

Compliance News – January 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 four to five months. For a copy of the earlier August 2004 version please email us. This bulletin includes commentary from the FSA Roadshow held in Leeds on 11th January 2005.

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.

Distribution: This bulletin is to be issued to over 2500 IFAs who have been in contact with DWC since Phil Dibb left the FSA. The aim is to get the distribution up to 4000. 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

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Compliance News Premier Service

Following the many requests for forms and templates from the last edition, we have decided to introduce a new service. IFAs can now subscribe to receive a wide range of forms and templates to assist with the running of their business. An example of some of the forms to be issued during 2005 is shown on page 7. All forms will be issued direct to subscribers on a word document. We plan to issue a minimum of 30 templates / forms during 2005, at a price of £90 for the full year. All we ask is that you agree not to forward the word documents on to other IFAs, compliance firms or other industry professionals. Please see page 7 for full details. **We hope this service will save a typical firm at least 50 hours during 2005 and avoid 're-inventing the wheel' throughout a very busy year.**

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

Why not email 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 an obligation cannot be transferred to a third party.

1. Depolarisation, Initial Disclosure Documents and Menus

This is the biggest change in the market for many years, whilst the whole concept of multi-ties, IFAs and a menu document is reasonably clear; the fine detail of the content of the document is very confusing. On the 6th Jan 2005, Phil Dibb (Editor) chaired a depolarisation meeting in London; the audience were all competent IFAs with a great interest in Compliance and 'getting things right'. It may come as no surprise to readers that some were still confused about the requirements at the end of the session and there were several inconsistencies relating to guidance from other Compliance Consultants and the FSA. So if you too are confused, you are not on your own!

To help firms, we are running a series of Depolarisation forums, please see page 8 for details.

1.1 The story so far

- From 1988 to 30th November 2004 firms were either 'Independent' or 'Tied'.
- From 1st December 2004 authorised firms can be 'Independent', 'Whole of Market', 'Multi-Tied' or 'Tied'; with the possibility of being more than one of these. For example, some firms could have both IFAs and multi-tied advisers.
- Current IFAs who wish to remain 'Independent' must offer the choice of paying by fee to clients.
- Current IFAs have the choice of 'De-polarising' from now until the 1st June 2005.
- From 1st June 2005 all IFAs must issue both an Initial Disclosure Document (IDD) and a menu at the start of the process (to the majority of clients). There are some exceptions, such as GPPP clients, who will not normally require a menu unless the scope of advice is extended into other areas.
- Because of the Insurance Mediation Directive (IMD – effective from 14th January 2005) IFAs now need to consider the content of their own IDD (unless they are using updated Terms of Business). In addition, consideration needs to be given to the content of the menu document and how the firm is going to express their 'maximum' commission figure in relation to market averages.
- The FSA have issued a commission calculator to assist with the above. For the vast majority of IFAs we believe this task will be both costly and time consuming, as the guidance issued is not particularly easy to understand.

1.2. IDDs and Menus:

IDD Confusion: If you would like to receive 5 generic IDDs on a word document, as used by other firms, please tick box 5 on the back page. These will give you an excellent idea of how firms have approached this document.

Firm specific design:

For small to medium sized IFAs (up to 15 advisers with no special activities such as client money or discretionary management), we will design both your IDD and menu form for £480 inclusive. This exercise will involve us discussing at length your business model and understanding the services you offer (we will write your firm's statement of services for your approval). In addition, we will discuss the various ways you get paid and design / calculate the menu for you. If you regularly take commission plus trail, you are required to calculate some NPVs (Net Present Value figures) using the FSA's commissions calculator. We will arrange these calculations for you. The final versions (one of each) will be supplied on a word document to firms. Electronically held logos can be included. Please approach us ASAP should you require this service, as we anticipate this being very popular. For those firms designing their own, the process may take between 10 and 15 hours.

1.3 Frequently Asked Questions on Depolarisation / IDDs and menus

Shown on page 10 are five of the most common questions where we believe IFAs are struggling. We are currently finishing a factsheet on this topic, please tick box 1 on the back page to receive a copy. Subscribers to Compliance News Premier Service, will automatically get a copy.

1.4 Terms of Business letters

The majority of IFAs will need to update their 'Terms of Business' letters to reflect the Insurance Mediation Directive (IMD) and Depolarisation changes. Please tick box 2 on the back page to receive copies of two generic versions.

1.5 Quick Quiz: Depolarisation

The following questions relate to an IFA firm whose main line of business is investments, pensions and basic protection contracts, who occasionally write some mortgages.

- Q1: Can the Terms of Business letter, menu and IDD be combined into one document?
Q2: Are firms allowed to design bespoke versions of their own IDD and menus?
Q3: Could an IFA also be a multi-tied adviser (same person)?
Q4: By what other two names is the 'menu' also known as?
Q5: Which of the following products would not be seen on a menu. Investment Bonds, Unit Trusts, Mortgages, Term Assurance and Income Drawdown.
Q6: If a firm wishes to 'depolarise' before 1st June 2005, do they require prior agreement from the FSA?
Q7: If an adviser initially introduced himself as an IFA, once he understood the client needs further, could he downgrade his status to multi-tied in the same interview?
Q8: An IFA agrees to act for a client on a 'fee-only' basis (the client writes a cheque for the invoice, the contract is enhanced). Can the firm retain the £500 p.a. trail commission received from the Unit Trust provider?

Answers on page 5

2. Regulatory Reporting (Annual questionnaires and others)

The new system for regulatory reporting starts on 1st July 2005, however, firms may be required to capture new data before this date. The main change is that the FSA would prefer IFAs to report electronically and reports will now be 6 monthly. We can advise the following from a recent FSA presentation.

- During 2004, 71% of all annual questionnaires sent to the FSA were late.
- Following the changes due in July 2005, the FSA plan to apply a surcharge (penalty / fine) for late returns.
- IFAs will be required to report every 6 months.
- There will be some exceptions for firms with less than £60,000 p.a. income.
- Requested information will include financial information, PII details, number of advisers and supervisors, split of business (investment, mortgages and GI), other sales data and conduct of business issues.
- Complaints reporting will be slightly different and the collection for new data starts 1 April 2005.

Compliance News plans to issue a factsheet on this topic at the end of March 2005, once further details are known. Should you require a copy please tick box 21 on the back sheet.

3. New Complaints Procedures

Following the recent changes, IFAs are required to update their complaints procedures. The key change is that the new procedures need to show how a firm will treat a complaint, which is meant for a different firm (*..... a firm which has reasonable grounds to be satisfied that another firm may be solely responsible for the fault alleged in a complaint*). Firms should look to update their procedures in the very near future.

To save time, firms may wish to order a copy of our new procedures, please tick box 19 on the back page.

4. Distance Marketing Directive

A well-known industry figure recently referred to this as a piece of ‘*Nonsensical European Legislation*’, probably the best description yet. It is one of the most boring and poorly written documents we have ever come across. In essence it aims to provide retail customers a specified minimum amount of information if they effect a contract at a distance. So as you would expect, contracts / policies written via the post, internet or telephone are caught by these strange set of rules.

Anyone wanting to see the specific FSA text on this should refer to:

www.fsa.gov.uk/pubs/policy/04_11/index.html

Rather than use up useful space here, we have written a short summary for IFAs, see item 6 on the back page.

5. Pensions Simplification

As mentioned in the last edition of Compliance News, firms should now have a ‘Champion’ and be organising a business plan and contacting appropriate clients. One IFA recently told us that he had written to all his EPP, SSAS and SIPP clients, offering a general overview pre ‘A’ day, with a view of commenting on tax-free cash and key changes. The IFA was surprised when most of the clients agreed to pay the fee of £500 for the privilege, however, we understand the company cheque book was used by most of them.

We are also pleased to offer readers of Compliance News the chance to obtain a copy of a recent Pensions Simplification bulletin written by Keeley Paddon of Simply Biz. Keeley is a well-known pensions expert in the North of England and we are grateful to Simply Biz for this offer and all the assistance they provide to IFAs. Please tick box 7 on the back page for a copy of this publication.

6. Professional Indemnity Insurance (PII) – New Limits

As the Insurance Mediation Directive comes into force on 14th January 2005, there are changes ahead for the PII limits. In summary, the minimums are €1,000,000 (euros) for a single claim and €1,500,000 (euros) aggregate cover. We understand that firms cannot have rule waivers for PII after 14th January 2005, however, we are not sure whether there could be any movement on this.

7. Treating Customers Fairly (TCF) – Current FSA theme

During the recent Roadshow, this topic was focused on by the FSA. In essence the FSA are looking at firms (in particular Senior Management) to demonstrate that they understand the TCF strategy and are taking this seriously. The FSA identified 6 key methods for mitigating the risks of treating customers unfairly.

Pre-sale: Training, monitoring and remuneration. General training should include all staff and ideally reward systems for advisers would avoid volume targets.

Post sale: Management Information, regular client contact and feedback.

This links in with the article we wrote last issue on client questionnaires and feedback forms. Using a feedback form periodically could be an excellent way of showing the FSA your firm are taking this seriously. Compliance News has designed two versions, tick box 8 on the back page to receive copies. Further information can be seen at:

www.fsa.gov.uk/pubs/other/tcf_27072004.pdf

8. Income Drawdown – Recent FSA comments

This continues to be a Regulatory Hot Topic. Many IFAs would like this to become a separate permitted activity (like Pension Transfers). However, this was previously considered and it sounds like this is not currently on the agenda.

The FSA made a few other interesting points following recent themed visits:

- Putting a certain level of *'funds on deposit for the first few years'* was regarded as a good practice. If your advice does not go down that route, it would be a good idea to consider making a file note why this was discounted.
- The FSA like to see a well-run program of annual reviews.
- Attitude to Risk scales (ATR): Without proper explanation of scale and charts, these were sometimes considered meaningless.

9. Whistleblowing Act (Public Interest Disclosure Act 1998)

We are grateful to Gary Kershaw of Simply Biz who has made his recent article available to readers of Compliance News. Please tick box 11 on the back sheet to receive a copy.

Further information can also be found at:

www.fsa.gov.uk/whistle/whistle_faq.html

10. SERPS Review / Questionnaires and the ABI leaflet

The 'inbox' at DW Regulatory Consultants Limited is brimming full of queries about this topic. Unfortunately, like many IFAs we are unable to categorically state what a firm should include in any 'review letter' they issue. From the Regulatory Forums which Phil Dibb chairs, we have learnt that a large number of firms are now undertaking their own SERPS review exercise (damage limitation?). The main issue is that firms feel vulnerable as they receive annual new commission from these contracts and some also feel they have a 'duty of skill and care' towards such clients.

Please do not take this issue lightly; many IFAs believe this is the next review when the endowment scaremongers become quiet. As an example of this, readers may be interested to search the web on 'SERPS review', too many people are already on the bandwagon. To make things worse, an IFA has already registered 'www.serpsreview.co.uk' and has one section 'How to make a complaint'. Is this helping our industry?

On a positive note...

To assist firms, we have copies of two letters issued by IFA firms (different approaches used) available for this exercise. Please note, the source of such information cannot be divulged and there are no guarantees that such documents will comply with requirements of the FSA, FOS or similar bodies either now or at anytime in the future.

Should you require a copy of these letters, please tick box 14 on the back sheet.

Answers to Depolarisation questions: Q1. No, although a staple can attach the IDD & T of B together. Q2. In general terms, no. Q3. Yes Q4. 'Fees and commission statement' (for the rule book) and 'Keyfacts about the cost of our services'.Q5. Mortgages and Term Assurance Q6. No, they should advise their normal FSA contact. Q7. No, you can only go from tied upwards (in normal circumstances). Q8. In general terms, No, unless the IFA and client have agreed to this in writing and the firm believe the amount of trail is manifestly disproportionate to do so (in relation to the overall fee).

11. Exam Review / Changes

Following on from the last issue of Compliance News, further details are now out from the CII and IFS. We are currently writing an updated factsheet on this, to be available by the end of January 2005. Please tick box 12 on the back sheet to receive a copy.

Points to note:

- For IFAs currently registered as competent, there are no plans at present for additional exams to be required, unless you are looking to advise in an activity which requires a specific qualification (such as Pension Transfers / G60).
- The last FPC 1/2/3 sittings are 19th & 20th July 2005. The current closing date for exam entry is 17th June 2005 (please double check with CII).
- The new CII qualification is called the Certificate in Financial Planning, to obtain the FPC equivalent, 5 papers are required to be passed (if you are starting from scratch).

www.cii.co.uk

www.ifslearning.com

12. Switching Personal Pension providers: FSA Occasional paper

Whilst this FSA document is from 2002, we are aware that some IFAs are using it as a discussion document with clients. Because of this, we thought others might also find it useful. The document challenges the many issues surrounding such an issue, which has been a worry to some firms as they feel the dreaded 'C' word could be mentioned.

www.fsa.gov.uk/pubs/occpapers/op18.pdf

13. Training & Competence scheme: Self Audit

DWC has prepared a list of 10 key questions for firms to audit their own scheme; we believe that firms who can 'pass' this audit are well on the way to having a robust T & C scheme.

Please tick box 26 to receive a free copy of this form. Subscribers to the Compliance News Premier service will receive this automatically.

Supervisors (including Principals of firms nominated as 'Supervisor') -

How do you maintain your competence?

When did you last update your knowledge and skills?

We have designed a specific one-day course for supervisors who are required to '*maintain their competence*' (T & C Rule 2.7.5 (2)). It is a well-structured day working on the skills and knowledge, which are required by Supervisors. Please see page 8 for further details.

14. 'Toxic Products': A new FSA phrase!

The FSA seminar team have now mentioned this phrase several times. In summary they are aware of a few product areas, which have certain 'toxic' levels of risk. The FSA believe that some firms get involved in such areas when their advisers do not have the skills and knowledge to give appropriate advice and this is a risk to both firm and consumer. In essence, for anything out of the ordinary, firms should make sure advisers are competent.

Examples of these potentially 'toxic' product areas include VCTs and Lifetime mortgages. The FSA asked '*if firms are active in these areas, could they demonstrate their advisers are competent to provide advice?*'

15. Testing the Knowledge of advisers

During 2005 we plan to hold several 'test' centres where advisers can sit a two-hour Financial Services test to be used as part of demonstrating they are maintaining competence. We plan to have a mixture of both 'Multiple Choice' and 'Explain your understanding' questions. The costs will be in the region of £60 per adviser and this will include marking, feedback and a summary training plan for the future.

Our initial plan is to offer three papers, a paper for a GP adviser, one for advisers who concentrate on pensions and investments and a third generic paper which excludes in-depth mortgage questions. As we are currently planning the sessions, we would appreciate firms advising us of any preferred locations, potential numbers and times of the year. Please send an email to the usual address.

16. Compliance News Premier Service

As mentioned on the first page this is a new 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.

Cost: £90 inclusive for a year.

Benefit: We will send a wide range of IFA forms / guidance to you in a word document format. In addition, wherever possible we will try and assist with individual requests.

To register: Please tick box 27 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 are planned to 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 questionnaire	Risk Assessment / calculator of adviser
Fact-find – Updated version	File checking forms
Telephone conversation file note forms	Fit & Proper adviser annual declarations
Provider Research summary forms	Blank reference request forms
On-line FSA Reporting fact-sheet	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)	Anti Money Laundering changes
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
Job Description / Role of advisers	
Commentary following attendance at Industry sessions	
Copy of letter from the Ombudsman - <i>'He who asserts'</i>	
Maintaining Competence (T & C) annual sign-off forms	

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

17. Training Courses in 2005 – For IFAs and employees of IFA firms

Depolarisation – Discussion groups / forums (am and pm)	Location	Date	
<p>These sessions will be an ideal place to discuss and understand the key requirements from the changes ahead, the documents to be developed and how other firms are changing their business model. Delegates will be provided with a draft Initial Disclosure Document and Menu in a 'word' document format for their own use. Other agenda points include the new complaints procedures, maximum / market average commission figures, trail commission ('client money' issues) and T & C requirements. Same location for both sessions.</p> <p>Cost is £60 inclusive per person, per session.</p> <p>Times – AM Session 9-30 to 12-00: PM Session 1-30 to 4-00</p>	Sheffield / Nottingham	14 th March	
	Leeds / Bradford	15 th March	
	Manchester	16 th March	
	Liverpool / Warrington	17 th March	
	Coventry / Birmingham	18 th March	
	Falkirk / Glasgow	22 nd March	
	Newcastle / Durham	23 rd March	
	Cardiff / Bristol	19 th April	
	Worthing / Chichester	20 th April	
	Epsom / Kingston	21 st April	
	Chelmsford / Harlow	22 nd April	
	Course – T & C Supervisor Refresher: One-day	Location	Date
<p>This course is designed for those with some experience of the T & C requirements in the IFA market, who require a 'refresher' and to update their own knowledge and skills. We will consider the FSA rules and guidance and how different firms interpret these, show how risk-based systems work, discuss the many different forms which firms use and also consider the key aspects of observing, coaching and providing feedback. You will not be disappointed.</p> <p>Cost is £125 inclusive per person. Times 9-30am to 4-30pm.</p>	Leeds / Bradford	12 th April	
	Falkirk / Edinburgh	4 th May	
	Newcastle / Durham	5 th May	
	Cardiff / Bristol	24 th May	
	Exeter	25 th May	
	Southampton / Bourne'	26 th May	
	Epsom / Kingston	21 st June	
	East Sussex	22 nd June	
	Cambridge / Thetford	23 rd June	
	Manchester/ Warringt'n	7 th July	
	Course – Compliance for IFAs and employees: One-day	Location	Date
<p>The focus of this course is to assist IFAs understand the FSA requirements in respect of client files, recording 'Know Your Client' information, suitability letters, FSA reporting, systems & controls (risk-based), complaints handling and Training & Competence. It is a full-day concentrating on the key areas, which the FSA focus on when visiting IFA firms. It is an interactive workshop with case study exercises and discussion on the 'interpretation' of the FSA rules.</p> <p>Cost is £125 inclusive per person. Times 9-30am to 4-30pm.</p>	Reading / Watford	29 th June	
	Cardiff / Bristol	30 th June	
	Leicester / Nottingham	1 st July	
	Leeds / Bradford	8 th July	
	Kingston / Epsom	12 th July	
	Maidstone / Canterbury	13 th July	
	Chelmsford / Harlow	14 th July	
	Falkirk / Glasgow	7 th Sept	
	Exeter	14 th Sept	
	Southampton/Chichester	16 th Sept	
	Manchester	12 th Oct	
	Course – Introduction to FSA Compliance for Administration / Junior staff at IFAs: One-day	Location	Date
	<p>This course is an excellent introduction to the world of IFA compliance, looking at the important areas for administrators and junior compliance staff to focus on. We believe that having back-office staff trained on such a topic will allow advisers to spend more time with clients and also assist in promoting good compliance systems across the firm. It is a workshop with case study exercises and discussion on the 'interpretation' of the FSA rules. Delegates will have the opportunity to ask as many questions as they like and enjoy a session which will give them confidence in understanding the rules which effect IFA firms.</p> <p>Cost is £90 inclusive per person. Times 10am to 3pm.</p>	Falkirk / Edinburgh	8 th Sept
Bristol / Cardiff		13 th Sept	
Southampton / Bourne'		15 th Sept	
Manchester		22 nd Sept	
Leeds / Bradford		23 rd Sept	
Birmingham		13 th Oct	
Kingston / Epsom		1 st Nov	
London City		2 nd Nov	
Croydon		3 rd Nov	
Liverpool / Warrington		16 th Nov	
Leicester / Nottingham		17 th Nov	

Please e-mail us to receive a booking form.

18. Recruitment of Compliance Staff

COMPLIANCE RESOURCING LIMITED

This is a new firm specialising in the placement and career development of Compliance staff. Whether you require additional staff at your firm or wish to progress your career, they can assist. Unlike the vast majority of recruitment consultants they fully understand the many different roles connected to Compliance and will not waste time passing you unsuitable candidates. Between the three Directors at the firm the following qualifications are held. G60, G10, G20, H15, CeMap, CeFA and FPC. Can your recruitment firm match those?

Contact David Webster at CRL.
david@complianceresourcing.com

What about your own career?

Is it time you moved on to pastures new and took control of your future? DWC is regularly asked '*do we know of anyone who could ...*'. You would be pleasantly surprised how many opportunities are out there for experienced compliance staff.

Compliance Resourcing Limited
Aspect Court, 47 Park Square East, Leeds, LS1 2NL
Tel: 0113 344 4446
Mobile 07711 419484
Email: david@complianceresourcing.com

All correspondence will be treated in absolute confidence.

19. Will Writing / Estate Planning service - Advertisement

Estate Planning & Will Writing Service

EPS is a specialist Will Planning company with their head office in Leeds, who provide a nationwide service working exclusively with professional introducers such as Independent Financial Advisers and Accountants. By working in partnership with EPS, you can offer a professional estate planning and will writing service for the benefit of your clients, which is entirely complementary to your own services. Naturally you will receive an introductory fee as well as helping you to identify new opportunities for tax and investment planning.

If you would like to discuss the opportunity of increasing your income by working in partnership with EPS, please email: introducer@therightwill.co.uk or visit their website: www.therightwill.co.uk

20. Depolarisation – 5 Frequently Asked Questions

Please tick box 1 on the back sheet to receive an updated factsheet with 20 FAQs by IFAs.

Please note, due to varying FSA guidance and different opinions, DWC cannot be held responsible for any views contained within the document. Firms who take any action following this debating process should ensure for themselves that they comply with the various FSA requirements.

The following 5 points are some of the key issues following several IFA meetings. The queries relate to an IFA firm whose mainstream business is pensions and investments and who work on both a fees and/or commission basis.

The coloured commentary (in blue) is an updated point of view following discussions with the FSA's depolarisation team and other IFAs who have had similar experiences.

1. When using a Combined Initial Disclosure Document (CIDD) post 14th Jan 2005: If a firm decides to use such a CIDD and includes investments (pages 34-38 of final text appendix 1) along with Insurance and Mortgages are they deemed to have 'de-polarised' and subsequently are they required to issue menus etc. (and advise usual FSA supervisory contact)? **We now understand that this is not the case. An IFA firm can use a CIDD after 14/1/05 with investments included and still not 'depolarise'. However, their Term of Business letter needs to be updated to reflect a few of the IMD / GI changes. If the firm use a menu in any circumstances, we understand that they are deemed to have de-polarised. Please note different IFAs have had a range of answers to this question.**
2. Following on from the above. If a firm wish to delay 'de-polarising' they have two options. One, to update their Terms of Business letter to include additional items (for example: Scope / GI / Loans / Home Reversion etc.). Two, to issue an IDD (could be CIDD - if applicable to firm), along with standard T of B. **Following discussions with the FSA we now understand this to be correct. As mentioned above, a firm need to have a menu (commission maximums / market averages etc.), before they can depolarise. The latest date for this is Wednesday 1st June 2005.**
3. Commission calculator for the menu: As an example Investment Bonds. If a firm generally always takes 3% initial plus 0.5% trail on Investment Bonds and they are looking to show this as a re-expression of commission in the menu. The firm wish to be able to retain the right to take a higher level, possibly for some complex cases or when small amounts are invested (i.e. £10,000 invested – where they may take 7% initial commission). Can the firm put the maximum as 7%, and then on an individual basis advise clients separately in writing that this is a maximum and is subject to individual cases / negotiation. Whilst some firms could look expensive (if issued to a new client) this does leave them with plenty of flexibility. **Please note this area is very much open to interpretation, our discussions have included various calls to the FSA. Ideally, the FSA would like the firm to use their 'typical' model when showing their maximum, so if the normal maximum on bonds would be 3% initial plus 0.5% trail, this would be the preferred method. If the firm needs to charge a particular client say 7% (only investing £10k and taking a lot of time), as a real 'one-off' the firm is allowed to go above their stated maximum as long as the file is well documented and the client agrees to this in writing. One compliance professional referred to this as IFAs showing their 'typical maximum', an excellent interpretation!**
4. Trail commission from 'fee only clients': Example, if the IFA firm works on a fee only basis, for a client who invests £250k and the total fee is £5000 (no further advice planned, just an annual review meeting). Should the IFA rebate all initial commission back into the contract, but then receives 0.5% trail commission (with rule 4.3.6 (2) in mind) should / must the IFA rebate this trail commission? What if the client is aware of the commission and the IFA has agreed with the client in writing this will be retained for 'servicing' work? **In brief, IFAs could retain small amounts of trail commission, which would be classed as so manifestly disproportionate in relation to the fees paid. The above example would be £1250 p.a. and this was considered far too much to be retained. Another IFA who attended a FSA seminar stated that he was told 50p (yes fifty pence, sterling!) per month would be seen as a small amount. Please be aware, if you go 'fee-only' you could be saying goodbye to your trail commission. In addition, there are client money issues. If you retain some of the trail commission, to build up a pot for future fees, it is not clear when the FSA would rule this to be 'client money'. If it is at all possible that such a pot building up could result in a direct payment back to a client, this is likely to be seen as client money. The wording in the client agreement and Terms of Business letter will be of paramount importance here. Generally speaking, IFAs should avoid being authorised to hold client money, the advantages rarely meet the additional regulatory inconvenience.**
5. GPPPs: For such clients who are only receiving advice on GPPPs, there is no requirement to issue a menu, will an IDD suffice? **We understand this to be correct. However, if the IFA moves into any area included in the menu listings, a menu will be required.**

**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	Depolarisation – Frequently Asked Questions by IFAs		£10-	
2	Updated Terms of Business letter (two generic versions)		£25-	
3	Administration completeness checking form		£10-	
4	T & C Maintaining Competence annual sign-off form		£10-	
5	Examples of 5 IDD's sent on a word document		£30-	
6	Distance Marketing Directive – Information sheet		Free	nil
7	Pensions Simplification update		Free	nil
8	Customer satisfaction surveys (Two versions)		£20-	
9	Short form fact-find / Update fact-find		£20-	
10	Corporate fact-find		£30-	
11	Whistleblowing Act information sheet		Free	nil
12	Exam Review update		£10-	
13	Business Continuity Plan (Disaster Recovery Plan) for small to medium sized IFAs.		£20-	
14	SERPS Review: Example letters		Free	nil
15	GPPP Suitability Letter – New joiner – Ltd advice case		£20-	
16	Investment Bond Suitability Letter		£20-	
17	Risk Mitigation Plan for IFAs (similar to a compliance plan)		£40-	
18	Risk Assessment scorecard / calculator for grading adviser risk and related supervision / T & C to be applied.		£40-	
19	Updated FSA Complaints procedures (please note this includes 4 separate documents which are required)		£20-	
20	Income Drawdown file checking form		£10-	
21	Regulatory Reporting changes for IFAs - Factsheet		£15-	
22	Annual fit & proper sign-off – Basic		£20-	
23	Fee-based advice – Client agreements to pay monthly retainer fees (three different levels).		£30-	
24	Compliance Oversight Annual Report to the Board – Example and template.		£30-	
25	Copy of Ombudsman Letter – ‘He who asserts’		Free	nil
26	T & C Self Audit – 10 questions		£10	
27	Compliance News Premier Service: (see page 7) Receive a wide range of documents on word document throughout the year. No postage costs.		£90	
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