

Conduct Rules Scenarios Breach of KYC Requirements

Scenario

Adrian has just started working in the client onboarding department of Top Wealth Advisors Ltd.

Adrian has only been in place for a week. He is a junior member of the team who reports to Sarah, the head of the client onboarding team and a Senior Manager. Whilst Sarah is away on holiday, Adrian is approached by Bill, one of Top Wealth Advisors' senior salespeople (and a Certification Employee). Bill tells Adrian that it is imperative that a new client, Premier Client Ltd, is onboarded immediately. This will enable Top Advisors to enter into a number of potentially lucrative trades on behalf of Premier Client Ltd.

Bill is not able to provide Adrian with all of the necessary documents and information to satisfy normal KYC checks. Bill tells Adrian "not to worry". He explains that he has known Premier Client Ltd for years and they are "totally fine". Bill promises to provide the missing information and documentation as soon as possible.

Adrian is unable to get hold of Sarah. Under pressure from Bill, Adrian approves KYC checks with Premier Client Ltd despite the missing information and documentation.

In an internal audit which takes place six weeks later (after Sarah has returned from her holiday), the issue becomes apparent. Sarah is caught completely blind-sided. Bill has still not provided the requisite information.

What conduct rules may have been breached? Why?

How should the firm respond?

What controls could have been implemented?