

FSA information overload jeopardising compliance efforts, says CISI

May 06 2011 [Joanne Wallen](#)

The overload of information put out by the Financial Services Authority is draining compliance resource and making it harder for firms to comply, according to a survey by the Chartered Institute for Securities and Investment. CISI surveyed some 88 member firms including brokers, investment banks and compliance consultancies. Of these, 88 per cent said that the volume of FSA material with which they had to keep up to date was a serious drain on the compliance resource within their firm.

Julian Sampson, chairman of the CISI Compliance Professional Interest Forum, said: "Part of the problem is that firms feel compelled to read almost everything produced by the FSA (69 per cent of those surveyed said so). This is because the distinction in impact between different documents is blurred. While the FSA does use a 'star rating' system indicating the relative importance of its material, this applies only to formal documents, such as consultation papers and policy statements."

Sampson told Thomson Reuters that generally, people felt obliged to read information for sectors that were not relevant to them just in case there was something in there that might apply.

The CISI Compliance PIF found that although many documents might not be relevant to any given firm, it was dangerous to set them aside until they had been reviewed in detail. It said that while a "read it all" policy may be labour-intensive, the wisdom of this approach had been often demonstrated. For example, documents stated not to be "formal guidance" appeared in FSA enforcement final notices, with the FSA criticising the firm in question for not taking account of the document's content, the CISI PIF said.

Obliged

A spokeswoman for the FSA told Thomson Reuters: "We have a responsibility to ensure that regulated firms are kept aware of developments in policy and new rules and guidance that will impact on them. But we are very conscious that firms can receive a lot of information and where possible we provide guidance on who should read particular material, either through their trade associations or on our web site. However, some information we are obliged to share with all regulated firms, in particular new regulations from Europe."

The CISI Compliance PIF found that between January 1 and March 16 this year the FSA issued 111 documents, comprising 1,929 pages. This output included 15 different types of document, ranging from formal discussion papers, consultation papers and policy statements, through enforcement final notices to "informal guidance" including newsletters and speeches.

The group called on the FSA to reduce its output and extend its star rating to all communications. In particular, it felt it unnecessary for the FSA to duplicate information, for example by sending out a speech and a press release to accompany it.

Sampson said: "As indicated in our survey, reviewing the FSA's output can be a serious drain on the compliance resources within any firm, let alone smaller companies. This not only damages the compliance process but adds little benefit to consumers. Thus firms are forced to deploy resources to read the output, resources which could better be used in reviewing operational processes.

"While the CISI Compliance PIF understands the FSA needs to react publicly and swiftly to fast-moving events, we feel that the spread of issuance is out of proportion with any perceived problem."