

# Trader mandates

New standards for an effective control



## Why does it matter?

Trader mandates ('TM') play a critical role in creating a strong control environment over trading activity and are used as a mechanism to allocate firms' risk appetite at individual trader level. Institutions recognise trader mandates as a core component of Front Office supervision which is closely linked to the risk limit framework to protect firms from both a prudential and conduct risk aspect.

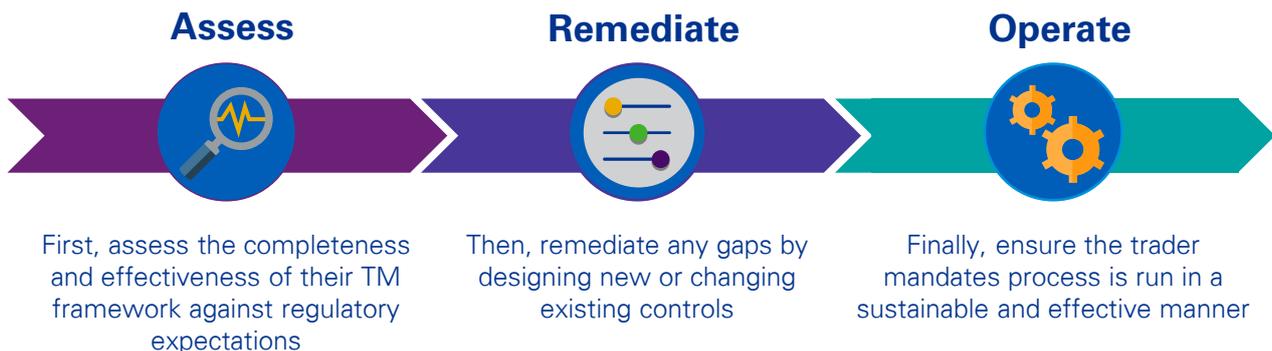
Following a thematic review across a number of banks in the UK, the PRA identified significant weaknesses in the design and execution of trader mandates controls. There is now a clear requirement for firms to self-assess their TM framework against a set of risks and expectations, and remediate any deficiencies.

High level principles, which will serve as minimum standards for the industry, include:

- ✓ Sufficient **granularity** to clarify activities of desks and traders
- ✓ **Independent review** and oversight of mandates including additions and changes
- ✓ Mandates should be set and monitored at **individual** level
- ✓ **Automated monitoring** of trades against mandates at granular level
- ✓ **Timely** escalation and resolution of breaches

## So, what do firms need to do?

There are clear expectations that standards need to be raised. Firms are required to make sure mandates are fit for purpose and contribute to an effective control environment. Three stages are necessary:



# Achieving market leading practice

Institutions are facing many challenges on the journey to an effective trader mandate framework. Firms are striving to implement leading practices, linking together good governance with complex static and trading data across all asset classes:

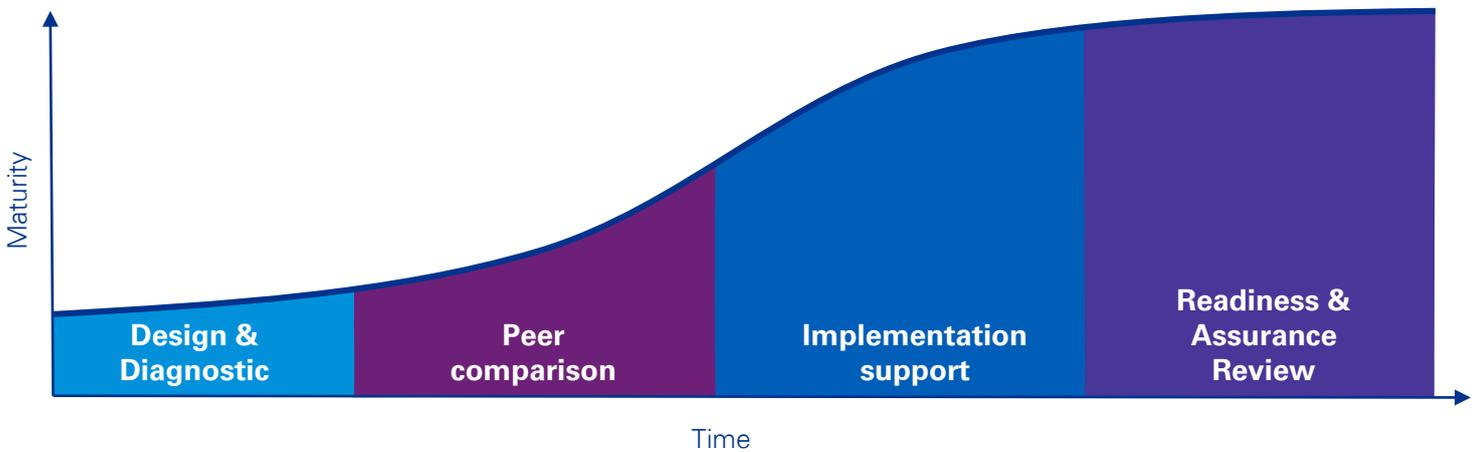


# How we can help

We've been helping major institutions in implementing and embedding their trader mandate frameworks. Based on our experience, requirements look straightforward but in a complex business and IT landscape, they are hard to implement efficiently and effectively:

- We understand **regulatory expectations** and can guide firms where the requirements are unclear
- We have **insights** of where market players are and where they're heading to
- We know the **challenges** firms will face to implement an effective Trader mandates framework

From a short diagnostic to a full assurance review, there are a number of ways in which we can support firms on their journey to a **leading practice control environment**:



## Design & Diagnostic

- Identification of gaps between existing practices and regulatory expectations, highlighting vulnerabilities and opportunities for improvement.
- Recommendations for enhancements based on our understanding of regulatory requirements.



## Peer comparison

- Comparison of the existing Trader mandates control environment against our reference framework, providing industry benchmarks of leading market practice.



## Implementation support

- Support with implementing an effective trader mandates framework.
- Working alongside the business to carry out an assessment of internal risks.
- Designing remediation programmes to enhance governance, policies, procedures and controls.



## Readiness & Assurance review

- Assess the design effectiveness of front-to-back controls.
- Walkthrough of key controls with control owners to assess implementation effectiveness.
- Testing the operating effectiveness of controls through sampling, identifying areas for improvement.

# KPMG experience and capabilities



**Skilled and experienced team:** we have been delivering over 50 engagements in the wholesale conduct and Front Office controls space over the last three years. We have supported firms in reviewing and implementing effective FO controls.



**Strong track record:** we have supported some of the world's largest financial institutions in meeting the requirements of regulatory led remediation programmes, including firm-wide reviews of trader mandate frameworks.



**Regulatory insight:** we have invested in a Regulatory Centre of Excellence which has allowed us to build strong relationships with global regulators, providing us with an insight into regulatory expectations.



**Industry comparison:** we can bring market insight and peer group comparison as part of our review. Our reviews not only identify gaps in processes and controls but are also useful to our client's understanding of their position in the wider market.



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