

## 1. PURPOSE

The purpose of this policy is to ensure that all breaches of regulatory, compliance, operational or procedural requirements are identified, investigated, recorded and addressed in a fair, proportionate and risk-based manner.

This policy supports Impact Financial Services Limited's obligations under the FCA Handbook, including but not limited to SYSC, COCON, Training & Competence requirements and the Consumer Duty.

## 2. SCOPE

This policy applies to all:

- advisers,
- employees,
- appointed representatives,
- contractors

engaged by Impact Financial Services Limited.

## 3. WHAT CONSTITUTES A COMPLIANCE BREACH

A compliance breach is any act or omission which fails to meet regulatory requirements, internal policies, procedures, professional standards or contractual obligations.

Breaches may include, but are not limited to:

- failure to follow the agreed advice process,
- submission of business outside approved systems or controls,
- incomplete, inaccurate or late documentation,
- failure to disclose material information,
- misrepresentation to a client or provider,
- breach of Consumer Duty principles,
- failure to comply with Training & Competence requirements,
- conduct that may expose clients or the firm to regulatory, financial or reputational risk.

## 4. EXAMPLES OF COMPLIANCE BREACHES

*The examples below are illustrative and non-exhaustive. Each case will be assessed individually by the Compliance Department, taking into account context, intent, frequency and client impact.*

### 4.1 Examples of Minor Breaches

Minor breaches typically involve administrative or procedural issues with no client detriment.

Examples include:

- incomplete documentation where no advice or outcome is affected,
- minor data entry errors corrected promptly,
- late upload of documents where no regulatory deadline is missed,
- isolated failure to follow an internal process without client risk,
- first-time low-impact procedural errors.

*Typical management actions may include coaching, guidance, retraining or a written note on file.*

#### **4.2 Examples of Significant Breaches**

Significant breaches may involve repeated failures, potential client detriment or weaknesses in adherence to the advice process. Examples include:

- repeated minor breaches indicating a pattern of non-compliance,
- failure to fully follow the agreed advice or suitability process,
- late or missing regulatory disclosures,
- incomplete or inaccurate fact-find information impacting suitability,
- failure to properly evidence client conversations or recommendations,
- delays in correcting known errors,
- failure to engage appropriately with compliance supervision.

*Typical management actions may include written warnings, enhanced supervision, mandatory retraining or temporary restrictions on business submission.*

#### **4.3 Examples of Serious Breaches**

Serious breaches involve high risk to clients or the firm, deliberate actions or actual client detriment. Examples include:

- deliberate circumvention of approved systems or controls,
- misrepresentation or omission of material information,
- providing advice without appropriate authorisation or CAS,
- falsification or alteration of documents or records,
- repeated significant breaches despite prior warnings or intervention,
- conduct likely to cause client harm or regulatory concern,
- breach of Consumer Duty obligations.

*Typical management actions may include CAS suspension or removal, termination of agreement and regulatory reporting where required.*

#### **4.4 Financial and Commission-Related Breaches**

Examples may include:

- unauthorised fee agreements with clients,
- failure to disclose remuneration where required,
- circumvention of agreed commission structures or processes,
- inappropriate financial arrangements with clients or third parties.

*Any financial consequences will be applied only where permitted under the Adviser Agreement or other contractual documentation and following investigation.*

#### **4.5 Conduct and Professional Behaviour**

Examples include:

- failure to cooperate with compliance reviews or investigations,
- failure to complete mandatory training or CPD requirements,

- behaviour inconsistent with expected standards of integrity, professionalism or competence,
- conduct that undermines trust in the firm or the advice process.

## 5. BREACH SEVERITY CLASSIFICATION

All breaches will be assessed and classified by the Compliance Department as:

- **Minor**
- **Significant**
- **Serious**

Classification will depend on:

- frequency,
- intent,
- client impact,
- firm impact,
- adviser conduct and cooperation.

## 6. INVESTIGATION AND DECISION PROCESS

- All alleged breaches will be reviewed by the Compliance Department.
- The individual concerned will be given the opportunity to provide an explanation.
- Decisions will be based on evidence, proportionality and regulatory risk.
- No disciplinary outcome will be applied without investigation.

## 7. COMMISSION, COSTS AND FINANCIAL CONSEQUENCES

Any recovery of costs, commission adjustments or financial consequences will:

- be applied only where permitted under contractual documentation,
- be proportionate,
- reflect actual costs or losses incurred by the firm.

**This policy does not create automatic financial penalties and does not override contractual rights or obligations.**

## 8. COMPETENCE, CAS AND PERMISSIONS

CAS status and permissions are subject to ongoing review.

Any suspension or removal of CAS will follow:

- a documented assessment,
- clear rationale,
- consideration of adviser competence and conduct.

Where appropriate, advisers may be required to complete additional training or supervision before CAS is reinstated.

## 9. RECORD KEEPING

All breaches, investigations and outcomes will be:

- documented,
- retained in compliance records,
- used to identify trends and improve systems and controls.

## 10. TRAINING AND PREVENTION

The firm is committed to preventing breaches through:

- clear procedures,
- effective supervision,
- ongoing training and development.

Repeat breaches may indicate competence or suitability concerns and will be addressed accordingly.

## 11. ESCALATION AND REGULATORY REPORTING

Where required, serious breaches may be:

- escalated internally,
- reported to the FCA,
- disclosed to relevant parties in line with regulatory obligations.

## 12. REVIEW OF THIS POLICY

This policy will be reviewed:

- at least annually,
- following regulatory change,
- or following significant compliance events.

### **Policy Review and Approval:**

This policy will be reviewed annually or more frequently if required by changes in regulations or the needs of the firm. All amendments will be documented and communicated to all staff members.