

## Conduct Rules Scenarios

### “Compliance raised no red flags...”

#### Scenario

You have just joined Alpha Investment Management Ltd as a Senior Manager.

You have been told that the area of the business for which you have responsibility has undergone a number of reviews by the Compliance department and the internal audit function over the last few years. The reviews raised no ‘red flags’. You are aware that the Compliance department in particular is small and relies heavily on ad-hoc support from a third-party firm of compliance consultants. However, the Head of Compliance is someone you used to work with at a different firm – you know that he’s a ‘great guy who really knows his stuff’.

From HR records, you can see that, historically, there has been a high degree of employee absence in this particular business function, as well as a relatively high degree of staff turnover. Customer complaints have risen over the last 12 months and a number of vacancies in key areas of this business function (both on the operational side and on the sales side) remain open.

When you joined the firm, the Chief Executive Officer made clear that your priority was to drive revenue growth. You decide to focus your initial efforts on filling the vacancies on the sales side. You promise yourself that you will get ‘under the bonnet’ and ensure that the operational and risk control side of the function are operating as they should be ‘as soon as you can’. In reaching this decision, you take comfort from the fact that both the Compliance department and the internal audit function have ‘signed off’ on the business function.

**What conduct rules may have been breached?**

**How should the firm respond?**

**What controls could have been implemented?**