



Notice to licence-holders

New Insolvency Practitioners Association (IPA) risk-based monitoring system

20th August 2019

Dear licence-holders,

As previously announced, the IPA, with the approval of the Insolvency Service, has resolved to move towards a more risk-based system for monitoring its licence-holders with the aim of more efficiently fulfilling its Regulatory Objectives. The purpose of this letter is to set out a brief description of the proposed workings of the new system.

In determining the regularity and nature of inspection visits, greater weight will be given to an analysis of the risk which any IP is considered likely to represent. The indicators used to assess risk will be fluid but may include such factors as the date of the last inspection and its outcome, the nature and volume of the work performed, the IP's length of qualification and previous disciplinary record, inter alia. Based on that assessment, an appropriate monitoring cycle will be determined. A risk assessment is a confidential, discretionary decision of the IPA.

The main change that IPs will notice relates to the frequency of full inspection visits. Based on a continuous assessment of an IP's performance and record, full visits will take place from time to time and at least once every six years to be decided at the discretion of the IPA. The format of each full visit will be similar to the current format.

The Monitoring Cycle

At the start of any monitoring cycle, a particular Inspector will be appointed to each individual IP and will be responsible for that relationship until the completion of the next full visit, circumstances permitting. Besides acting as a general relationship manager, the Inspector will be responsible for the continuous monitoring of the IP during the monitoring cycle, as well as performing the full visit and other steps to be taken during the cycle.

The monitoring cycle, whatever its length, will culminate in a full inspection visit. Throughout the period, the Inspector will carry out a continuous assessment of risk and may shorten or lengthen the monitoring cycle as circumstances change and more information becomes available. The Inspector will be assisted in this continuous assessment by Self-Certification submissions, which will be required of the IP at least every two years, and also brief Mid-Cycle Inspections, which may take place in particular for those IPs on a longer cycle. During Mid-Cycle Inspections, the Inspector will normally check one of the cases subject to Self-Certification and one other case. There will also be the opportunity for a two-way conversation about topical issues and IPA activities. The visit will not normally last more than one day or part thereof and will be followed by a brief letter summarising any issues which, in the Inspector's opinion, deserve further attention. If any potentially serious or systemic issue is discovered, the matter may be reported for further consideration or taken into account in reviewing the risk assessment.

In addition to the factors mentioned above, the risk assessment procedure will take account inter alia of the IP's compliance with the IPA's administrative requirements, including the promptness and accuracy of bond returns and self-certification submissions. SIP 16 submissions will continue to be monitored as at present, with the result submitted to the allocated Inspector for inclusion in the continuous monitoring process.

Anti-Money Laundering (AML)

As you are aware, the IPA is also a Supervisory Authority under the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (MLR17).

The IPA must consider the risk for each firm for which the IPA is a Supervisor under MLR17 in relation to its adherence to the requirements placed on IPs and their firms under the regulations.

The indicators used to consider AML risk will include the number and type of appointments that are taken, the robustness of internal policies, procedures and controls required under MLR17, training provided to staff and a review of the firm's AML risk assessment.

The IPA will undertake specific AML inspection visits to review policies and procedures if the risk profile indicates this is necessary.

IPs should also note that, as part of inspection visits undertaken under the new risk-based visit cycle referred to above, the inspector will require sight of the firm's risk assessment and AML training records. The inspector will expect to see case risk assessments on each appointment and that these assessments are regularly reviewed.

Where the IPA is the firm's Supervisory Authority under MLR17, it is likely that the Inspector will need to meet with the Nominated Officer(s) to review the firm's AML policies, which will allow a review of the firm's AML risk assessment to be undertaken.

IPs are reminded that new 2019 IPA Rules for regulation (Regulatory, Conduct, Disciplinary and Appeal) are now in force and being followed by the new committee structure, including the newly-formed Regulation and Conduct Committee at first instance. This committee considers licensing, monitoring and complaint matters.

It is hoped that these new arrangements will help to foster constructive relationships between an individual IP and the IPA, particularly through the allocated Inspector, whilst at the same time ensuring that the Regulatory Objectives are achieved.

Yours faithfully,

Andrew Kerr

IPA Head of Regulatory Operations