

DIRECTIVE 12 A

RELATING TO THE CERTIFICATION AND ACTIVITY OF AUDITING FIRMS
AND LEAD AUDITORS

MLA auditing firms

- 1 Upon joining ARIF, all financial intermediaries must appoint an ARIF-certified auditing firm, at their own expense, and promptly provide for a replacement auditing firm in the case of unforeseen events, particularly a long-term interruption of the auditing firm's mandate or the withdrawal of ARIF certification.

ARIF certification

- 2 ARIF provides a list of documents that must be submitted by the auditing firm in support of its application for certification.
- 3 To obtain and maintain ARIF certification, the auditing firm must satisfy the following conditions at all times:
 - a. the auditing firm must provide the assurance of irreproachable business conduct, both with regard to its own conduct and that of each of its officers, employees and agents involved in the auditing of ARIF members;
 - b. The auditing firm must hold an auditor's certification issued by the Swiss Federal Audit Oversight Authority (FAOA); ²
 - c. The auditing firm must have insurance cover against third-party liability risks covering financial damage; such insurance must be taken out and kept up throughout the entire duration of certification for a coverage amount of at least CHF 250,000.-; this is subject to higher requirements imposed by ARIF according to the risk, in particular owing to the number or scale of the assignments of the auditing firm serving the ARIF members;
 - d. The auditing firm must be sufficiently well organized to conduct audits. It must in particular:
 - have at least two lead auditors who are certified to audit financial intermediaries within the meaning of Article 2 paragraph 3 MLA;
 - have, by no later than three years after the granting of certification, at least two assignments to audit financial intermediaries within the meaning of Article 2 paragraph 3 MLA;
 - respect the provisions relating to documentation and retention of documents in accordance with Art. 730 c CO, irrespective of its legal form.

- e. The auditing firm must not conduct any other activity subject to authorisation under the laws governing the financial markets.
 - f. The auditing firm must require and maintain a high level of training for its auditing staff and a perfect knowledge of the ARIF Articles of Association, Rules and Directives and their amendments. Its employees must undertake the periodic professional training prescribed by ARIF.
- 4 To obtain ARIF certification, a lead auditor must meet the following conditions at all times:
- a. The lead auditor must hold an auditor's certification issued by the Audit Oversight Authority (FAOA); ²
 - b. The lead auditor must have the technical knowledge and experience necessary to conduct an audit in accordance with the laws governing the financial markets. To this end, he must prove:
 - he has five years' professional experience in providing auditing services;
 - he has completed 200 hours of auditing on financial intermediaries within the meaning of Article 2 paragraph 3 MLA;
 - he has four hours of in-service training in MLA, completed during the year preceding the filing of the certification application.
- 5 To keep his ARIF certification, a lead auditor must continue to have the technical knowledge and experience necessary to conduct an audit in accordance with the laws governing the financial markets. To this end, he must prove he has:
- completed 100 hours of auditing on financial intermediaries within the meaning of Article 2 paragraph 3 MLA during the last four years;
 - four hours of in-service training in MLA, completed during each of ARIF's statutory financial years.

Obligations of the auditing firm

- 6 In order for the audit report to comply fully with this Directive and satisfy the member's obligations towards ARIF, the auditing firm must meet the following conditions:
- a. the auditing firm must be independent of the management, the board of directors and the shareholders of the financial intermediaries whose activities it audits;
 - b. the auditing firm must perform the audit in accordance with generally accepted auditing practices, and devote the necessary time and resources in keeping with the nature and extent of the activities of the audited member. To this end, the auditing

firm must use the most recent working documents and guidelines provided by ARIF for the audit, and prepare its report to ARIF in the form and within the time limits specified;

- c. the auditing firm must accurately, exhaustively and honestly report any misstatements or inconsistencies that it identifies in the course of its audit; it must fully cooperate with ARIF and not withhold any material information. It must promptly forward to ARIF any additional information and documents that ARIF may require regarding the performance and results of its audit, particularly its working notes;
 - d. the auditing firm must immediately inform ARIF if it has any reasonable grounds to suspect money laundering as a result of knowledge acquired in connection with its audit, if such suspicion has not already been reported by the member concerned in accordance with Section 9 of the MLA.
- 7 The auditing firm must immediately notify ARIF if the audit is delayed or is prevented from being carried out, and promptly inform ARIF when its auditing mandate for an ARIF member ends. It shall refrain from ending such a mandate on its own initiative at an inopportune time.
- 8 ARIF certification is granted to the auditing firm at the sole discretion of ARIF and does not infer any contractual relationship between ARIF and the auditing firm. ARIF may, at its sole discretion, temporarily suspend or permanently withdraw its certification of an auditing firm or any members of its staff if they no longer fulfil the conditions set out in this Directive or if they fail to fulfil the obligations imposed by this Directive. In order to ensure that MLA audits are conducted under optimal conditions and to promote the quality of audits, ARIF establishes an auditor oversight system.²

Special auditing firm

- 9 Whenever it deems necessary, or on a random basis, ARIF may replace the auditing firm chosen by the financial intermediary by another auditing firm chosen and commissioned by ARIF, at the member's expense, to carry out the ordinary audit or for a special audit. At the request of ARIF or the auditing firm, a member must promptly pay to the auditing firm such funds on account as the auditing firm deems necessary to apply against fees and expenses incurred for its work.

Remuneration

- 10 Under no circumstances shall ARIF be responsible for the payment of the auditing firm's fees owed by the member, even in the case of audits requested by ARIF.

Procedure for loss of withdrawal of certification¹

- 11 An auditing firm or a lead auditor which/who no longer satisfies the formal or material conditions for certification shall be obliged to notify ARIF immediately.

When ARIF is informed that an auditing firm or a lead auditor no longer satisfies the formal or material conditions for certification, it shall set them an appropriate time-limit for meeting these conditions again; certification is deemed lost automatically when the time-limit expires, unless the conditions are met again.

ARIF may, in addition, withdraw its certification from an auditing firm or a lead auditor which/who, after a warning, has seriously, or repeatedly breached its obligations towards ARIF or its members.

The loss or withdrawal of certification from an auditing firm or a lead auditor may not be appealed against by the entity/person concerned or by the members.

If certification is lost by, or withdrawn from, an auditing firm, ARIF shall set an appropriate time-limit for the members who had appointed it so that they can appoint a new auditing firm.

¹ In accordance with Committee resolution of 20 February 2017 and FINMA ratification of 7 December 2017

² In accordance with Committee resolution of 8 November 2021