

# Compliance News – FOR IFAs

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

## September 2009 Edition

### Welcome to Compliance News

This publication is issued by Compliance News Limited for the benefit of IFAs and employed Compliance staff in the UK, particularly those working at directly authorised IFA firms. For a copy of all earlier editions please visit: <http://www.fsresourcing.co.uk/compliance-news.php>

### Background of the editor:

Phil Dobb 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 is also a member of the Association of Professional Compliance Consultants.

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### Distribution:

This bulletin is now issued to over 10,000 IFAs who have been in contact with Compliance News since Phil Dobb left the FSA. The aim is to get the distribution up to 12000. If this can be achieved, more free updates 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 [compliance@ifahelpline.co.uk](mailto:compliance@ifahelpline.co.uk)

### 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 6 for full details. All forms will be issued direct to subscribers and most are on a word document. We plan to issue a **minimum of 50** templates / forms during the next 12 months, from only £175 for the year. We hope this service will save a typical firm at least 50 hours each year and avoid 'reinventing the wheel'. Recently issued documents include:

- "Disclosure" forms grid (suggestions about which forms you should use)
- 7 x Updated Disclosure Forms (CIDDs, RCAs (Tof B) etc.)
- GPPP Direct Offer IDD
- GPPP Advised IDD
- Suitability templates for Unsecured / Drawdown, ISA Transfers, Investment, PPP Switching and New PPP
- GABRIEL Guides x 2
- Generic "Knowledge test" for IFAs

Why not email [compliance@ifahelpline.co.uk](mailto:compliance@ifahelpline.co.uk) and receive it direct to your PC?

**Disclaimer:** Compliance News is a trading style of Compliance News Limited. Compliance News 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.

**Welcome to Compliance News for IFAs. Regular readers will note this issue is much shorter than recent issues. We wanted to get a brief summary of key issues affecting IFAs, but at the same time acknowledge that early September is a very busy time.**

## 1. PENSION SWITCHING

This topic could now be described as 'warming up' as the FSA start to contact firms with a view of arranging the next round of Regulatory visits / desk-based visits. A number of IFAs have reported to us that the FSA have been in contact. The most common email was issued by the FSA on the afternoon of Friday 28<sup>th</sup> August 2009 (just as firms were breaking up for the Bank Holiday weekend). The email requested a wide range of information to be provided by the 11<sup>th</sup> September 2009. The FSA have developed a 6 page questionnaire to be completed by firms.

From past experience, we would expect that the FSA will select firms to visit from the information provided. The questionnaire includes questions on:-

- A variety of questions regarding overall income / income from Pension Switching / commission from Pension switching. One area which may annoy firms is that many of the figures requested are for 1<sup>st</sup> January 2006, when up to now (in our opinion), the FSA have concentrated on transactions post A-Day. As such, much of the work done by firms (identifying the populations etc.) will have to be re-visited.
- Breakdown of transactions over the last 12 months.
- Levels of complaints.
- Progress with Pension switching review.
- Results and outcomes.

In total there are 22 questions. If you add in the sub categories, this increases to 42 questions. We would estimate that a typical firm with two to five advisers may probably need at least 8 to 10 hours to complete this.

To help firms give themselves more time (in anticipation of receiving the questionnaire during late 2009 / 2010) we have written a short summary of the areas you may wish to consider.

To receive a copy, please subscribe to the 'Premier Service' (see back page).

Other documents we have issued to assist firms with this review include:

- Updated suitability letter for PPP to PPP switching.
- Information request letter template to be sent to existing schemes (29 points to request information on).
- Summary (one page internal form) to assist advisers to cover the key issues raised by the Pension Switching review.
- List of 14 FAQs on the review.

Important: If your firm is involved in Pension Switching, **we strongly recommend** that you fully consider the aspects of the FSA review. We expect that the FSA will take Regulatory action against a number of firms who have not fulfilled their Regulatory obligations in this area. The links below, provide more information:-

[http://www.fsa.gov.uk/Pages/Library/Other\\_publications/pension\\_switching/index.shtml](http://www.fsa.gov.uk/Pages/Library/Other_publications/pension_switching/index.shtml)  
[http://www.fsa.gov.uk/smallfirms/resources/faqs/pension\\_switching.shtml](http://www.fsa.gov.uk/smallfirms/resources/faqs/pension_switching.shtml)  
[http://www.fsa.gov.uk/pubs/other/pensions\\_switch.pdf](http://www.fsa.gov.uk/pubs/other/pensions_switch.pdf)

## 2. NEW DISCLOSURE DOCUMENTS

**New Disclosure Document – The ‘menu’ is now obsolete.** As mentioned in various previous articles, the ‘menu’ (About the Cost of Our Services document) ceased from 31<sup>st</sup> August 2009. Firms must now have a new document in place. Whilst various options still exist, many firms will still continue to issue a ‘Key Facts’ document along with a Retail Client Agreement (formerly known as the Terms of Business letter). The new ‘Key facts’ document is referred to by many as the ‘SCCIDD’ document. It is really a mixture of the previous Initial Disclosure Document (IDD) / Combined IDD and the old ‘menu’, without the market average figures.

As firms have a range of options available to them, we have issued our own easy to follow table, to show our recommended route for firms who are authorised for any of the following: - Investments, Pensions, Protection, Mortgages and Equity Release.

This guide was issued to ‘Premier Service’ clients during August 2009 and will be automatically issued to all new subscribers (please see the back page).

The FSA have also provided guidance on the inclusion of ‘non-monetary’ benefits which IFAs may receive. Within our guidance, we have commented on whether firms should include a statement and / or further information on this topic.

## 3. PENSION SWITCHING – EXTERNAL HELP WITH FILE CHECKS FOR PPP TO PPP SWITCHES

Compliance News has connections to four freelance file reviewers who are available to check files remotely, to assist firms with their progress with this review. The external reviewer would require a copy of the full file and would complete the FSA Excel sheet as part of each case review. Subject to the completeness of the file and information gained from ceding schemes, each file check can take between 90 and 120 mins.

Costs: - 1 or 2 existing PPP’s switched to a new PPP = £120 per client file.  
- 3 or 4 existing PPP’s switched to a new PPP = £180 per client file.

Please contact us for more information.

## 4. PENSION TRANSFERS (mainly from Occupational Schemes)

This point is in addition to the above section on Pension Switching, and relates to cases which fall under the FSA definition of ‘Pension Transfers’. Firms should be aware that the FSA have recently amended this definition and it is key that those involved with such transactions are aware of the changes. Historically, there was an official ‘Pension Transfer Specialist (PTS)’ under the Controlled Function 24. However, these

have been merged with CF30 in recent years.

The following link takes you to the FSA’s recently issued factsheet. This should be read by anyone who is involved with ‘Pension Transfers’ and also those who are not authorised in this area, to ensure they do not ‘act outside’ their own FSA permission.

[http://www.fsa.gov.uk/smallfirms/resources/factsheets/pdfs/pension\\_transfers.pdf](http://www.fsa.gov.uk/smallfirms/resources/factsheets/pdfs/pension_transfers.pdf)

## 5. RETAIL DISTRIBUTION REVIEW (RDR)

We are still in the Consultation period and Compliance News is writing a 'typical' response which firms may wish to use as a guide. Over the past few months we have heard various commentators give opinion on the RDR and the future of the FSA. At the time of writing this bulletin we have no further detail to add. We have no reason to believe that the December 2012 deadline will not go ahead and therefore it is important that advisers prepare themselves for the change. Should the expected change of government come in April / May 2010, any likely change at the FSA could take at least 6 to 12 months. By this point, much of the detail could have been agreed.

The following links provide an update:

[http://www.fsa.gov.uk/pages/Library/Policy/CP/2009/09\\_18.shtml](http://www.fsa.gov.uk/pages/Library/Policy/CP/2009/09_18.shtml)

[http://www.fsa.gov.uk/smallfirms/your\\_firm\\_type/financial/library/rdr.shtml](http://www.fsa.gov.uk/smallfirms/your_firm_type/financial/library/rdr.shtml)

Please may we use this opportunity to request that as many firms send in a response to the Consultation Paper 09/18. Please do not rely on any trade body or other organisation, we believe that a high number of individual responses from IFAs will be an important factor for the FSA to consider.

## 6. GABRIEL RETURNS – FSA WARNING

The FSA have recently issued an update regarding inaccurate information submitted on the GABRIEL returns. The following link provides the full information:-

In summary:-

- Two out of three firms who were selected for a visit had submitted inaccurate data.
- One in three Directors were not properly aware of the requirements / their own obligations.
- Some of the firms visited by the FSA were found to have Financial Resources deficits.

We have recently issued two guides to help firms complete the returns. These will be automatically issued to new subscribers of the Premier Service.

**GABRIEL ASSIST** - Compliance News is also pleased to advise we have gained sufficient support to offer a service to assist firms complete their GABRIEL returns.

This service will be specifically helpful with firms of 1-6 advisers, with a turnover of less than £1million, who do not operate in Europe via MiFID and do not hold client money. We will provide significant assistance with firms who have the financial information but require assistance in the completion of the GABRIEL document. The cost for this service is £185 for Compliance News subscribers and £250 for non subscribers.

Please email the following address for further information:

[compliance@ifahelpline.co.uk](mailto:compliance@ifahelpline.co.uk)

## PLEASE TELL US IF YOU CHANGE YOUR EMAIL ADDRESS

Compliance News is very pleased to announce that we now have over 10,000 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 [compliance@ifahelpline.co.uk](mailto:compliance@ifahelpline.co.uk)

## 7. TRAINING COURSES

Over the last few months Compliance News has arranged a number of courses. These included two JO8 revision courses and a Supervisor course which all became fully booked in a short space of time. We are now planning the next round of training courses and would like to hear from firms with any special requests.

This may involve JO exams, basic Compliance courses to in-house refresher courses for advisers. If you are considering taking JO8 in the future (30 points), please email us to receive updates and comments. On the 18<sup>th</sup> September 2009 the results from the first sitting will be known. We are keen to progress our revision days as 38 people our attended our two revision dates.

## 8. FSA – WIDER IMPLICATIONS

Following the Lehman Brothers' collapse in September 2008, the Financial Services Authority (FSA) and Financial Ombudsman Service (the Ombudsman) have been looking at the potential detriment this has caused for investors in the UK structured products market.

Whilst we do not intend to write a significant amount on this topic, we believe that firms should now review their own use of such products and the 'in-house' policy on such recommendations. Such a policy may include:-

- The research required / ratings agencies used / information retained centrally.
- Max % exposure to different institutions.
- Full consideration to the Financial Services Compensation Scheme limits and the related terms / exclusions.
- Diversification

The following links may be of assistance:-

[http://www.fsa.gov.uk/pages/Library/Communication/Statements/2009/wider\\_implications.shtml](http://www.fsa.gov.uk/pages/Library/Communication/Statements/2009/wider_implications.shtml)

[http://www.widerimplications.info/case\\_studies/wi\\_13.html](http://www.widerimplications.info/case_studies/wi_13.html)

## 9. HM Treasury Sanctions List – FSA reports that many firms are 'unaware'

The FSA have recently undertaken some thematic work to review how small firms use the H M Treasury Sanctions list. Link Below:-

<http://www.hm-treasury.gov.uk/financialsanctions>

The FSA have produced a three page factsheet on their findings with advice for firms. The main expectation is that authorised firms use the H M Treasury list to check clients are not 'targets'. Firms should not just rely on their own Money Laundering checks (see identification etc.).

The FSA state that it is good practice to check:

- Existing clients against the HMT's list;
- All new customers prior to providing any services or transactions;
- Updates to the HMT list (you can register for free)
- Changes to your client's details.

<http://www.fsa.gov.uk/smallfirms/resources/pdfs/Sanctions.pdf>

## 10. COMPLIANCE NEWS PREMIER SERVICE – The annual costs is per firm

As mentioned, 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. 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 Limited.

The following is a list of just some of the documents, which will be issued.

TCF forms – Too many to list

Generic Knowledge test for advisers

Reference Request forms

Conflicts of Interest Policy

Data Security documents

Copies of relevant FSA interaction/  
guidance

Anti-Money Laundering Annual test

Initial Disclosure Documents (Templates),

Updated Terms of Business letters (RCA)

Compliance / Risk Mitigation plan,

Compliance Audit forms,

S2P / SERPS review letters,

Updated Observation forms

Adviser Role / Job Description templates

Fit & Proper adviser annual declarations,

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,

Recruitment checklists

New IDD (SCDD) documents

TCF – MI Sheets

Mortgage advice/file checking forms

GABRIEL help / Training needs Analysis

Personal account dealing declaration

Compliance Board Report templates,

*“Whilst the above list may appear to be comprehensive the real benefit to most subscribers is being able to email a request and receive a template. We are generally able to help with 90% of all requests”*

### **Compliance News Premier Service – Any questions?**

If you cannot decide whether this service will be of benefit, or if you have any questions as to how many documents you will get / have access to, we will be glad to call you to answer any queries. Please send a quick email to the address below with 'Premier News Enquiry' in the title box and we will call you.

[compliance@ifahelpline.co.uk](mailto:compliance@ifahelpline.co.uk)

0113-2589878

## 11. COMPLIANCE SERVICES – CAN WE PROVIDE YOU WITH AN ALTERNATIVE QUOTE?

When was the last time you reviewed your current Compliance support? Have times changed and are you still getting value for money? One of our IFA Compliance Consultants would like to discuss the options available to you and provide a bespoke quotation for support. As Directly Authorised IFA firms develop and get more experience, we believe their Compliance needs also change. For a no-obligation discussion and quote, please email: [compliance@ifahelpline.co.uk](mailto:compliance@ifahelpline.co.uk)

## 12. TREATING CUSTOMERS FAIRLY – UPDATE

This project continues to tick-over and the FSA have recently communicated with a number of firms in the South West London / KT and TW postcode areas. This is to advise firms that the FSA will be running a series of events. We expect this will lead to a number of TCF Assessments. Typically these are by telephone, at a local sports stadium or even a visit to a firm.

Our TCF pack has assisted a large number of IFAs prepare for such assessments over the last few years. To receive a copy please see the back page.

## 13. FS RESOURCING...THE NO RISK RECRUITER

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

Unlike the vast majority of recruitment consultants FS Resourcing 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 number of the Authorised firms we work on behalf are looking for quality staff for the following roles: - Compliance Managers / Paraplanners / IFAs / File checkers. For more information please contact us on 0113-2589878 (Tracy, Vanessa or Neil) or email [tracy@fsresourcing.co.uk](mailto:tracy@fsresourcing.co.uk) or visit [www.fsresourcing.co.uk](http://www.fsresourcing.co.uk)

## 14. FSA publishes industry level complaints data

On the 3<sup>rd</sup> September 2009 the FSA published detailed industry data on the level of complaints regulated firms have received and how they have dealt with them. The figures are for 2006 to 2008 (shown in six half years).

<http://www.fsa.gov.uk/pages/Library/Communication/PR/2009/116.shtml>

The IFA community will be very pleased to note that over the three years we have calculated that only 165,853 of the 9,041,299 received against Regulated firms were received by Personal Investment Firms (just 1.83%). This figure reads well when also compared with the FOS data (year ending 31<sup>st</sup> March 2008) where page 64 of the annual report states that 4% of the complaints received at FOS were against IFAs.

<http://www.financial-ombudsman.org.uk/publications/ar08/ar08.pdf>

We believe it would be understandable for AIFA and other trade bodies to use this data to ask some very interesting questions.

## 15. COMPLIANCE NEWS PREMIER SERVICE – HOW TO SUBSCRIBE

**SHOULD YOU WISH TO SUBSCRIBE TO THE COMPLIANCE NEWS PREMIER SERVICE OR REGISTER YOUR INTEREST FOR ANY OTHER SERVICE, PLEASE COMPLETE THIS SHEET AND POST TO:**  
**Compliance News Limited, 19 Henley Close, Rawdon, Leeds, LS19 6QB**  
[compliance@ifahelpline.co.uk](mailto:compliance@ifahelpline.co.uk)

**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.

**SUBSCRIBERS TO THE PREMIER SERVICE WILL AUTOMATICALLY BE ENTITLED TO ALL THE DOCUMENTS DETAILED AT NO EXTRA COST (PLUS OTHERS WE DESIGN DURING YOUR SUBSCRIPTION).**

|  |                                 |
|--|---------------------------------|
| <b>Compliance News Premier Service – Small IFA firms with 1 to 10 advisers.</b><br>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.                    | <b>Cost £175</b><br>Please tick |
| <b>Compliance News Premier Service – IFAs with 11 to 25 advisers and up to 9 AR's.</b><br>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. | <b>Cost £275</b><br>Please tick |
| <b>Compliance News Premier Service – Large IFAs, Networks and other Compliance consultancies.</b> Please contact us, as costs vary depending on size and activity.   | <b>Please contact us</b>        |

Please note that the prices quoted above are for IFA firms, which are directly authorised with the FSA. Compliance News Limited 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.

**Please make cheques payable to Compliance News Limited 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:**

Should you wish to receive further information on a particular topic, please complete the form below.

| Compliance News – Additional Services                      |          |  |          |
|--|----------|--|----------|
|  | Tick (☑) |  | Tick (☑) |
| MiFID / Passporting<br>Telephone discussion / assistance   |          | Can Compliance News provide you with a bespoke quotation to take-over your Compliance support? |          |
| TCF planning / support                                     |          | PPP Switching Review Work  |          |
| Variation of Permission / FSA New Authorisation assistance |          | Annual Compliance Audit / Mock FSA visit   |          |
| Data Security assistance                                   |          | T & C Supervisor / Refresher Course  |          |

**Name:**

**E-mail:**

**Firm:**

**FSA Number:**