
| Assess whether internal rules adequately define target countries, excluded countries, non-target countries (those which are neither target nor excluded countries) consistently with the business plan and the effective commercial activities. |  |  |  |
| Assess whether internal rules adequately define roles and responsibilities e.g. for   * approval of cross-border strategy * performance of sufficiently detailed and frequent country risk analyses * approval of classification per specific country and frequency of new examinations and re-approvals * definition, maintenance, update and approval of service models (incl. targeting, relationship management, doing business and communication) per target country and for non-target countries * approval, implementation and control of risk-based training program * controls, approvals and documentation before new customers / products are accepted * periodic due diligence and (re-)approval of external intermediaries * approval powers for travel plans to foreign countries. |  |  |  |
| Review the minutes of Board of Directors meetings to assess whether the cross-border strategy, risk appetite and tolerance have been discussed and approved by the Board of Directors. |  |  |  |
|  | **Country analyses / country manuals** | *Assess adequacy of methods / processes for identification, measurement, management and monitoring of risks from cross-border services considering the size, business and organizational complexity and the compliance risk of the institution, notably* |  |  |  |
|  |  | Assess the adequacy of the target countries defined in the institution’s internal regulations with the existing business of the institution, e.g. cross-border service model, type of clients, products, services or intermediaries. |  |  |  |
| Assess whether country-specific analyses were performed for all target market countries with consideration of all arising material risk types (e.g. legal risk, civil law risk, regulatory risk, etc.) by experts who are familiar with the territories. | Select a sample of country manuals and test whether the high-level business strategy and service models have been consistently defined in line with the results of the country-risk analyses performed. |  |  |
|  | **Organisation** | Assess the adequacy of the organisation model for cross-border business (e.g. dedicated desks per country/groups of similar countries, dedicated unit for intermediaries, organisation model for non-target countries, segregation of duties) and the support by internal or external experts. |  |  |  |
|  | **Monitoring** | Assess whether periodic adequate management reports are provided to the Executive Management and to the Board of Directors (e.g. top risks, customer volumes by market, volumes by intermediaries, progress made against strategic plans, maintenance of country manuals, training statistics). |  |  |  |
|  | **Training and Education** | Assess the adequacy of cross-border training procedures (extent and scope, frequency, instructors, up-to-dateness, internal controls) for employees exposed to cross-border activities of the institute. | Test on a sample basis that the employees have effectively attended the training sessions defined mandatory by the institute and passed respectively tests, if applicable. |  |  |
|  | **Compensation models** | *Assess the adequacy of the compensation models with regards to incentives for client advisors and other personnel for client acquisition and retention in connection with cross-border risks, notably* |  |  |  |
| Assess through inquiry and review of relevant documents the adequacy of the institution’s:  compensation models regarding cross-border risks, notably in preventing wrongful incentives the setting of incentives for client acquisition and retention, penalties for violations and promotion of good compliance and whether it complies with the general framework of the institution’s compensation policy. | Test on a sample basis and with focus on cross-border aspects that the compensation models have been adhered to and no objectives were set that contradict the defined internal policies. |  |  |
|  | **Compliance with existing risk policy** | *Assess whether risk policy relating to risks from cross-border services has been effectively applied and complied with, notably* | Assess whether market exit for client relationships, which are no longer desired is implemented in line with the institution’s strategy, policy and/or directives. |  |  |
| Identify and document the internal controls, e.g. relating to   * acceptance, management and monitoring of customers / products * monitoring of the conduct of relationship managers (e.g. regarding travel reports, contact memo based on visit at the point of sale, education, etc.) * acceptance and periodic review of external intermediaries   and assess the adequacy of their design with regard to the size and complexity of the cross-border activities of the institute. | Execute tests of controls to confirm the operating effectiveness of the internal controls performed and perform substantive testing relating to   * acceptance, management and monitoring of customers * monitoring of the conduct of relationship managers (e.g. regarding travel reports, contact memo based on visit at the point of sale, education, etc.) * acceptance and periodic review of external intermediaries. |  |  |
|  | **Compliance with FINMA circular 17/6** | *Assess the compliance with the requirement of the circular, in the context of the transmission of information to foreign supervision authorities and other foreign entities responsible for supervision, notably:* |  |  |  |
|  |  | Assess if the transmission of information is of little or no relevance for the institution.  If yes, assess if the institution has implemented instructions for avoiding any transmission before escalation and issuance of instructions, internal guidelines and formalised procedures.  If no, assess the adequacy of the instructions respectively of the internal guidelines and formalised procedures dealing with the transmission of information to foreign supervision authorities and other foreign entities responsible for supervision. |  |  |  |
|  |  | In the case of transmission of non-public information assess if   * the relevant conditions according to the circular have been met; * the rights of clients and third parties have been preserved; * the information and reporting duties in favor of FINMA have been complied with | Test with a sample in the case of transmission of non-public information if   * the relevant conditions according to the circular have been met; * the rights of clients and third parties have been preserved; * the information and reporting duties in favor of FINMA have been complied with |  |  |

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