

# Compliance News – Autumn 2005

**Welcome to Compliance News.** This publication is issued by D W Regulatory Consultants Limited (DWC) for the benefit of IFAs and employed compliance staff in the UK, particularly those working at directly authorised IFA firms. We aim to issue this **free** publication every quarter. For a copy of the earlier editions (January 2004 onwards) please send us a short email. Please refer to the bottom of this page for our disclaimer and conditions of the publication.

**Background of the editor:** Phil Dibb worked at PIA/FSA from 1997 to 2002 and now runs his own Compliance Consultancy firm. He spends the majority of time training IFAs on compliance and T & C issues, in addition he is Chairman to 15 regional compliance forums held around the UK.

***'We are committed to providing IFAs with a regular free newsletter and value for money additional services – Please support us!'***

**Distribution:** This bulletin is to be issued to over 4000 IFAs who have been in contact with DWC since Phil Dibb left the FSA. The aim is to get the distribution up to 6000. If this can be achieved, more free forms and assistance will be available to the readers. To this end, please would you ask any other IFAs you know to register for the bulletin by emailing - [mail@compliancenes.org](mailto:mail@compliancenes.org)

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## **Compliance News Premier Service**

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IFAs can now subscribe to receive a wide range of **forms and templates** to assist with the running of their business. See page 13 for full details. All forms will be issued **direct** to subscribers on a **word document**. We plan to issue a **minimum of 40** templates / forms during the next 12 months, at a price of £90 for the full year. We hope this service will save a typical firm at least 50 hours each year and avoid 'reinventing the wheel'.

**Distribution:** Please initial and pass on when you have reviewed this.


Why not email [mail@compliancenes.org](mailto:mail@compliancenes.org) and receive it direct to your PC?

Disclaimer: Compliance News is a trading style of D W Regulatory Consultants Limited (DWC). DWC cannot be held responsible for the views and interpretations shown in this publication. Authorised firms remain responsible for complying with the FSA requirements and such obligations cannot be transferred to a third party.

PLEASE NOTE: All the additional documents referred to throughout this edition are automatically sent to 'Premier Service' clients (£90 p.a.) see page 13. Firms wishing to order individual forms should complete the back page.

## 1. RMAR – Retail Mediation Activities Return – FAQs for Small IFA firms

This new return has caused quite a stir across the industry. Mainly because of the additional information required; requirement to send this electronically and a £250 fee for late submission. We have produced a guide of FAQ on the RMAR (total of 77 questions over 13 pages), with queries on each individual section. Below are examples of some of the FAQ.

**Please tick box 1 on the back page to order a free copy.**

How long will it take to complete?	Clearly this will depend on your firm's size, knowledge of the RMAR requirements and how your existing systems work. However, for a small IFA firm with 3 advisers, we estimate between 10 and 15 hours in total, including time to research the information, registration and final input.
Should the RMAR data be audited?	There is no specific requirement for RMAR data to be audited, but there are items within the RMAR e.g. audited reserves, that have an audit requirement based on FSA's 'prudential' (PRU or IPRU(INV)) requirements.
Can you resubmit data after initial submission, for example if the figures change following an audit?	Yes, a resubmission can be requested via your firm's online pages. A revised RMAR would be required if there is a material difference in the final figures. In deciding whether the change is material, firms should consult their auditors. If any amendments are considered material, it is recommended that the firm discuss these with the FSA with a view to resubmitting the data.
Regulated Business Revenue: What do I include in this section - do I include business that I have sold but have not yet received commission for, or is that included on my next return? For example, if I have sold a mortgage a few weeks ago but did not receive the procurement fee from the provider before my year-end, do I record the business on the RMAR that is due now and also on the next one?	The table for recording regulated business revenue – covering commission, fees and other income, includes the amounts <u>received</u> by the firm for the relevant reporting period. Consequently, income that has not been received during the relevant reporting period should be included in the subsequent reporting period.
Regulated Business Revenue: If I am paying a fee to an introducer, do I take this into account when calculating my 'net' commission figures – i.e. gross commission minus Principal slice minus introducer fee, for example?	The net commission figure comprises of the amount of commission retained by the firm (and if applicable its ARs) <u>after</u> making any payments to another person – e.g. Principal / Introducer.
Other P&L What is the 'taxation' figure and how is it calculated?	Taxation, when reported at a quarter or half-year end, should be based on an <u>estimate</u> of the likely effective tax rate for the year applied to the interim profit or loss arising. We recommend this be referred to your Accountant for clarification.

<p>What is the difference between an ISD Personal Investment Firm and a non-ISD Personal Investment Firm? What category does my firm fall into?</p>	<p>An ISD Personal Investment Firm is a firm that is required to meet the higher capital resources requirements and which has a right to passport into other EEA states on this basis. Few small IFAs firms will be ISD firms. Most will be non-ISD and therefore be subject to the lower capital resources requirements.</p>
<p>Regulatory Capital: Mortgage &amp; Non-Investment Insurance. Where the form asks for either 2.5% or 5% of annual income, do I use my annual income calculated over the last 12 months or income that I perceive to be the case over the forthcoming 12 month period?</p>	<p>‘Annual income’ is the annual income given in the firm's most recent annual financial statement from the relevant regulated activity or activities. For a firm, which carries on insurance mediation activity or mortgage mediation activity, annual income is the amount of all brokerage, fees, commissions and other related income (for example, administration charges, over-riders, profit shares) due to the firm in respect of or in relation to those activities. A firm's annual income includes commissions and other amounts the firm may have agreed to pay to other persons involved in a transaction, such as sub-agents or other intermediaries. If a firm is a principal, its annual income includes amounts due to its appointed representative in respect of activities for which the firm has accepted responsibility.</p>
<p>Should I continue reporting Pension Transfers and Opt-Outs?</p>	<p>No. From October 2005 the FSA will collect product sales data from product providers. However, it is possible the FSA may request information on certain product areas as part of routine monitoring.</p>

Compliance News **strongly recommends** that firms become familiar with the RMAR documents before attempting to complete their own. Our list of 77 FAQ provides excellent help.

### **FSA RMAR On-Line Training**

The FSA have produced a short on-line training package, which many firms will find as a useful introduction. The cost is only £5.

[www.fsa.gov.uk/pages/Doing/Events/learning/web\\_based.shtml](http://www.fsa.gov.uk/pages/Doing/Events/learning/web_based.shtml)

The FSA have added the top 10 queries about RMAR on their website, link below.

[www.fsa.gov.uk/pages/Doing/small\\_firms/general/reporting/topten/](http://www.fsa.gov.uk/pages/Doing/small_firms/general/reporting/topten/)

## **2. FSA CP 05/8 – Removal of RU64 – ‘PPP at least as suitable as a Stk PPP’ rule**

### **This proposal is very important to the majority of IFAs.**

FSA has recently issued Consultation Paper 05/8 “Suitability Standards for Personal Pensions”. This CP contains a proposal to remove the requirement for an adviser recommending a Personal Pension Plan to explain in writing to the customer why the Personal Pension Plan recommended is at least as suitable as a Stakeholder Pension Plan. The paper is only 38 pages long (very short for a CP) and responses are required by 28<sup>th</sup> October 2005.

Often referred to as the “RU64” rule, this requirement was introduced in 1999 during the run up to the introduction of Stakeholder plans by PIA Regulatory Update 64. At the time the Personal Investment Authority felt it was important to avoid sales of existing high charging and inflexible personal pension plans in advance of the introduction of the price-capped stakeholder pension plans. Consumers needed to be able to switch to the stakeholder option when it became available without being subject to onerous transfer terms and RU64 provided for this. FSA has stated that the rule was only ever supposed to be temporary and admits that there is evidence to suggest that in the longer term the rule may have had an adverse effect on the pensions sector, as it has forced intermediaries to benchmark all personal pensions against stakeholder pensions and their charges in every case.

Firms are probably aware that COB Rule 5.3.16 states the firm need to ensure that all recommendations made to a non-stakeholder plan clearly demonstrate that the plan is ‘*at least as suitable as a stakeholder plan*’. Firms are required to clearly document this within the suitability letter.

This consultation paper considers the rationale for the rule and the impact it may have had on the personal pensions market since its introduction. It also considers the possible implications for the pensions market if the rule was removed.

For more detail please follow this link to consultation paper 05/08

[http://www.fsa.gov.uk/pubs/cp/cp05\\_08.pdf](http://www.fsa.gov.uk/pubs/cp/cp05_08.pdf)

### **3. Pensions Simplification / Pension Transfer Definition**

#### **3.1 Simply Biz offers support to Compliance News readers**

Compliance News is again very grateful to Keeley Paddon of Simply Biz for her ongoing help and support. Keeley is the Pensions Technical Manager at Simply Biz and also a well-known pensions expert in the North of England.

Keeley has kindly agreed to provide copies of the three most recent technical bulletins she has written on this topic. A must read for any IFAs involved with ‘Simplification’ work.

Please tick box 2 on the back page to receive a copy.

#### **3.2 Pensions Simplification – IFA thoughts on complex issues article**

Compliance News is very grateful to Tom Ryan of the IFG Group Plc for writing this article. Tom is a well-known IFA professional in the North West of England and regularly shares his expertise and views at Industry events. This article discusses several key areas of Pensions Simplification, which may seem complex but are becoming an integral part of planning towards ‘A-Day’ for IFA firms.

This article will be available from 1<sup>st</sup> November 2005.

Please tick box 3 on the back page to receive a copy.

#### **3.3. Standard Life provide excellent help to IFAs on Simplification**

For those firms who require assistance with the overall planning towards ‘A Day’, we would recommend they consider the help available via the Standard Life website. The ‘active timeline’ gives examples of the areas where firms should be considering spending time and resource. In addition, regular e-mails are sent (to those registered) to give reminders and point IFAs in the right direction.

[www.adviserzone.com/simplification/index.php](http://www.adviserzone.com/simplification/index.php)

[www.adviserzone.com/pdf\\_library/simptimeline.pdf](http://www.adviserzone.com/pdf_library/simptimeline.pdf)

### 3.4 Testing knowledge for Pensions Simplification

DWC have recently carried out a number of product tests centres for a spread of IFAs. We plan to expand this to cover Pensions Simplification in the near future.

#### Why are we different?

Our tests do not concentrate on 'multiple choice' questions, but instead identify key knowledge gaps. For example, several questions will start '*explain your understanding of.....*' or alternatively '*list 3 advantages & disadvantages of ....*'. In addition, we do not have a pass / fail culture; instead we look to assist in the ongoing development of advisers.

Following on from this, a bespoke training plan can also be written, to save your Supervisor's time. Our main objective is to develop advisers and not work to a pass or fail regime. Costs depend on the location / venue, but typically start at £70 per delegate.

As we expect this to be very popular, please register any interest as soon as possible, by sending a brief **e-mail**, noting the preferred location and number of advisers.

### 3.5 Pension Transfer Definition

This was discussed at great length in the previous bulletin and created over 100 e-mails to Compliance News, requesting more information. We have now had time to write a short document on this, providing background information and showing key sections of the FSA's consultation paper.

Within this document is our '**Do we need G60 grid?**'. A summary of which transactions, going from scheme to scheme require G60 / CF24 sign-off.

For a copy of this please tick box 4 on the back page. (To be available by 31/10/05)

### 3.6 Exams - Miscellaneous

We have had a request to ask readers whether anyone in the Wales / South-West / Midlands area would benefit from a CF4 & 5 (old style FPC 3) revision group. In addition, any trainers available for such a topic? Please e-mail Compliance News and we will pass on details to all concerned.

## 4. Depolarisation Update

### 4.1 Market Average figures

We were recently advised by the FSA that any changes to the market average figures (for menus) would be released on 1<sup>st</sup> November 2005. This will mean that firm's menus will be required to be updated by 1<sup>st</sup> January 2006.

### 4.2. Depolarisation – The story so far.

We can report that the vast majority of firms we deal with have had no significant problems with the menu. The main concern is the amount of time it is now taking to get focused on the real client objectives at a first meeting. Many Compliance Officers report that their own advisers are using it in a very positive way and trying to promote fees, but also educating the client that when it comes to financial advice 'cheapest is not best'.

Several firms believe their revenues are increasing as the additional disclosure allows them to take different levels of commission in many cases. In addition, historically many IFAs felt obliged to take 3% plus 0.5% trail on all investment business; whereas now they feel comfortable discussing the specific figures with clients.

The one issue, which is regularly discussed at our Compliance Forums, is the implications for ‘fee-only’ clients. Because of the restrictions on the minimal amount of trail commission able to be retained and related ‘client-money’ worries, many IFAs are looking to avoid such arrangements.

It is the opinion of DWC, that having a large number of such clients (pure fee-only) will become costly for IFAs, due to the additional administration required. In addition, most IFAs wish to build up trail to enhance the value of the firm (exit strategy and so on). Our advice to most IFAs is to go down the route of a combination of fees and commission wherever possible. However, IFA firms must ensure that the ‘fee-only’ route is properly offered and explained to all clients.

### 4.3 FAQ on depolarisation

I am confused about the requirements relating to Section 4 on the IDD and GPPP members; please explain what I need to do.	As you are not required to issue a menu (cost of our services), when providing GPPP new joiners with restricted advice, the second box in section 4 of the IDD should be ticked. This is different to most other cases, when the top box will be ticked. Hence you cannot have both boxes ticked.
Do I really need a Terms of Business letter? My CIDD covers most areas.	DWC believe you do require a Terms of Business letter / client agreement. Whilst you do not need to duplicate key areas (such as FOS etc.), there are parts, which your CIDD will not cover. For example, Data Protection and whether you provide ongoing advice.
Should I issue an IDD for execution-only business?	We believe this is a requirement for most execution-only business.
The new documents take too long to hand out. Can I package them all up and post them to the client as a single document, prior to the first meeting.	The IDD / Menu / T of B cannot be bundled up to look like one document. The IDD and menu must be seen as separate documents. However the IDD and T of B can be attached together, if it is clear where the IDD finishes and the T of B starts.
Why are other firms using different ‘market average’ figures to the ones shown on our menu?	There can be a range of ways to show the market average figures. The ‘shape’ of the commission of the market average must match that on your ‘maximum’. For example, with investment bonds, if your firm show 0.5% trail and other firms show just only initial on their maximum figures, the market average figures will be different.

### 4.4 Menus: The most common changes since 1<sup>st</sup> June 2005

From our experience the most common change firms have made since the 1<sup>st</sup> June 2005, is to have a mini ‘menu’ within section 4 of their own menu (cost of our services). Section 4 provides firms with free format, to show clearly what they charge for each service.

Compliance News has put together a word document, containing several examples of section 4, from a wide range of IFAs. Have you updated your menu?

For a copy of the ‘Section 4’ examples, please tick box 21 on the back page.

## **5. Financial Promotions**

### **5.1 Financial Promotions sign-off – Working papers**

We have written some new working papers to assist with Financial Promotions (advertising) sign-off and also included a summary sign-off sheet. The document also provides guidance in this specialised area and gives an excellent reminder of the key principles of the FSA rules.

### **5.2 Financial Promotions – Test yourself**

We have designed an example mortgage financial promotion exercise, in the form of a flyer, which firms could display at locations, such as GPPP member premises. To compliment this, we have also produced a list of potential errors on the advert. Such an example would be an excellent way to develop existing knowledge.

To receive copies of both documents, please tick box 5 on the back page.

### **5.3 Financial Promotions: Compliance Sign-off assistance service**

DW Regulatory Consultants are now able to provide assistance in this area. Our service standard would be to provide guidance and help in this area within 10 working days, this would include formal written feedback.

#### **Example costs for directly authorised IFAs**

Yellow pages advert: £80

School / Church program: £90

Flyer (to use externally): £125

Basic website: £250

Direct-offer letter: from £300

## **6. Treating Customers Fairly - TCF**

Most business owners / Compliance Officers are now aware of the TCF ideas and principles, but perhaps have not taken a great deal of action at their firm. This is mainly because they believe the whole topic is a little 'woolly' and there is nothing tangible to roll-out to staff.

Typically firms should be considering their advice/sales process, service standards, training, financial promotions, reliance on information issued by product providers, record keeping, remuneration and complaints. Ensuring these focus and comply with the spirit and principles of TCF.

The FSA guidance for small firms can be found at:

[www.fsa.gov.uk/pubs/other/tcf\\_smallfirms.pdf](http://www.fsa.gov.uk/pubs/other/tcf_smallfirms.pdf)

To assist firms, Compliance News is in the process of designing:

- Short PowerPoint presentation for IFAs to educate staff
- Business plan / summary template of how a typical firm has taken this forward
- Summary / Action plan to show how a typical firm is working with TCF.

For a copy, please tick box 6 on the back sheet. This will save a typical IFA firm 20 hours. This will be completed by 1<sup>st</sup> November 2005.

## **7. FSA Events – Important information – Press Releases**

### **7.1 FSA Surgeries**

The FSA are running the following surgeries where firms can book a one-to-one appointment for 30 minutes. These are an ideal opportunity to ask regulatory questions and get a feel for how your firm are interpreting the rules.

Croydon: 25-27 October 2005

Plymouth: 8-10 November 2005

Belfast: 29 November – 1 December 2005

Penrith: 6-8 December 2005

Preston: 10-12 January 2006

Dates taken from FSA website at time of final publication:

[www.fsa.gov.uk/Pages/Doing/small\\_firms/general/events/index.shtml](http://www.fsa.gov.uk/Pages/Doing/small_firms/general/events/index.shtml)

### **7.2 Roadshows**

The following dates are the open roadshow meetings run by the FSA, for small retail financial adviser firms. These are particularly informative and well worth the time. The same web link, as above, can be used.

Glasgow: 2 November 2005

Brighton: 29 November 2005

Canary Wharf: 6 December 2005

Canary Wharf: 7 December 2005

### **7.3 Free FSA Consumer Publications (up to 1999 copies free of charge to firms)**

The FSA have announced they have agreed for authorised firms to order up to 1999 of the consumer publication leaflets free of charge. As mentioned in previous editions, we strongly recommend that FSA publications are actively used during the advice process, especially for certain high-risk contracts (such as Income Drawdown). In the event of a future complaint, we would hope that the use of FSA material and educating the client, would assist any such defence.

[www.fsa.gov.uk/consumer/consumer\\_publications/online/mn\\_hundredplus.html](http://www.fsa.gov.uk/consumer/consumer_publications/online/mn_hundredplus.html)

In our opinion, the annuities and income drawdown booklet is the most popular with IFAs and this has recently been updated to reflect the changes ahead (link below).

[www.fsa.gov.uk/consumer/pdfs/annuities.pdf](http://www.fsa.gov.uk/consumer/pdfs/annuities.pdf)

### **7.4 Recent Press Releases involving IFA firms**

#### **16<sup>th</sup> September 2005**

#### **FSA bans former director of IFA firm for management failings**

The FSA has banned Idris Nagaty, formerly a director of Young Ridgway & Associates Limited (in liquidation), for failing to ensure that the firm was organised so that its customers' interests were safeguarded.

The FSA concluded that Mr Nagaty's failings constituted breaches of its Statements of Principle for Approved Persons and has prohibited him from undertaking any significant influence function in any authorised firm until at least 1 September 2007.

**20<sup>th</sup> September 2005**

**FSA fines CFS Independent Limited for serious risk management and compliance failures**

The Financial Services Authority (FSA) has fined a small independent financial adviser firm, CFS Independent Ltd, £25,000 for serious systems & controls, risk management and compliance failures.

**22<sup>nd</sup> September 2005**

**FSA tell firms: Make sure you are ready for A-day**

The Financial Services Authority (FSA) today told firms to make sure they reviewed the business and strategic impact of A-day (the day new pension tax simplification rules takes effect, April 6 2006) in order to avoid potential loss to consumers.

**8. Compliance Auditing – Using an external consultant**

**When was the last time you had a ‘mock FSA audit’?**

**When did you last review your Compliance Outsourcing arrangements?**

DW Regulatory Consultants Limited (DWC) is a founding member of the Association of Professional Compliance Consultants. ([www.apcc.org.uk](http://www.apcc.org.uk))

DWC offer small and medium sized IFA firms a bespoke compliance service at a competitive price. We do not require IFAs to pay a set monthly retainer and work for most IFAs on a fixed project fee. Our most popular service is a two/three day annual compliance visit with a discussion with all staff at the end, followed by a comprehensive report. Typical fees are £480 per day plus expenses.

We currently have available capacity for two-day audits from November 2005 to February 2006.

Typical **fully inclusive** costs for a two-day audit:

West Yorkshire: £970-  
Southampton: £1270-  
Central London: £1350-

For more information, please e-mail: [compliance@ifahelpline.co.uk](mailto:compliance@ifahelpline.co.uk)

**9. T & C Rules – Rule changes which effect IFAs**

**This section is of particular importance to all IFAs with more than one adviser**

We must admit that we lead an unexciting life and read the FSA rules. To save IFAs from similar hours of torture, we are pleased to let you know about an important recent change.

Historically, section 2.7 of the Training & Competence handbook was titled ‘Supervision’, recently this changed to ‘Supervision & Monitoring’. In our opinion, one of the main changes has been the wording of how Competent Advisers (CAS / CDIS status) are supervised (observed calls, role-plays, file checks etc.).

As the vast majority of advisers at IFA firms are signed-off as Competent (CF21), it is important that firms realise the changes. We believe the changes allow firms to re-define their 'supervisory' activity and move away from mechanic compliance where a certain number of 'observed calls' or 'role-plays' were required each year.

The requirement of 'Maintaining Competence' still remains; however, individual firms should review their own internal standards. We have designed a pro-forma to sign-off ongoing competence. Please tick box 24 on the back page to order a copy.

One of the new rules, which came into force, is TC 2.7.5A. This states:

**Monitoring employees assessed as competent**

*A firm must have arrangements in place to ensure that an employee who is engaging in an activity with or for private customers and who has been assessed as competent is appropriately monitored.*

Source: FSA Handbook October 2005

<http://fsahandbook.info/FSA/html/handbook/TC/2/7>

The changes can also be viewed in the legal instrument (link below):

[http://fsahandbook.info/FSA/handbook/LI/2004/2004\\_46.pdf](http://fsahandbook.info/FSA/handbook/LI/2004/2004_46.pdf)

With the above in mind we have designed a 'risk grading form' for firms to use to calculate the level of risk for advisers at their firm (low, medium & high). As you would expect, lower the risk would mean a focus on 'monitoring', whilst a 'higher' risk adviser would require greater supervision.

The risk questionnaire has 18 questions to answer and takes less than 10 minutes to complete. It is an excellent way of recording how a firm implements a risk-based approach. This system is already in place a number of IFA firms.

Please tick box 7 on the back page to order a copy.

## **10. Statement of Price and Demands & Needs (Insurance contracts)**

We have had several enquiries about this topic, which mainly relates to the requirements in ICOB 5.5.14 and surrounding areas of the rules. The current question on 'interpretation' is whether the insurance providers are required to issue such a summary within the quote and if they do not, whether the intermediary has any obligation.

The rule suggests that a total price of a contract should be provided to the client. For example, the total of the premiums throughout the policy term. We understand that some providers have decided not to change their quotes; as long as it is reasonably easy for a client to calculate a total if they wished.

We are currently awaiting a reply from the FSA on this topic, however, we do not expect a cast iron answer as we are led to believe some insurers are also asking for clarification.

It may be of interest to see the web link below (freely available). This is an example 'statement of demands and needs' designed for IFAs by Friends Provident and does mention 'statement of price'.

[www.friends Provident.co.uk/doclib/sdn.doc](http://www.friends Provident.co.uk/doclib/sdn.doc)

## **11. Suitability Letter exercise – How well will you score?**

During the recent round of Regulatory forums across the UK, which we chair, we have discussed at great length a ‘real life’ suitability letter provided by an IFA firm. As expected, there were many suggestions made to improve the letter for it to be clearer, easy to read and use to defend any future complaint.

We have now written up all comments made and put together a short exercise. This could be used at your next staff meeting, using the suggested improvements as a discussion, once your colleagues have read the letter.

For a copy of both the letter and feedback made please tick box 8 on the back page.

### **Suitability Letters – Watch this space**

DWC are currently involved in a joint project to produce a book (in hard copy) of sample suitability letters. We are planning to put together about 40 different letters. Whilst many firms have libraries stored on their PCs, our idea is to inspire advisers to see other paragraphs and explanations as part of their advice process.

We are trying to keep the costs of such a publication to an absolute minimum, to encourage orders. However, to negotiate a better printing deal we need to estimate how many books are likely to be required. If the price was in the region of £45 (the book will be close to 300 sides long), we would be grateful of a quick e-mail showing an interest (no obligation).

Please e-mail: [mail@compliancenes.org](mailto:mail@compliancenes.org)

## **12. Product Provider Research – How do you document it?**

We have designed a one-page form to assist advisers to record why a certain provider was selected. It also includes an aide-memoire to assist completion. A must for any Compliance Officer looking to adopt a uniform approach.

For a copy please tick box 16 on the back page.

## **13. SERPS / S2P Review work**

This topic continues to be a ‘hot potato’ with many IFAs worrying this will become the next area where the ‘ambulance chasers’ decide to focus their attentions. As you may expect this has already started.

We have written a 5 page ‘paper’ on our views on the current situation and commented on how some firms are planning ahead to try and limit significant numbers of complaints.

Just recently the FSA commissioned a report, written by Oxford Actuaries and Consultants (OAC plc). This report examined the many issues surrounding this great debate, with a view of quantifying the impact of an investor’s decision to ‘contract out’. The report did in fact suggest that many consumers who have been contracted out for a considerable number of years would probably be financially worse off, in comparison to those who remain ‘contracted-in’.

The full report (72 pages) is available at:  
[www.fsa.gov.uk/pubs/pensions/oac2005.pdf](http://www.fsa.gov.uk/pubs/pensions/oac2005.pdf)

The six-page summary (a must read for anyone concerned) is available at: -  
[www.fsa.gov.uk/Pages/Library/Other\\_publications/Pensions/2005/compension.shtml](http://www.fsa.gov.uk/Pages/Library/Other_publications/Pensions/2005/compension.shtml)

For a copy of our summary, please tick box 9 on the back page.

For a copy of two example SERPS review client letters, please tick box 10 on the back page.

## 14. PII Cover

Compliance News has been approached by a PII specialist who is looking to offer IFAs an alternative quote and work with them to improve their existing terms. The most recent quote provided was received back within 5 working days of submitting the proposal.

**Example premiums given are as follows (subject to underwriting etc.)**

1. ABC Financial Ltd: Fee Income £1,500,000, 98% Financial Services work, 2% PMI/Medical Insurance, 17 Employees, Limit of Indemnity £1,100,000, Excess £10,000, **Premium £30,000 + 5% Insurance Premium Tax.**
2. XYZ Financial Management LLP: 2 directors & 1 employee, Fee Income £100,000, 85% Financial Services, 1% Personal Lines Insurance, 1% Commercial Insurance, 13% PMI/Medical Insurance, Limit of Indemnity £1,100,000, Excess £5,000 **Premium £3,000 + 5% Insurance Premium Tax**
3. AAAA FS Advice Service Ltd: 1 director 4 part time employees Fee income £90,000, 92% Financial Services, 5% PMI/Medical & 3 % Research activities, Limit of Indemnity 1,100,000, Excess £5,000. **Premium £4,000 + 5% Insurance Premium Tax**

For more information, please send a brief e-mail to: [compliance@ifahelpline.co.uk](mailto:compliance@ifahelpline.co.uk)

## 15. Mortgage Regulation – A year on

### 15.1 Mortgage Regulation FAQ

As we approach the first anniversary, most firms are now well organised and have taken the new requirements in their stride.

We are very grateful to Mike Bloy, who has written a list of FAQ on this topic.

Mike is Compliance & Training Manager for Mortgage Options, a Mortgage Broking firm with 40+ advisers. He has over 22 years experience in the industry and previously worked at Scottish Amicable and the Millfield Partnership. He is a regular member of the compliance forums in the North of England.

Please tick box 11 on the back page to receive a copy.

### 15.2 Lifetime Mortgages

We recently wrote to the Financial Services Skills Council, asking whether an adviser with MAQ/CeMap would be required to take a 'lifetime mortgage' exam. The following reply was given:

*Thank you for your recent query. If you were registered with MCCB before the FSA took over on 1/11/04 you would not be required to take a lifetime exam. If you do not fall under this registration date then you will have 2 years to complete the lifetime mortgage after starting the activity.*

The following links will also provide useful information:

[www.cii.co.uk/qualifications/financialplanning/framework\\_overview/framework\\_qualifications.aspx](http://www.cii.co.uk/qualifications/financialplanning/framework_overview/framework_qualifications.aspx)

[www.ifsllearning.com/qualifications/courses/celm.cfm](http://www.ifsllearning.com/qualifications/courses/celm.cfm)

### 15.3 FSA guidance on Sub-Prime Mortgages and Mystery Shopping activity

The FSA have recently issued detailed press releases on the above two topics. As space is limited, we are unable to show all the information. However, we have written a short factsheet on the topics.

To receive a copy, please tick box 12 on the back sheet.

### 16. Compliance News Premier Service

As mentioned on the first page this is a service offered by Compliance News, which was prompted by several IFAs who contacted us following the last newsletter, requesting most of the forms (and a discount). We believe this will save a typical IFA firm at least 50 to 80 hours per year.

**£90 inclusive for a year.**

**PRICE GUARANTEED UNTIL 31<sup>st</sup> DECEMBER 2005**

**DOCUMENTS SENT ELECTRONICALLY ON 'WORD'**

**Benefit:** You have access to **all the forms** we have, at no extra charge. We will send a wide range of IFA forms / guidance on a regular basis to you in a word document format. In addition, wherever possible we will try and assist with individual requests.

**To register:** Please tick box 29 on the back page and complete your details, enclosing a cheque made payable to Compliance News.

The following is a list of some of the documents, which will be issued. Many are already available for use.

Initial Disclosure Documents (Templates)	Menu Documents (Templates)
Combined IDDs	Disaster Recovery / Continuity plan
Updated Terms of Business letters	Compliance Plan
Recruitment checklist	Risk Mitigation plan
Attitude to Risk assistance	Risk Assessment / calculator of adviser
Job Description / Role of advisers	File checking forms
Telephone conversation file note forms	Fit & Proper adviser annual declarations
Provider Research summary forms	Blank reference request forms
RMAR Fact-sheet and example form	Adviser Role / Job Description templates
A range of Suitability Letter templates	Income Drawdown checklist
Compliance Officers diary template	Compliance Audit forms
SERPS review letters	Mortgage advice / File checking forms
Updated Observed forms (Menus / IDDs)	Depolarisation forms / FAQs
Mortgage Regulation checklists	Customer Satisfaction Surveys
Personal Account Dealing declaration	Update / Short fact-finds
File completeness checking forms	Corporate fact-finds
Compliance Board Report templates	Training Needs Analysis forms
Maintaining Competence (T & C) form	Terms of Business templates
Client agreements / Fee agreements	

**... and more, list to be continuously updated as the market changes and Regulations develop.**

A few recent comments from existing subscribers (all directly authorised IFAs)

- *'Brilliant service and great value'*
- *'A lot better than expected.. will save a massive amount of time'*
- *'Excellent, thank-you'*

**Any questions about the service? Please call Phil Dibb on 0113-2508835**

## 17. Introducer AR's and AR's - Registration

### Have you registered your introducers with the FSA?

There is currently a significant amount of confusion as to which individuals / firms, who make referrals and introductions, should be registered as 'Introducer Appointed Representatives'. IFAs who have already completed an electronic return (RMAR) should have answered a question about this.

We are very grateful to Brian George who has allowed us to provide copies of his recent article on this topic. Brian is the Director of Compliance at Destini Group, one of the largest IFA groups in the UK. The article was originally published in 'Professional Adviser' during April 2005 and explains the position and why many IFAs are failing to correctly register their introducers.

To receive a copy, please tick box 13 on the back sheet.

## 18. Yours and your client's health – Special deal for readers

### Health Screening and Blood Testing – Offer

We are pleased to announce that Compliance News has negotiated a special deal for readers and their clients, for health screening and blood tests. MediChecks.com, who provide their services throughout the UK, recently assisted our editor when he required a series of essential health checks and could not wait for them on the NHS. The health screening package included over 60 individual tests. To quote our editor:

*'The whole process was really well organised, from arranging the initial health screen, discussing the individual results over the telephone and then receiving a personalised full report explaining the outcome and how I should interpret the findings. I would strongly recommend that everyone consider such periodic checks. I will be repeating this every year or so. MediChecks.com offer a wide range of Well-Man / Well-Woman health checks, which are all affordable – Thank-you'*

MediChecks.com has agreed a **£10 discount** to all readers (and their clients) who use any of the wide range of services. When ordering, please quote IFA / Compliance code **IFA67**.

[www.medichecks.com](http://www.medichecks.com)  
**08456 029 029**

## 19. Compliance Awards – The OstCar's: DWC have two nominations

The 2005 Compliance Register OStCaR Awards (Outstanding Service to Compliance and Regulation)

DW Regulatory Consultants limited (Compliance News is a trading style of DWC) are pleased to announce they are in the nominations for the London OstCar awards in the following categories:

- Best Compliance Consultancy Services Award (IFAs, Funds Supermarkets, GI and Mortgage Brokers) – Category A3 Firms
- Best Individual Compliance Consultant Award (IFAs, Funds Supermarkets, GI and Mortgage Brokers) – Category B8 Individuals

DWC would like to thank those who have made nominations.

Please see below for further information:

[www.compliance-register.com](http://www.compliance-register.com)

**[www.fsresourcing.co.uk](http://www.fsresourcing.co.uk)**

**Have you registered yet?**

**Did you know that over 70% of our placements made are never advertised?**

Unlike the vast majority of recruitment consultants they fully understand the many different roles connected to IFA firms and will not waste time introducing unsuitable vacancies / candidates. Between the 3 Directors at the firm the following qualifications are held. G60, G10, G20, H15, CeMap, CeFA, FPC and Cergi. Can your recruitment firm match those?

A quote from Gary Kershaw, Compliance Director, Simply Biz *'We use the services of FS Resourcing for the majority of our head office recruitment. They fully understand each different role and appreciate our specific needs. Their pre-vetting of CV's saves a lot of time'*.

So if you are looking to recruit, please make contact. We are very competitive and highly professional.

If you would like to discuss your career or recruitment needs in more detail then please contact David Webster on 0113 3444446 (mobile 07711 419484) or email:

**[david@fsresourcing.co.uk](mailto:david@fsresourcing.co.uk)**

FS Resourcing  
Aspect Court  
47 Park Square East  
Leeds LS1 2NL

If you're looking for a new position, FS Resourcing act for some of the UK's best known household names and are placing people right across the country....from new trainees to director level. All information given is treated in the strictest confidence.

If you're looking to add to your team, we can help you to find the right person. FS Resourcing have extensive experience in selecting candidates that fit your company as well as the position on offer.

**Current opportunities include:**

- |                         |   |              |                    |
|-------------------------|---|--------------|--------------------|
| - Compliance Manager    | - | North        | £42,000 + Benefits |
| - Compliance Manager    | - | South        | £42,000 + Benefits |
| - Pensions IFA          | - | Surrey       | £Competitive       |
| - Compliance Field role | - | Watford      | £32,000 + Benefits |
| - Compliance Field role | - | York         | £28,000 + Benefits |
| - Paraplanner           | - | Nottingham   | £26,000 + Benefits |
| - Compliance Assistant  | - | Leeds        | £24,000 + Benefits |
| - Paraplanner           | - | Leeds        | £20,000 + Benefits |
| - Paraplanners / Admin  | - | London areas | £Various positions |

For more information please contact David Webster on **0113 3444446** or email **[david@fsresourcing.co.uk](mailto:david@fsresourcing.co.uk)**  
**<http://www.fsresourcing.co.uk/>**

FS Resourcing is a trading style of Compliance Resourcing Limited

**List of Forms to Order: Please print off and post to:  
Compliance News, 2 Henley Crescent, Rawdon, Leeds, LS19 6PA**

	ITEM	Please tick below to order	Cost (£)	Total (£)
1	RMAR – Electronic Reporting sheet of 77 FAQs		Free	nil
2	Pensions Simplification updates (3) by Keeley Paddon		Free	nil
3	Pensions Simplification article by Tom Ryan		Free	nil
4	Pension Transfer guide & G60 grid		£30-	
5	Financial Promotions – Exercise with suggested answers		£20-	
6	Treating Customers Fairly (TCF) – Help for IFAs		£30-	
7	Adviser Risk Assessment for T & C Supervision		£10-	
8	Suitability Letter exercise		£20-	
9	SERPS / S2P Review: Further information on topic		£10-	
10	SERPS / S2P Review: Example letters (2)		£20-	
11	Mortgage Regulation – FAQ by Mike Bloy		Free	nil
12	Summary of FSA press releases for Sub-prime mortgages and Mystery shopping exercise		Free	nil
13	Introducer AR v AR – Article by Brian George		Free	nil
14	GPPP Suitability Letter – New joiner – Ltd advice case		£20-	
15	Investment Bond Suitability Letter template		£20-	
16	Product Provider Research Aide Memoire form		£10-	
17	Updated FSA Complaints procedures		£20-	
18	Corporate fact-find		£20-	
19	Administration completeness checking form		Free	nil
20	Business Continuity Plan / Disaster Recovery Plan		£30-	
21	Menus: Examples of different section 4 layout		£20-	
22	IDD / CIDD: 3 typical examples		£20-	
23	Short form fact-find / Update fact-find		£20-	
24	T & C Maintaining Competence annual sign-off form		£10-	
25	Annual fit & proper sign-off - Updated version		£20-	
26	Monthly Retainers –Example agreement		£30-	
27	Fee agreement – Two examples		£20-	
28	T & C Self Audit – 10 questions		Free	nil

**Subscribers to the Premier Service will automatically be entitled to all the above forms at no extra cost, included in the £90 (plus others we design, such as those shown on page 13 and referred to in past editions).**

29	<b>Compliance News Premier Service:</b> (see page 13) Receive a wide range of documents on word document throughout the year. No postage costs.		<b>£90</b>	
Please note that the prices quoted above are for IFA firms, which are registered with the FSA either direct or via a network. Compliance News reserves the right to increase the prices for any other organisation that may require copies of certain documents.		<b>Subtotal</b>		<b>£</b>
		<b>Administration and postage costs.</b>		<b>£15 **</b>
		<b>Total</b>		<b>£</b>

**Please make cheques payable to Compliance News and post to the address at the top of this form.  
An invoice marked as 'paid' will be issued with all orders.**

**\*\* All orders of £30 or more are free of the administration and postage costs – please delete as necessary.**

Name:	
Firm:	Are you an authorised firm ? y/n
Address:	
Tel:	
E-mail:	

**PLEASE NOTE THERE IS A MINIMUM CHARGE OF £15 PER ORDER**