

Inspection Process Guide

Introduction to Inspection

Inspection is a preventive verification process designed to ensure that financial sector participants comply with legal and regulatory standards. This process not only protects consumers but also encourages the improvement of professional practices within financial entities.

Selection Criteria for Inspections

The Authority selects entities for inspection based on their risk profile, evaluated according to quantitative and qualitative criteria. These criteria include, but are not limited to:

- Type of professional activity
- Financial situation
- History of compliance or non-compliance
- Number and type of complaints received
- Size of the entity (number of representatives, employees, branches)
- Residual risk from the last inspection

Types of Inspection

On-site Inspection (announced)	Notice given with details about the date and inspectors involved. Used for in-depth verifications.
On-site Inspection (unannounced)	Conducted without notice, often in response to identified risk factors or to verify the effectiveness of previous corrective measures.
Remote Inspection	Conducted through questionnaires or document requests, ideal for extensive inspections or specific verifications.
Other Forms of Inspection	Includes inspections targeting specific aspects such as separate accounts or close supervision, conducted either on-site or remotely.

Preparation for Inspection

Entities must prepare and submit required documents to the Authority via a secure file transfer site. It is recommended to review internal practices and ensure compliance before the inspectors' arrival.

Inspection Process

The inspection begins with a courtesy call and an inspection notice sent to the responsible manager.

The inspection includes:

- An initial interview to discuss objectives
- Site visit to examine infrastructure and control systems
- Interviews with employees to understand internal practices
- Detailed analysis of files and records
- Exit interview to summarize findings
- Post-inspection follow-up

An inspection report is provided, detailing observations and irregularities. Entities must develop an action plan to correct identified deficiencies and may require a follow-up inspection to confirm the implementation of corrections.

Inspection Fees

Fees are calculated at \$109 per hour since January 1, 2023, and include all phases of inspection, from preparation to post-inspection follow-up.

Scope of Inspection Work

Topics covered during the inspection may include, but are not limited to:

- Organizational structure and compliance with regulatory standards
- Conflict of interest management and financial situation
- Client relationships and record keeping
- Marketing practices and complaint management

Main Inspection Findings

Common findings include issues with know-your-client procedures, product suitability, and non-compliance with established policies and procedures.

Conclusion

The inspection process is designed to be collaborative, with an emphasis on improving practices and preventing risks, rather than being a punitive exercise. However, sanctions may be imposed for significant breaches.