

The below process has been set out to ensure a uniform procedure for the monitoring of Appointed Representative clients. This procedure is in line with our responsibilities as a Principal firm, laid out in the ShareIn Compliance Manual.

#### Related FCA Handbook references:

- SUP 12 Appointed Representative
- FIT The Fit and Proper test for Approved Persons and specified significant-harm functions
- SYSC 6.1.1, along with relevant sections under SYSC 3, 4, 5, 9
- TC Training and Competence
- COND Threshold Conditions
- APER Statements of Principle and Code of Practice for Approved Persons

As holders of the FCA licence, ShareIn are ultimately responsible for its Appointed Representatives' behaviour with respect to regulated activity. This leaves us responsible not only to end investors, and to the regulator; we also are putting our licence and reputation on the line with all of our AR clients. For these reasons, regular monitoring is essential to protecting investors, meeting our regulator's expectations and safeguarding our business. Each time monitoring is completed, we will re-assess the questions to be asked in accordance with the changing regulation and/or trends that have been highlighted to be common across the AR clients.

## The Monitoring Process

Appointed Representative monitoring is an ongoing activity, and any concerns about an AR should be brought to the attention of the Head of Compliance at the time of occurrence, not simply once a quarter.

Once an AR has been FCA approved and moved across to monitoring status, we will conduct monitoring on a regular basis. To do this we have considered the risks to ShareIn and considered which activities should be completed quarterly, and those activities for which an annual review is more appropriate. We do however reserve the right to carry out more frequent monitoring if our reviews highlight any areas of concern.

At the end of each quarter ShareIn Compliance will conduct formal and structured monitoring, which is proportionate to the AR's business and ShareIn's risk profile. The steps can be summarised as follows:

- **Deliver the monitoring questionnaire to all Appointed Representatives**
  - At quarter end, send questionnaire link to all ARs with reminder of due date
  - Reminder email a week before due date
- **Receive materials at deadline and close survey**
- **Assess and analyse the submitted material against established review protocol**
  - Assess which answers are not in line with the expected answer
  - Assess whether follow up is required to understand answer
  - Assess whether answer raises risk profile
- **Revert to the client for additional documents or clarifications if necessary**
  - Get further details of any unexpected answers

- **Provide a report via the Compliance Board Report to ShareIn CF10 as they are responsible for the systems and controls in place at ShareIn, including arrangements for overseeing the management of AR's, and ShareIn's Board**
  - o Highlight any breaches or concerns
  - o Recommend remediation plan, if relevant
    - Fix breaches or errors
    - Address required changes to procedures, if necessary
    - Offer additional training where needed
  - o Inform directors of changes to risk matrix

The process for the annual review will mirror the quarterly process.

## **STEP 1 Deliver the monitoring questionnaire to all Appointed Representatives**

ShareIn will send a standard questionnaire to all Appointed Representatives at the end of each calendar quarter. Annual reviews will be scheduled based on the authorisation date of each AR. The basic questions which will be asked each quarter are shown in Appendix A and the annual review questions are shown below as Appendix B. From time to time additional information could be collected, which would be prompted by external events or perhaps a failure uncovered at a single Appointed Representative.

At present the questionnaire is deployed via Google Forms. Data and backup documentation are then copied from Drive into the relevant monitoring folder on Dropbox.

The deadline for submission of the quarterly questionnaire and any related material is the Friday that falls at least 30 days from the quarter end. ShareIn Compliance will send reminder emails one month and approximately one week before the deadline.

For annual reviews we will indicate the relevant completion date for delivery of information to ShareIn.

## **STEP 2 Receive all materials within a day of due date and close survey**

All ARs will complete the online questionnaire and submit required supplemental information via the Google Forms interface. Within a few days following the deadline, the survey will be marked as Closed and no further responses can be submitted unless Compliance re-opens the questionnaire. All questionnaire responses and uploaded content will be downloaded to the Compliance Dropbox.

## **STEP 3 Assess and analyse the submitted material**

ShareIn are required to demonstrate that it has regularly reviewed and assessed the activities of the AR, including: the organisational structure and financial health of the company; the continued suitability of the client to be our AR; that all AR activities are in line with our regulatory permissions; the relationship of any stated advisors or Introducers declared to us; any financial promotions or offers released during the period; the competence of staff.

The reviewer will assess which answers are not the expected answer; whether follow up is required to understand the answer; and whether the answer raises the client's or ShareIn's risk profile.

### **STEP 3.1 Address any red flags with Head of Compliance**

If at this point there are any serious failings or concerns alert the Head of Compliance as quickly as possible.

#### **STEP 4 Revert to the client for additional documents or clarifications if necessary**

After a detailed review of the questionnaire and all documents provided by the client, it may be necessary to request additional information. Consult with the Head of Compliance, if necessary, to agree upon a list of material needed. Once confirmed, ensure that the client understands exactly what is needed and why. Establish a clear deadline with the client, and once received, review the newly submitted material against the monitoring checklist.

It may be possible that multiple rounds of questions are put to the client. Continue the review until you are satisfied that you have all information you need to fully comprehend the current state of the Appointed Representative's business.

#### **STEP 5 Write and deliver final report to ShareIn's CF10 and Board**

After receiving and assessing all additional material, prepare a report for the CF10. The report will be submitted via the Compliance Board Report and will summarise the material reviewed, describe the results of all research, and provide documentation related to the analysis. If flagging any errors or breaches, or if recommending any changes to the client or ShareIn risk assessment, seek input from the Head of Compliance.

The CF10 or Board will occasionally have additional questions, either about the Appointed Representative or an individual Approved Person. Compliance will respond to questions as needed, which may require contacting the AR to collect supplemental information.

## Appendix A: Quarterly Monitoring Questions

Accurate as of 2019 Q1

### STAFF

- Do you have any new Directors or non-Exec Directors of the firm, or have any Directors departed? If yes, please describe
- Do you have any new staff which require training? i.e. financial promotions or Intro to Compliance. If yes, please describe
- Do you have any additional comments about staffing or training needs?

### STRATEGY

- Have you changed your marketing plan in any way since the last report? i.e. new messaging, client types, marketing channels?

### FINANCIALS AND DOCUMENTATION

- Have there been any significant changes in the financial position of the Company or in the financial position of any Directors since last report?
- Has the company received any cash investment or business loan since last report?
- Any other comments about the financials or other documentation?

### OFFERS

- Please confirm the number of offers/deals that have gone live during this quarter
- Have all staff who will be creating offer documents and financial promotions for your firm received ShareIn's financial promotions training?

### CLIENT COMMUNICATIONS

- Please confirm how many of the below communications you have distributed in the last quarter:
  - Google or PPC ads
  - Newsletters
  - Print Ads
  - Twitter Posts
  - Facebook posts
  - Instagram Posts
  - LinkedIn Posts
  - Advertorials
  - Videos
  - Podcasts
  - Events or seminars

### OPERATIONAL

- Please confirm that you have not executed any orders on behalf of a client i.e. helping an investor to complete an application form or transferring money to a project on their behalf.
- Have there been any breaches of regulation or procedure, errors, or complaints this period?

## INTRODUCERS

- Are there any new Introducer agreements this quarter?
- What Due Diligence is completed on these individuals?
- How will these Introducers be managed?
- How will these Introducers be rewarded?
- Any there any previously reported relationships which have ended?

## MIFID II COMPLIANCE

- Conflicts of Interest must be identified and then eliminated wherever possible. Have you identified any Conflicts this quarter? If so, please log on the Conflicts register, found in your client Dropbox.

Client complaints must be addressed and wherever possible resolved within 3 business days. Did you receive any Complaints during this quarter? If so, please log on the Complaints register, found in your client Dropbox and inform compliance.

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## Appendix B: Annual Monitoring Questionnaire Review

### STRUCTURE

- Has the firm changed its legal structure, Nature of Business (SIC code), or made any declarations to Companies House?

### STRATEGY

- Has there been any material change to the business plan, or have you gone into lines of business not reported previously to ShareIn?
- Do you keep a Risk Register? If yes, how often is this updated?

### FINANCIALS AND DOCUMENTATION

- Please provide your full Profit & Loss statement here
- Please provide your annual accounts here (management accounts will be accepted in absence of audited accounts).
- What is your Company's balance sheet total?
- Does the Company owe money to Directors and/or Shareholders? If yes, please provide the amount
- How do you envisage that these loans will be repaid? Are any Directors' Loans repayable on demand?
- Are minutes of senior management meetings approved, held on file and available for inspection?

### OPERATIONAL

- Do you use a nominee company or other nominee structure for holding investments on behalf of your investors?
- Please confirm that all money is handled by Mangopay (or your payment provider)

- What is your AML process?
- Who in your firm manages Compliance?
- What compliance training is provided to staff?
- Do you have a Compliance Monitoring programme in place?
- How are Compliance matters escalated to senior management/ Board?
- Please provide a copy of your annual Breach log here
- If you have any additional comments to make about the responses or documents you provided, or have questions for Compliance, please indicate here.

## MIFID II COMPLIANCE

- Telephone call recording for those conversations with potential investors that could result in a transaction must be recorded. Callers must also be informed that their conversations are being recorded and will be held on file. Are you recording telephone calls?
- What is the name of the Call Recording Provider who supplies this service?
- How long are these call recordings kept on file for?
- Please provide your annual Conflicts log here
- What reporting do you have in place for Conflicts of Interest?
- Who in your firm reviews or authorises these Conflicts?

## DATA PROTECTION & INFORMATION SECURITY

- What investor data, if any, do you hold on your systems?
- What measures are in place to protect data/ system security?
- Do you have any data encryption in place?
- Do you use any anti-virus products? If yes, which one?
- What regular checks do you complete on system security?
- Who in your firm is responsible for data protection/ information security? What reporting structure in place?
- Have there been any cyberattacks, privacy breaches, data loss or other technology or security failures in the last year?
- Do you have a documented Starters/ Leavers process? If yes, please describe
- What process do you have in place for allocating access to data, especially any investor data if held by you?
- Can staff access data/ systems remotely? If yes, who can do this and what security measures do you have in place?
- Do you share investor information with any 3rd parties? If yes, how can you evidence consent?