

Compliance News

September 2006

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 three to four months. For a copy of all earlier editions please visit: <http://www.fsresourcing.co.uk/compliance-news.php>

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 and also a member of the Association of Professional Compliance Consultants.

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

Distribution: This bulletin is now issued to over 5700 IFAs who have been in contact with DWC since Phil Dibb left the FSA. The aim is to get the distribution up to 8000. 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@compliance-news.org

Contents:

- | | |
|--|--|
| 1. Key Facts logo changes | 2. Anti-Money Laundering changes |
| 3. Bank of England website (FAO of MLRO's) | 4. Treating Customers Fairly (TCF) update |
| 5. MIFID Update | 6. T & C Standards at IFA firms |
| 7. T & C – Get your firm up to date | 8. T & C Record-keeping |
| 9. T & C Rules – Self employed | 10. Audit exemption |
| 11. Exams – Long Term Care | 12. Financial Promotions checklist |
| 13. Principle Based Regulation & Supervision | 14. Data Protection – Update / FAQ |
| 15. Pension Term Assurance adviser quiz | 16. FOS Annual Review |
| 17. Complaints Handling | 18. FSA Courses |
| 19. How do you compare with other IFAs? | 20. Time is Money |
| 21. Compliance Surgery | 22. PII – Shop around as the market improves |
| 23. Keep us up to date | 24. Menus – New market average figures |
| 25. Career Opportunities | 26. Compliance Forums – November 2006 |
| 27. Compliance News Premier Service | 28. Staff cases |

Compliance News Premier Service

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, from only £110 for the 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.

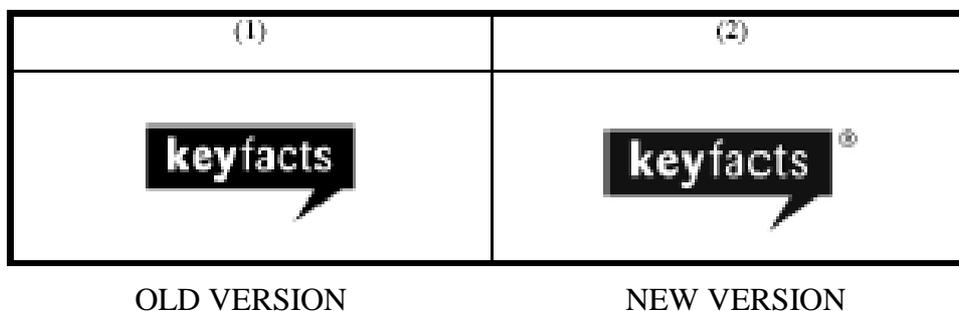
Why not email mail@compliance-news.org and receive it direct to your PC?

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. Errors and omissions excepted.

1. Key Facts Logo changes

The FSA has advised that the 'Keyfacts' logo has become a trademark (CP 06/6). Firms are required to amend the visual of this logo from 6th November 2006. However a 12 months transitional period has been granted so that old stock of printed documents may be used up.

Documents this is likely to affect are:- IDDs, CIDDs, and Menus. Providers will have to change their Policy Summaries and Key Features Documents.



© FSA

The following links will assist:

http://www.fsa.gov.uk/pages/Library/Policy/CP/2006/06_06.shtml

http://www.fsa.gov.uk/pubs/cp/cp06_06.pdf

We have recently contacted the FSA for additional comment on this topic, the following is an extract from the correspondence about the consultation process.

'The deadline for replies was 6 June 06. Subject to the outcome of consultation, we intend to make any changes at the September 2006 meeting of the FSA board. The amended rules would come into force on 6 November 2006. A handbook notice is issued for Quarterly consultation papers rather than a policy statement. This will be issued on 6 November 2006. The proposed transitional period is up to 6 November 2007. Any final transitional period arrived at will be confirmed in the handbook notice described above. There is nothing else we feel a typical IFA firm should be aware of at this stage, but if anything comes up before the handbook notice is published we will communicate this through the appropriate trade bodies and other communication channels.'

Please also see point 24 regarding the changes to market averages. We are able to update your menu to reflect all of these changes.

2. Anti-Money Laundering Rules – Changes from 31st August 2006

As readers will have seen in our previous edition, the 'Anti-Money Laundering' rules and regulations change on 31st August 2006. The main change is the introduction of implementing a risk-based approach.

Whilst such a system may be a good idea, IFA firms could be stuck if some providers will not accept new business on the 'risk-based' basis. For example, potentially some providers may accept a reduced level of checks / verification for lower risk cases.

At the present time, Compliance News **strongly recommends that firms do not relax their own requirements**, but instead wait to see how the providers will react. In addition, in the case of a large investment (e.g. £50,000) providers should be contacted to ensure the adviser is aware of the specific requirements. As an example, one provider (for investments of £50,000+) will require confirmation of **Source of Funds, Occupation & Salary / income details and Source of Wealth**.

It is inevitable that some delays may occur and should firms be holding on to cheques for onward investment, this could potentially cause problems in a rising market. Please ensure that all advisers are aware of these significant changes.

For example, a leading product provider has recently written to IFAs and stated *'this letter is to remind you that after 7 September 2006 we can no longer accept 'Identity Verification Certificates' for either paper or electronic applications. Instead, you will need to complete a 'Confirmation of Verification of Identity' (CVI) certificate'*.

Compliance News has worked with a wide number of IFAs to ascertain how Product Providers will interpret the changes for accepting new business. We now have a number of written responses from providers. For a copy of this word document, please tick box 1 on the back page.

We acknowledge that all of the new guidance (from the JMLSG) is important, however, we would like to draw your attention to four key areas. These are Senior Management Responsibilities (Chapter 1), the obligations and role of the Money Laundering Reporting Officer (Chapter 3), Risk Based Approach (Chapter 4) and Customer Identification (Chapter 5). Guidance is provided per sector, designed to endorse the risk based approach for firms to adopt. Here is where the key documents may be found:

Whilst the new JMLSG guidance is 153 pages, spending an hour understanding the format and scope will be time well spent. Pages 28 to 33 are a must read if you hold the MLRO Function.

JMSLG – Updated guidance – free of charge

http://www.jmlsg.org.uk/content/1/c4/68/86/Final_Part_I_030306.pdf

Press Release – 1st February 2006 (a good summary)

<http://www.bba.org.uk/bba/jsp/polopoly.jsp?d=362&a=759>

http://www.fsa.gov.uk/pubs/policy/ps06_01.pdf

FSA Policy Statement (Reviewing our Money Laundering Regime) – Only 52 pages

<http://www.fsa.gov.uk/pages/Library/Communication/PR/2006/008.shtml>

Update training: DWC pass on all Anti-Money laundering training requests to a specialist firm. Generally, they would visit your firm to present the changes and carry out update training. Costs vary, but a one-day course with two sessions would cost in the region of £680-. Please contact Compliance News for more information.

3. Anti-Money Laundering: MLRO's take note

The FSA Rules and JMSLG guidance expect that MLRO's make use of the intelligence made readily available to them. This may include some of the following websites. Compliance News are aware of IFAs printing out some of the lists available and asking advisers to review the lists as part of ongoing due-diligence.

The Bank of England have a number of lists published on their website.

The link below covers the events of the recent terrorist threat.

www.bankofengland.co.uk/publications/financialsanctions/sancnotice060811.pdf

The link below is an excel spreadsheet of over 6000 individuals / organisations of the 'Sanctions list'.

www.bankofengland.co.uk/publications/financialsanctions/index.htm

At the bottom of this page under the heading of "Key Resources" are links to the full list of consolidated targets in four different formats.

www.bankofengland.co.uk/publications/financialsanctions/sanctionsconlist.xls

MLRO's should also regularly visit the Financial Action Task Force website. This is particularly important for those firms with overseas clients.

www.fatf-gafi.org

4. Treating Customers Fairly (TCF) Update

Readers will be pleased to note we are not going to state the absolute obvious when it comes to this topic. The FSA have recently announced that they *'expect all firms to have reached at least the 'implementing' stage of their TCF work in a substantial part of their business by the end of March 2007'*.

For IFAs this will probably include (as a minimum):

- Firm strategy
- Client & staff questionnaires
- Gap Analysis / Action points
- Implementing change

IFAs should not fall into the trap and think this is a project that will have a conclusion sometime in the near future. Compliance News expects the FSA to use this project on a regular basis in the future, especially when certain firms, processes or products have failed. With the benefit of hindsight, it could become quite a useful tool for the FSA.

Compliance News has produced a full suite of documents to assist firms. The entire suite can be ordered for £60, please tick box 2 on the back page to order a copy (these include a plan / strategy/ gap analysis / staff training powerpoint / staff questionnaire / client feedback forms). Please note, it is more economic to join the 'Premier Service', **from only £110 for a full year, all forms we have are included at no extra cost** (see page 13).

The following links should also be considered:

An FSA summary (July 2006)

http://www.fsa.gov.uk/pages/Doing/Regulated/tcf/library/fair_outcomes.shtml

FSA's TCF Library

<http://www.fsa.gov.uk/Pages/Doing/Regulated/tcf/library/index.shtml>

FSA Visits:

From our travels around the UK at the IFA forums, we are aware of about 20 firms who have had FSA visits. Bristol, Cardiff & Nottingham have been popular locations for the FSA. We are grateful to those firms who gave us feedback from the visits, this assists in the development of our documents.

FSA Telephone Interviews:

A number of IFAs across the UK are also receiving confirmation of FSA telephone interviews on this topic. We await feedback from such an activity and would be delighted to hear from any firms involved in this process. All discussions are treated in absolute confidence.

5. MiFID – Should you be worried?

The Markets in Financial Instruments Directive is a major part of the European Unions financial services action plan. We are currently working on this topic, however, must report conflicting information in the ‘industry’ and some confusion during this stage of consultation.

Due to the existing Regulatory system in the UK, it is hoped that the changes, which may affect small to medium sized IFAs will be minimal. However, although there is limited change to the coverage there is a requirement to change many of the Financial Services Authority rules (possibly using a ‘Copy Out’ approach). We believe this is part of the new approach for using principal based regulation.

We currently believe that most IFAs investment business will fall outside the scope of MiFID. Although being outside the scope of MiFID does not mean that MiFID will not affect you. FSA have many competition issues to consider when implementing the Directives requirements. Come early 2007 FSA will need to decide what MiFID Conduct of Business rules will need to apply to out of scope businesses.

FAQ (from small to medium sized IFAs who are directly authorised and do not hold client money or have clients outside the UK)

Should we worry about MiFID?

We do not believe small firms should start to spend time reviewing and amending their processes yet. We believe the real timetable starts in January 2007, with a deadline to comply by 1st November 2007.

What should I read to keep up to date?

We strongly recommend that all Compliance Officers read the following new FSA link, which shows the timetable.

http://www.fsa.gov.uk/Pages/Doing/small_firms/managers/europe/index.shtml

In addition, the following three links are useful (but could become out of date very soon).

http://www.fsa.gov.uk/pubs/newsletters/fa_newsletter4.pdf

www.fsa.gov.uk/Pages/Doing/small_firms/advisers/library/planeu.shtml

www.fsa.gov.uk/pubs/international/PLanning_mifid.pdf

Is it true the IDD and Menu are to be withdrawn?

The FSA has recently stated that they have proposed these documents remain in use.

We sometimes retain ‘commission’ to offset against a later fee, will we be affected?

With regret, we believe it would be dangerous to give any specific answer. Whilst we hope the FSA can accept this happens, we are still in a period of consultation. We recommend that all firms who operate any similar system are able to readily identify **ALL** clients who may fall into the category. We understand that a large number of firms have already changed their systems to avoid becoming indebted to clients. This has been achieved by changing the way they issue invoices and changing the terms of the client proposition. In addition, some firms have moved away from pure ‘fee-only’ clients to a combination of fees and commission. Please note, none of these can be guaranteed to comply with MiFID in the future.

What other areas should we be aware of?

Potentially MiFID could change client classification, disclosure for execution-only clients, further enhance how ‘conflicts of interest’ are managed and also increase the focus on ‘Disaster Recovery Planning’.

In summary, Compliance News believes there will be further complications with such changes in the future and that small IFA firms should not worry unduly at the present time.

6. T & C views on Role-plays / Observations and 'Explain to me' exercises (ETME)

As we regularly explain to firms who use our services, T & C activity is no longer set in stone and firms are able to decide what is appropriate for their own needs. For example, there is no strict requirement to undertake live observed calls or role-plays on a regular basis for CF21 advisers (competent) who are not changing their role. However, firms must be able to show that advisers have maintained their 'knowledge & skills'. Please note a different view would be taken for anyone in a trainee position or advising in new areas.

As an alternative, many firms are now undertaking a regular 'Explain to Me Exercise' (these are also referred to as ASK exercises).

The main focus of an 'ETME' is to allow the adviser to show their understanding of the advice / sales process (old style mandatory areas may spring to mind), but in a professional and non-threatening environment. These have become popular, as so many competent IFAs do not wish to continue with role-plays that are considered to be both false and time consuming.

So what happens at an 'ETME'?

- The adviser is provided with a copy of the forms to be used (similar to observed calls), so they know the content.
- The supervisor / assessor is prepared with the usual forms which an adviser would use during a typical sale (e.g. T of B / CIDD / Menu / Client Specific Illustration / KFD wrapper / Blank fact-find / Corporate brochure / AML form etc).
- The supervisor / assessor would then introduce the key objectives, explain the process and how long it takes (we allow between 45 and 60 minutes for a full process).
- The supervisor / assessor begins the session and asks the adviser to introduce the 'advisory service' as they would to a new client, covering all the regulatory issues required up to introducing the fact-find.

..... We could go on and explain the process, but once you see the forms everything fits into place.

This approach really is the new method of assessment in the IFA community. One employee of a 'large firm' recently told Compliance News that their firm are looking to complete over 500 of these in the next year.

To obtain a copy of the 'ETME' forms please tick box 3 on the back page. Compliance News Premier Service subscribers will automatically receive a copy on 20th September 2006.

7. T & C: Get your firm up to date!

Following on from the above point with the 'Explain to Me Exercises', we can report that we have recently assisted a number of firms to get their T & C up to date.

What do we propose?

1. DWC would visit your firm and undertake an 'ETME' exercise on all advisers and provide confidential feedback to all individuals, full records would also be completed.
2. DWC would also arrange for all advisers to undertake a knowledge assessment / test covering a range of IFA topics. These would be marked and the results be summarised with a summary of individuals training needs / gaps in a report for the firm.
3. Summary report of all the activities with individual feedback.

To quote one firm *'This whole experience was well organised and professionally planned. The report shows detail for all individual advisers and is an excellent record of our commitment to T & C. With a few extra CPD hours, focusing on the need areas identified by the knowledge test, we are now back on top of T & C and can get on with writing new business'*.

The firm had 5 advisers and were based in the South of England, the full inclusive cost for this project was £1685 and DWC managed everything from start to finish (the prices include travel & mileage expenses from Leeds). Should you wish to receive a bespoke quotation for your firm please e-mail:

compliance@ifahelpline.co.uk

8. T & C Record-keeping

During a recent ‘Supervisor Refresher’ one-day course in Bristol, we had an enjoyable debate with all delegates about the specific FSA rules for IFAs and how firms interpreted each requirement. One area of interest, to our surprise, was the interpretation of the record-keeping section. Specifically, for existing advisers how long do you retain records of their T & C and CPD activities.

The FSA rules state:

Rule TC 2.8 Record-keeping

(1) A firm must make appropriate records to demonstrate compliance with the rules in this chapter.

(2) The records in (1) must be retained by the firm for at least three years after an employee ceases to engage in or oversee an activity, except for the records of pension transfer specialists, which must be retained indefinitely.

Source FSA Rules.

With the above in mind, we asked the FSA for their views on this topic, the following confirmed that firms should not destroy any T & C records for existing advisers.

FSA Reply:

‘The Training and Competence source book (TC) chapter 2 outlines the rules to be adhered to by firms with regards to training and competence of its employees. TC 2.8 (1) requires all firms to make appropriate records to demonstrate compliance with these rules.

With reference to TC 2.8 (2), the firm will be required to retain these records showing compliance with the rules, covering the entire period the employee is contracted to the firm, for at least three years after the employee ceases to engage in or oversee an activity.

For the firms convenience I have provided a link to TC 2 below:’

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

Please note that we have inserted the underlining shown above.

9. T & C Rules – Employed versus Self-Employed advisers

As many of our readers will know, the T & C rules use the word ‘employee’ when describing advisers. With this in mind, one of our firms asked the FSA for clarity regarding self-employed advisers. Below is the FSA reply:

‘Thank you for your email dated 14th July 2006. I can confirm that FSA rules apply equally to employed and self-employed advisers. For further information on regulation, please visit the authorisation pages of our website: <http://www.fsa.gov.uk/Pages/Doing/Regulated/index.shtml>

I hope this information is of assistance.’

10. Audit Exemptions – Good news for small IFAs

The FSA have recently announced that from the end of 2006, incorporated small investment firms will no longer be required to have their accounts audited.

The FSA have said the following about the proposal:

'The aim is that these will apply to financial years ending on or after 31 December 2006, so that affected companies will not be required to have their accounts audited for that or subsequent financial years.'

A small personal investment firm is a personal investment firm:

- (a) which is not an ISD investment firm;
- (b) which is not a network; and
- (c) which has fewer than 26 representatives

Source FSA.

The new bulletin can be seen at:

<http://www.fsa.gov.uk/pages/Library/Communication/PR/2006/074.shtml>

The previous FSA comments (before the announcement, but with more details) can be seen at the following link

http://www.fsa.gov.uk/pages/Doing/small_firms/general/questions/audit.shtml - adviser

11. Long Term Care Exam - Deadline

As readers may recall, Long Term Care advisers deemed as competent prior to 31/10/04 were able to take advantage of a two-year transitional period, without holding an appropriate qualification. After the 31st October 2006, an appropriate qualification is required. We understand the deadline for the CII CF8 exam entry is 15th September 2006 (exam on 16th October 2006) and prices start from £104 (members).

The syllabus can be found at:

http://www.cii.co.uk/qualifications/financialplanning/cfp_2006/pdf/CFP_CF8.pdf

For comparison purposes we enquired at www.ifslearning.com

We were informed that the 'Certificate in Long-Term Care Insurance (CeLTCI)' has been phased out and the last exam will be 31st August 2006. They were not taking further bookings.

12. Financial Promotions – Mortgage checklist

This area has been the subject of scrutiny by the FSA and guidance has been issued. This part of the Financial Promotions rules is very detailed and requires full consideration. We have designed an updated version of our checklist to assist firms who promote mortgages. In general terms, the following headings need to be considered (this list is not exhaustive)

- Prominence: For example clear indications of fee information, APR's & risk warnings
- Risk warnings: Adverts should contain the relevant warnings (e.g. MCOB 3.6.13R)
- Quoted APR's: These should be representative of the expected response and that at least 66% of those responding would have access to that rate or lower.
- Fees: For those advertising themselves as 'Independent', a fee option must be offered with an example.
- To receive a copy of the 'Mortgage Financial Promotion checklist' please tick box 4 on the back page.
- Subscribers to the 'Premier Service' have automatically received a copy of this form.

13. Principle Based Regulation & Supervision

From our research, we believe this topic will receive a lot of attention during the next three to four months.

In theory the 'Rules' which IFAs work to at the present time (one key section is COB – Conduct of Business) will probably disappear in time and be replaced with further high-level principles. This could be compared to the work 'Treating Customers Fairly' initiative, no specific rules exist, but firms need to show they are implementing the principles of TCF.

Good News: Flexibility & Discretion. Firms will be able to decide how they want to comply with the FSA requirements and operate systems, which are right for their business, instead of jumping through 'Compliance hoops' because the FSA have certain rules to be followed.

Bad News: Interpretation, lack of clarity and worry about future reprisal. Most firms are used to looking at rules and knowing what (in general terms) are the minimum requirements. If you work to a set minimum, you should be close to the industry target. This approach could go.

Compliance News opinion: We have a lot more to write on this topic over the coming months. We intend to fully support the 'Premier Service' subscribers and give them up-to-date information on the general standards being applied across the industry. This approach will not replace the rules, but will provide firms with confidence that they are working to established standards.

14. Data Protection FAQ - Good Practice notes

The Information Commissioners Office has produced a very brief two-page summary to assist those who work in financial services.

www.ico.gov.uk/cms/DocumentUploads/Tied_Agencies_and_Independent_Financial_Advisors_GPN_V2.pdf

15. Pension Term Assurance – Quick test

We are grateful to Standard Life for providing our readers with a quick test for advisers and para-planners on this new topic.

For a copy, please tick box 5 on the back page.

16. FOS Annual Review

The Financial Ombudsman Service has recently issued their annual review. This can be seen at the following link: <http://www.financial-ombudsman.org.uk/publications/ar06/ar06-chair.htm>

A few interesting points:

- 14% of the recorded complaints were about IFAs.
- Of these complaints about IFAs, 79% related to mortgage endowments, 10% other investments, 6% personal pensions and 5% others.
- 81.5% of all firms covered by the Ombudsman service had **no complaint** referred to the Ombudsman during the year.
- 8% of all firms they cover each had **1 complaint** referred to the Ombudsman during the year.
- 3% of all firms they cover each had **2 complaints** to the Ombudsman.
- Out of those who gave the information, 25% of Complainants read either the Daily Mail or Mail on Sunday.
- 74% of Complainants were male.

Source: © Financial Ombudsman Service Limited, July 2006

17. Complaints handling

- Do you require help with handling your complaints?
- Would it be more cost-effective to let a third-party specialist defend your complaint?

This is not an area where we regularly provide assistance, mainly because of the specialist nature of the work and time involved to commit to this. However, we are happy to recommend the services of Peter Lock of Compliance Co-operation Ltd. Like DWC, Peter is a member of the Association of Professional Compliance Consultants.

Whilst all cases are different, a typical cost for each case would be between £400 & £600. Generally this involves Peter understanding the case (via a long telephone call and reviewing documents) and then drafting (and re-drafting as required by PII) replies and decision letters.

Peter can be contacted by e-mail at: co-operation@lycos.co.uk

Would you benefit from having a detailed example of a 'Final Management Decision Letter' for a mortgage endowment case?

If so, please tick box 6 on the back page.

18. FSA Courses

Compliance News (DW Regulatory Consultants Limited) recommends that all readers consider the various FSA training courses from time to time, as part of their own personal development.

Please note the following dates were taken from the FSA website on 24th August 2006, whilst every care was taken, we cannot be held responsible for any changes, errors or omissions.
www.fsa.gov.uk/Pages/Doing/Events/index.shtml

Learning from FSA visits: Training and Competence - £100 half-day

September: 13th – Leeds; 15th – Canary Wharf; 21st Glasgow

October: 4th – Canary Wharf & Bristol; 10th Manchester

Is my firm compliant? - Independent Financial Advisers and Investment Intermediaries – £150 full-day

September 12th – Birmingham; September 19th - Glasgow

Roadshows for financial advisers – Free of charge

September: 20th Chepstow & 21st Sheffield

November: 28th Belfast & 29th Heathrow

Surgeries for financial advisers

October 17th & 18th – Aberystwyth

January 17th & 18th – Halifax

19. How do you compare with other IFAs? – A quick self-assessment

Compliance News (DW Regulatory Consultants Limited) are regularly asked how individual IFA firms compare with their peers and whether their overall Compliance approach is either '*on a par*' or '*lacking in some areas*'. As a steer, we have listed below a number of activities for IFAs to measure themselves against. Whilst this is only an example, we would generally see a majority of IFAs been able to confirm they have completed at least eight out of the thirteen topics. Please note the following is a quick 'acid-test' on the interpretation of the FSA requirements.

- 1) Have you a written general TCF plan in place and has this topic been covered at a staff meeting?
- 2) Have all advisers made written / signed declarations relating to conflicts of interest / business interests / fit & proper issues within the last 12 months?
- 3) Complaints: For your most recent complaint was the acknowledgement letter issued within 5 working days of receipt, 4-week holding letter issued on time (if applicable) and did the final management decision letter include reference to the FOS and enclose a FOS leaflet?
- 4) Adverts (financial promotions): For the most recent advertisement do you hold a copy of the final proof, which is signed-off by Compliance (or CF10) with an expiry date included?
- 5) Can you quickly identify the most recent 10 switching / replacement cases and were at least 4 of these checked by Compliance (with evidence of the check retained).
- 6) Can you quickly confirm the dates and clients for the most recent 3 execution-only transactions?
- 7) T & C: Have you records to demonstrate that ALL advisers' knowledge has been tested in some shape or form in the last year?
- 8) T & C: Have you records to demonstrate that ALL advisers' skills have been tested in some shape or form in the last year?
- 9) Advisers currently advising on retirement options (OMO's / UI / ASP etc.): Do your records show this individual has studied and developed their knowledge for A-Day changes.
- 10) Anti-Money Laundering refresher training: Have ALL staff received refresher training over the last 24 months and do your records show the precise dates of these training sessions.
- 11) Systems & Controls: Do the minutes from Board meetings / partners meetings (during the last 12 months) clearly show that all individuals with 'influence' are aware of the Compliance risks (and potential risks) that the business is facing.
- 12) RMAR: Is more than one person aware of when the next return is required, the detail of the return and how to access the FSA firm's on-line section.
- 13) Suitability letter: Quickly review the last 5 completed cases. Was the suitability letter issued within 5 days of the proposal being signed in all cases?

Marks: Comments from this very brief snapshot (not legally binding)

11 to 13: You appear to have good systems and your finger is certainly on the Compliance pulse. You should welcome a FSA visit!

8 to 10: You are probably well aware of the obligations towards compliance and may have been a touch busy recently. Do not get any further behind, it could cause you a headache.

5 to 7: If the FSA visit they are likely to find issues. From a commercial point of view, you need to plan the Compliance diary and look to get yourself up to date as soon as possible. Do not be late with the RMAR. Think about outsourcing the TCF and T & C work to get it up to date (it is cheaper than you think).

4 and below: You are probably fearing a FSA visit, but may also have backlogs in a wide range of other areas. Make sure the RMAR, maintaining Financial Resources and holding compliant PII receive priority.

20. Time is money

We have recently written an article which focuses on Compliance, from a commercial perspective, especially if you are a Director / business writer who also holds the Compliance Responsibility. We believe your turnover will increase if you outsource a couple of the Compliance tasks for a short trail period.

Please tick box number 7 on the back page for a free copy.

21. Compliance Surgery

Are you approaching Compliance in the right way? When did you last challenge your overall approach and methods of your existing Compliance Resource?

DWC are available to visit your firm for a full day and discuss Compliance Strategy. This will give you an independent view on your systems and the resource and standards applied. If you are unaware of the industry standards for IFA Compliance could it be possible that you need to re-focus your existing Compliance

Resource? We would provide a brief report and give you suggestions to how your firm could challenge the existing operations / processes / systems & controls.

22. PII – Make sure you shop around

As previously mentioned, Compliance News regularly introduces business to a PII specialist, they are able 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. From our recent discussions, we understand the current view is that the PII market has plenty of capacity, which puts those firms renewing in a strong position. This should mean that more alternatives are available and hopefully premiums will start to fall. Firms should use this news to shop around and review their current policy at renewal.

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 £26,000 + 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 £2,600 + 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 £3,400 + 5% Insurance Premium Tax

For more information, please send a brief e-mail to: compliance@ifahelpline.co.uk

23. Please tell us if you change your e-mail address

Compliance News is very pleased to announce that we now have over 5700 e-mail addresses on the mailing list. Please continue to pass this publication on to industry colleagues.

If you move firms or change e-mail address please send a brief e-mail to us. To register send an e-mail with 'Register' in the title box to mail@compliancencenews.org

24. Menus – New Market Average figures

The FSA recently confirmed that the next set of market average figures for 'menus' would be issued in November 2006. DWC are able to update menus and provide the required 'sign-off' for a nominal fee.

25. Career Opportunities

FS RESOURCING.....the no risk recruiter

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'*.

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. 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 the numbers below.

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

Current opportunities include:

• Compliance Manager, Banking	-	Leeds	£45,000
• IFA's	-	Nationwide	£neg
• Compliance Analyst	-	W.Yorks	up to £25k
• SIPP Senior Manager	-	W.Yorks	£30,000
• T&C Administration / Support	-	Leeds	£24,000
• Compliance Assistant	-	Leeds	£24,000
• SIPP Specialist	-	W.Yorks	£23,000
• Complaints / Investigations Officer	-	Leeds	£25,000
• Paraplanners	-	W.Yorks	up to £22k
• IFA Administrators	-	Leeds	£16,000
• File-checking staff	-	Leeds area	up to £22k
• Mortgage IFAs	-	W. Yorks	£neg
• Financial Crime / Risk Analyst	-	W.Yorks	up to £25k

For more information please contact David Webster on
0113- 3444446 (mobile 07711 419484) or email david@fsresourcing.co.uk
www.fsresourcing.co.uk

26. Compliance Forums – November 2006

We are currently planning a number of IFA Regulatory forums in the North of England during November and early December 2006. The whole objective is to discuss topics that IFAs are concerned about and for attendees to listen to other views on what action can be taken. The sessions generally last 3 hours and a typical cost will be £35 per person.

Please e-mail us if you wish to be included in the mail-out to advertise these sessions. Priority will be given to directly authorised firms.

If you have a meeting room, which could be available for a forum, we would welcome a discussion with you.

27. 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 first newsletter, requesting most of the forms (and a discount). We believe this service will save a typical IFA firm at least 50 to 80 hours per year.

MOST DOCUMENTS ARE 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 'word' document format. In addition, wherever possible we will try and assist with individual requests.

To register: Please complete the back page with 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.

**Treating Customers Fairly (TCF) – A full suite
Initial Disclosure Documents (Templates),
Menu Documents (Templates),
Combined IDD's,
Updated Terms of Business letters,
Compliance / Risk Mitigation plan,
Compliance Audit forms,
SERPS review letters,
Updated Observed forms (Menus / IDD's),
Adviser Role / Job Description templates,
Update / Short fact-finds,
Corporate fact-finds,
Telephone conversation file note forms,
Recruitment checklist,
Risk Assessment / calculator of adviser,
Income Drawdown checklist.**

**Mortgage advice / File checking forms,
Training Needs Analysis forms,
Personal Account Dealing declaration,
RMAR Fact-sheet and example form,
Fit & Proper adviser annual declarations,
Compliance Board Report templates,
Client agreements / Fee agreements,
Mortgage Regulation checklists,
Customer Satisfaction Surveys,
Maintaining Competence (T & C) form,
Suitability Letter templates,
File completeness checking forms,
Blank reference request forms, diary template,
Disaster Recovery / Continuity plan,
Provider Research summary forms**

.... to list a few

... 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'*

You would expect to receive some communication from us every 6 to 8 weeks. There are three levels of charges, depending on your size and activities.

1. Small IFA firms with less than 10 advisers. Cost £110 per year.

Firms who do not have more than 10 IFAs or 3 Appointed Representatives, do not provide Compliance / Commercial services to other IFAs and agree not to pass on the material to external firms.

2. IFAs with 11 to 25 advisers or 9 or less Appointed Rep's. Cost £200 per year.

Firms who do not have more than 25 IFAs or 9 Appointed Representatives, do not provide Compliance / Commercial services to other IFAs and agree not to pass on the material to external firms.

3. Large organisations that do not fit into either of the above. Please contact us for costs.

'Occasional Caller' Service

We are now able to offer an additional service where we provide occasional help and advice for existing members. This will typically be via e-mail and telephone communication. We would envisage this to cover an average of one telephone call or e-mail per month, enquiring about a conduct of business issue (*.... can we run this by you...etc.*).

Costs, in addition to the Premier Service: - Small firms: £240; Medium sized firms: £300

Any questions about the service? Please call Phil Dibb on 07973-363277

28. Staff Cases – Arranging Regulated Contracts

Compliance News strongly recommends that all IFAs review their procedures for writing new business for staff. We are aware of a wide number of complaint cases (typically endowments), where former members of staff have alleged mis-selling and there is little or no record-keeping on file.

To add insult to injury, in most cases, the commission was also rebated to the member of staff.

Please be aware!

STOP PRESS – STOP PRESS - STOP PRESS - STOP PRESS - STOP PRESS - STOP PRESS

NEW ANTI-MONEY LAUNDERING RULES – NEWSFLASH

ELECTRONIC IDENTITY CHECKING – THE END OF PHOTOCOPYING PASSPORTS?

Compliance News are in talks with a leading provider of ‘Electronic Verification’. We are negotiating a package that will be available to all IFAs and should save a significant amount of time. Details should be available in the next three to four weeks. Please send an e-mail to mail@compliancenes.org to register your interest.

NOTES

‘We are committed to providing IFAs with a regular free newsletter and value for money additional services – Please support us by subscribing to the Premier Service’

**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 (£)
	Forms from this Edition:			
1	Money-Laundering – Provider responses document		£10-	
2	Treating Customers Fairly (TCF) full suite of 10 docs.		£60-	
3	‘Explain to Me Exercise’ templates		£60-	
4	Mortgage Financial Promotion checklist		£30-	
5	Pension Term Assurance Test		Free	nil
6	Example – Final Management Decision Letter - Complaint		Free	nil
7	Time is Money		Free	nil
	Popular forms from previous Editions			
8	Pension Transfer guide & G60 grid		£50-	
9	Example CIDD / Menu / T of B pack		£40-	
10	Adviser Risk Assessment / Scorecard		£20-	
11	Updated FSA Complaints procedures		£20-	
12	Administration completeness checking form		Free	nil
13	Short file-checking form		Free	nil
14	Business Continuity Plan / Disaster Recovery Plan		£20-	
15	Product Provider Research Aide Memoire form		£20-	
16	New Suitability Letter exercise (self- assessment)		Free	nil
17	Fact-find example		£30-	
18	Attitude to Risk – Example profiler		£30-	
19	Fit & proper declaration (basic & advanced versions)		£40-	
20	Administration staff – Annual declarations		£20-	
	Please note there are over 80 forms available			

Compliance News Premier Service (cost for 12 month membership): This service provides copies of all the popular documents (80+) we offer, mainly in ‘word’ format. As detailed on pages 13 & 14.

JOINING THIS SERVICE IS MORE COST-EFFECTIVE AS YOU WILL RECEIVE ALL DOCUMENTS

Compliance News Premier Service – Small IFA firms with less than 10 advisers. Firms who do not have more than 10 IFAs or 3 Appointed Rep’s, do not provide Compliance / Commercial services to other IFAs and agree not to pass on the material to external firms.	Cost £110 Please tick
--	---------------------------------

Compliance News Premier Service – IFAs with 11 advisers and up to 9 AR’s. Firms who do not have more than 25 IFAs or 9 Appointed Representatives, do not provide Compliance / Commercial services to other IFAs and agree not to pass on the material to external firms.	Cost £200 Please tick
--	---------------------------------

Compliance News Premier Service – Large IFAs, Networks and other Compliance consultancies. Please contact us, as costs vary depending on size and activity.	Please contact us
---	--------------------------

Subscribers to the Premier Service will automatically be entitled to all the documents detailed at no extra cost (plus others we design, such as those shown on page 11 and referred to in past editions).

Please note that the prices quoted above are for IFA firms, which are directly authorised with the FSA. Compliance News reserves the right to increase the prices for other organisations, such as networks and those who also provide compliance support, that may require copies of certain documents.	Subtotal	£
	Administration and postage costs.	£15 **
	Total	£

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.

Name/Contact:

Firm:

Address:

Are you an authorised firm? Yes / No

Tel:

Email:

**** All orders of £30 or more are free of the administration and postage costs – please delete as necessary. Please note there is a minimum charge of £15 per order.**