

# Compliance News

## September / October 2007

**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 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 periodic free newsletter and value for money additional services – Please support us!'*

**Distribution:** This bulletin is now issued to over 6100 IFAs who have been in contact with Compliance News since Phil Dibb left the FSA. The aim is to get the distribution up to 8000. 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 - [mail@compliancenes.org](mailto:mail@compliancenes.org)

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### 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 9 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 30** templates / forms during the next 12 months, from only £130 for the year. We hope this service will save a typical firm at least 50 hours each year and avoid 'reinventing the wheel'.

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

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## 1. The Retail Distribution Review (RDR) – DP 07/1

This consultation period began on 27<sup>th</sup> June 2007 and will end on 31<sup>st</sup> December 2007. We believe that it is in all IFA interests to respond to the consultation paper. In summary, the following points are debated:

- Adviser Remuneration structures for the future.
- Restricting the title of ‘Independent’ adviser
- How to improve the market and help consumers to understand products and services better.
- Driving up the Professional standards of advisers, with more having either the ‘Chartered’ or ‘Certified’ Financial Planner award.
- Introduction of three categories of advice (Professional, General and Primary)

We have now read various documents on the topic, listened to different speeches and heard most of the passions and emotions which are coming out of this review. Depending on your own firm’s stance, personal opinion and own experiences within the industry, you will probably think that it is a ‘sledgehammer to crack a nut’, the required change is to properly regulate products and their design OR that the review is overdue and CP121 should have changed more.

Compliance News realises that some IFAs may not have the time or inclination to draft a detailed response. To assist with this issue, we are drafting two different replies, which can be used by our subscribers. However, wherever possible all firms should submit a bespoke response, reflecting their own views.

Response 1: Summary of thoughts on the RDR (opinion of one group of IFAs)

- In general the review is too extreme.
- The FSA have insufficient evidence that the IFA market requires such change.
- The main losers will be IFAs, who write more business than any other sector and create the least number of complaints.
- The banks will be the winners and will benefit from increasing their market share, whilst consumers potentially lose out on choice and value.
- The Financial Services examining bodies will continue to benefit from advisers taking and re-taking multiple choice tests which can sometimes be poorly written

and do not always prove any level of skill or competence.

- Remuneration ‘half-way’ house: To use the term independent, firms must commit to never taking more than 3% initial commission on investments and only take trail commission, if they agree to service the client and take responsibility for the ongoing suitability of the contract.
- Trail commission: This can only be received (or benefit) by a firm or individual who is authorised to provide advice on that particular product and provider **and** who agrees to take responsibility for the ongoing suitability of the contract.

Response 2: Summary of thoughts on the RDR (opinion of second group of IFAs)

- Change does need to happen, as the market has become dated and change is required.
- The Remuneration structures for investments is generally flawed as there is too much bias.
- IFAs should be qualified to a higher standards. For example, at least Advanced Diploma / AFPC equivalent by 1<sup>st</sup> January 2011 and then Chartered / Certified by 1<sup>st</sup> January 2013. This will then require formal bi-annual re-classification.
- No grandfathering to be allowed for those who have only passed a basic qualification, such as the FPC.
- Trail commission can only be received (or benefit) by those who agree to provide ongoing advice / support for the specific product and who agrees to take responsibility for the ongoing suitability of the contract.
- Any IFA firm wishing to take advantage of a ‘transitional period’, must commit to a maximum fee or commission of 3% of the investment, with trail commission only for those willing to provide ongoing advice / responsibility.

Subscribers to the ‘Premier Service’ will also receive a copy of the recent Simply Biz live-chat discussion on the RDR. This is a good summary of many of the concerns, both Ken Davy and Richard Brough show that Simply Biz are very much in full support of the IFA community.

[http://www.fsa.gov.uk/pages/Doing/small\\_firms/advisers/rdr/index.shtml](http://www.fsa.gov.uk/pages/Doing/small_firms/advisers/rdr/index.shtml)

## 2. MiFID – The Markets in Financial Instruments Directive

This European Directive will come into force on 1<sup>st</sup> November 2007 and is generally expected to cause concern to many IFA firms. The following points are made on the basis that readers are from directly authorised small IFA firms, who:

- Are currently treated as ‘B3 Low Resource’ firms
- Do not handle client money
- Do not act with ‘discretion’ on investments (for any fund switching you get the clients permission before the switch).
- Do not advise or arrange transactions for clients in other EEA states (except the UK).

Should your firm be outside the above scope, it is very important that you consider external assistance with your MiFID preparation.

Whilst many small IFA firms have been advised that they are automatically exempt, we can confirm that this may not be the case. For example, during July 2007 we asked the FSA MiFID team five basic questions on this specific topic for small IFAs. The two-page reply surprised the majority of our ‘Premier Service’ subscribers (who receive copies of such e-mails), who have since taken a keen interest as the situation develops.

In general terms (if in doubt please obtain individual guidance), it is our current understanding that a small IFA firm will benefit from the ‘Article 3 exemption’ on the basis that they:

- Do not handle client money
- Do not advise or arrange transactions for clients within other EEA states
- Do not have the FSA permission for discretionary management
- Do not advise or arrange on Unregulated Collective Investment Schemes
- Do not have the FSA permission to advise on and / or arrange derivatives
- Do not advise on warrants, shares, shares in EIS’s or direct gilt holdings

The following FSA links provide further guidance:  
[www.fsa.gov.uk/Pages/About/What/International/EU/fsap/mifid/index.shtml](http://www.fsa.gov.uk/Pages/About/What/International/EU/fsap/mifid/index.shtml)  
[www.fsa.gov.uk/pubs/international/mifid\\_guide.pdf](http://www.fsa.gov.uk/pubs/international/mifid_guide.pdf)  
Issued in May 2007 – 56 pages.  
[www.fsa.gov.uk/pubs/international/mifid\\_update.pdf](http://www.fsa.gov.uk/pubs/international/mifid_update.pdf)

An update to the first link, issued in September 2007 – 39 pages

In addition, the FSA MiFID team can be contacted by e-mailing: [planningmifid@fsa.gov.uk](mailto:planningmifid@fsa.gov.uk)

For the avoidance of doubt and to assist in any future ‘issues’, we strongly recommend that e-mail confirmation be sought in all cases.

### **MiFID Pitfalls – What should we be aware of?**

If you cannot positively confirm the six points above, it is very possible that you will be subject to MiFID regulations. If this is the case, you will require to spend a reasonable amount of time understanding the obligations, this may include:

- Possibly submitting a ‘Variation of Permission’ form to the FSA
- Applying for ‘passporting’ permission
- Increased Financial Resources / Capital Adequacy
- Increased PII requirements
- Increased FSA reporting / involvement

### **MiFID – Client classification**

On the 1<sup>st</sup> November 2007 the existing client classifications (private customer, intermediate customer and market counterparty) will change to:

- Retail client
- Professional client
- Eligible counterparty

For the majority of IFAs, all clients are currently ‘private’ and will be automatically grandfathered across to ‘retail’. Firms need to check their registers and records to identify any other categories. In preparation for November 2007, the Terms of Business letters, general procedures and systems for categorising will also need to be considered. Records of the overall process / procedure of categorisation should be retained.

Any firms who currently have any intermediate or market counterparty clients, should ideally review and quantify their status and communicate this to the affected clients in the weeks approaching November 2007.

There is a significant amount of change for non ‘retail’ clients. However, as such clients are very rare within small IFA firms, we have not included such detail. Further information can be obtained from the links shown on page 3.

### 3. Passporting

Compliance News Limited strongly recommends that all IFA Compliance staff and Principals read the FSA guide on passporting (link below) during September 2007. It is only 8 pages long and contains some very important information.

[http://www.fsa.gov.uk/pubs/forms/passporting\\_facsheet.pdf](http://www.fsa.gov.uk/pubs/forms/passporting_facsheet.pdf)

We are currently obtaining further clarification to question 1 of stage 2 (page 3), which states *'In this case, we would not generally expect this to be cross-border services, although you may wish to check that the regulator where your client lives thinks the same'*. In general terms, we feel the FSA is leaving this important point far too open, which does require an answer. Due to various barriers, obtaining guidance from foreign regulators is not proving particularly easy. We have raised this issue with the Irish Regulator. We will report the findings to our Premier Service Subscribers.

We are very grateful to Tim Grey of KTG Professional for writing the following article. Tim, a former Simply Biz Compliance Manager, is available for consultations on this topic. Any small IFA firm who wishes to discuss the aspects of this (including which passporting forms should be completed) can arrange a telephone discussion. The costs is £175 and this will take approximately one hour, followed by an e-mail to confirm the specific forms / FSA links, if required. Please note that subscribers to the Compliance News Premier Service will receive a 40% discount (in effect it reduces any new Subscriptions by £70).

Firms who require this service should e-mail [compliance@ifahelpline.co.uk](mailto:compliance@ifahelpline.co.uk)

#### **Passporting – By Tim Grey of KTG Professional**

Passporting is already in place through the insurance mediation directive (IMD). MiFID will allow firms to passport under the Investment services directive or ISD. Passporting concerns the manner in which firms conduct business with clients overseas. Any firm who advises customers outside the UK should look at passporting in more detail. If you do deal with customers in other EEA states then you have a decision to make.

Firstly you (and your firm) need to decide whether you want to continue to deal with customers outside the UK, within other EEA states. If you do, you need to decide whether you will be establishing a branch (a physical presence) outside the UK, or whether your firm will be providing a cross border service – i.e. giving advice or providing intermediary services 'across borders'. Different applications exist for each.

Finally your firm has to decide the type of services you will provide. If you are merely dealing in insurance products your firm should definitely consider using an IMD passport (available now). The IMD regulations extend beyond pure insurance products, to 'long term insurance' contracts – including bonds, endowments and pensions so if you advise in these areas the passporting rules under IMD are likely to cover you.

Most firms will prefer this type of passport as opposed to the alternative ISD passport which look likely to require ISD firms to comply with new capital adequacy rules – i.e. firms will have to increase their capital holdings as a direct result of their passporting choices. However some firms will have to take this route, as only the ISD allows firms full permissions to deal and advise in collective investments (unit trusts etc).

### 4. Data Security – The FSA have been asking questions!

A number of small IFAs have received an enquiry from the FSA about IT / Back-up / PC Security. In addition, we are now aware that the FSA are now contacting a second phase of firms.

We have produced a summary sheet of this FSA activity, to ensure that you are aware of the type of questions the FSA could be asking and therefore giving you more time to prepare. This document will be sent to all subscribers of the 'Premier Service'.

## 5. Principle Based Regulation

Much has been written on this topic and we do not expect this to change for a very long time (until the next change, back to prescriptive rules).

In summary, the FSA is removing much of the detailed rules & guidance and want firms to focus on the high-level standards shown in the FSA Principles for Businesses.

The following link is to a 28-page document, issued in April 2007, which is a very good summary of how and why the FSA are changing.

[www.fsa.gov.uk/pubs/other/principles.pdf](http://www.fsa.gov.uk/pubs/other/principles.pdf)

In addition, the following two links are more bespoke to small firms and give a broad overview.

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

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

These changes are very significant and firms should be looking to discuss the change of focus with their Senior management over the coming months.

## 6. Review of Prudential Requirements (Financial Resources & PII) for Personal Investment Firms (mainly IFAs)

The FSA has recently issued a discussion paper to consider the options for updating the rules relating to Financial Resources and PII cover.

[www.fsa.gov.uk/pages/Library/Policy/DP/2007/07\\_04.shtml](http://www.fsa.gov.uk/pages/Library/Policy/DP/2007/07_04.shtml)

The paper is looking at a wide remit, with the following as the main areas:

- Reducing the frequency of mis-selling
- Reducing the impact of mis-selling
- Mitigating the impact of latent liabilities (what happens to firm's who leave the industry, the FSCS levy and are there any better outcomes)
- Enabling a firm to wind down in an orderly manner.

Whilst we believe that the content of the paper is both interesting and relevant to those looking at the industry from a long-term perspective. We feel

it has been issued at the wrong time. For example, until the outcome of the Retail Distribution Review is known, it is very difficult for an IFA firm to make a response from an informed position.

- Is the existing £10,000 minimum too low? If yes, what should it be replaced with?
- If the RDR is questioning the future of trail commission and how advisers are paid, how can an IFA respond until the RDR findings are published and changes are known.

One of the large networks recently suggested that the Financial Resources Requirements might increase *'as much as five times today's levels.'* Compliance News has written to the Discussion Paper team on this point, asking that consideration be given to delaying the paper or re-issuing once the RDR has finished.

## 7. Conflicts of Interest

This topic has always been on the FSA radar, however, recently it has found itself going up the list. Firms need to be aware of:

- What constitutes a conflict of interest
- Have a documented company policy (including amounts (£))
- Cover the topic in staff briefings
- Request staff to declare potential conflicts
- Manage any potential / actual conflicts of interest

We are in the process of finalising our suite of documents. These will include all the firms, which we believe to be necessary and relevant to a small to medium sized directly authorised IFA firm.

## 8. NEWCOB Rules

Due to the commencement of Principle Based Regulation and MiFID, the existing Conduct of Business (COB) rules need to be changed. Typically 'COB' covers the main standards which effect how IFAs provide advice and what records should be maintained to demonstrate compliance with the rules.

Firms should be clearly aware that we are not looking at a slight amendment to the existing COB rules, but a whole new focus on what the FSA expects and how firms should interpret these standards.

The link below is to a 4-page summary, as mentioned before, this is another 'must read' document.

[www.fsa.gov.uk/pages/Doing/small\\_firms/advisers/pdf/newcob.pdf](http://www.fsa.gov.uk/pages/Doing/small_firms/advisers/pdf/newcob.pdf)

For example:

**Complaints handling** (disputes): At the present time firms should comply with the requirement to issue an acknowledgement within 5 working days, a holding letter within 4 weeks and a further update letter after 8 weeks. On 1<sup>st</sup> November 2007 these specific timescales will be removed.

- Acknowledgements: To be issued 'promptly'
- Holding letters: Clients must be 'kept reasonably informed' of progress.

**Terms of Business:** These documents will become known as client agreements and the contents will not be prescribed. We envisage quite a lot of innovation from IFAs in this area. As part of our commitment to our 'Premier Service' clients (see back page), we are in the process of

designing such new documents. This will also add to the choices on whether IFAs actively use the IDD and Menu documents.

**Client Categorisation:** In broad terms the existing 'Private' client becomes a 'Retail' client, an 'Intermediate' client becomes a 'Professional' client and a 'Market Counterparty' becomes an 'Eligible counterparty'.

**Suitability:** There are some key changes to this area, however, the general requirement of being able to demonstrate overall suitability remains. We are currently in the process of writing our 'interpretation' of the new rules and which areas IFAs will need to enhance. This document will be issued in the next four weeks.

**Advertising / Financial Promotions:** Significant changes will also be made for this area. Much of the detail surrounding financial promotions will no longer be within the rules, replaced by the 'high-level' principles. Whilst this may encourage scope for innovation, we believe that most IFAs will continue to act to similar standards.

The following two links are very useful.

July 2007 – Final Policy Statement: This document is 140 pages and the agreed final text for the rules starts on page 35.

[www.fsa.gov.uk/pubs/policy/ps07\\_14.pdf](http://www.fsa.gov.uk/pubs/policy/ps07_14.pdf)

Below is the link to the updated version of the transition map. We are certainly very grateful to the FSA for issuing this document; it is extremely useful.

[www.fsa.gov.uk/pubs/policy/transition\\_map.pdf](http://www.fsa.gov.uk/pubs/policy/transition_map.pdf)

## 9. Financial Resources, Goodwill and IFA firms

We are aware of a number of firms who have recently come across significant Financial Resources issues, when completing the RMAR and discussing the use of Goodwill. A number of firms still believe that they do not have to deduct goodwill from the own funds calculation until January 2008. We understand that investment firms need to deduct goodwill from this calculation. Please see the following:

[www.fsa.gov.uk/Pages/Doing/small\\_firms/advisers/resources/good\\_practice.shtml](http://www.fsa.gov.uk/Pages/Doing/small_firms/advisers/resources/good_practice.shtml)

The FSA have granted some transitional arrangements to small Mortgage & GI firms. The quote the FSA:

*'On 14 January 2008, the transitional arrangements, allowing the value of goodwill not to be deducted when calculating capital resources, will end. Firms conducting insurance mediation and/or mortgage activities will then have to meet the capital resources requirement after deducting goodwill.'*

Source FSA – Goodwill Factsheet – August 2007  
[www.fsa.gov.uk/pubs/other/factsheet\\_goodwill.pdf](http://www.fsa.gov.uk/pubs/other/factsheet_goodwill.pdf)

## 10. New Procedures for Small IFA firms

Due to the changes detailed in sections 4 & 5, many firms would benefit from updating their own Compliance procedures, to take account of the 'high-level' rules. In addition, from November 2007 there will be a change with regard to the 'Controlled Function' allocations. For example, the functions CF21 to CF27 will be amalgamated into one 'Controlled Function – CF30' and it will be the responsibility of each authorised firm to have the systems and controls to properly record the different roles, responsibilities and reporting lines within each firm (other changes also come into force). We have written a detailed summary on all the changes for Controlled Functions, this will be issued to all 'Premier Service' subscribers by the 21<sup>st</sup> September 2007.

How can Compliance News help?

From the 12th November 2007, we will be able to provide you with a personalised set of documents

to show how your firm operates. Following a 60-minute telephone conversation about your firm, we will supply:

- Updated Compliance and T & C procedure document
- Summary of Roles and Responsibilities
- Organisational chart
- Excel spreadsheet showing details of all Registered Individuals, those responsible for key areas and the elected deputy.
- Adviser 'authorisation grid': This is coloured red, amber and green to show each advisers level of authorisation for up to 15 key product / advice areas.

The following costs are for directly authorised IFA firms who do not handle client money or undertake discretionary management.

	1 to 3 advisers	4 to 6 advisers	7 to 9 advisers	10 to 14 advisers
<b>Inclusive cost*</b>	<b>£395-</b>	<b>£485-</b>	<b>£775-</b>	<b>£995-</b>

\* Subscribers to the 'Compliance News Premier Service' will also receive a **further 15% discount** on the above prices.

## 11. Initial Disclosure Documents (IDDs) & Menus

As many readers will know, the FSA has issued a statement saying that the investment IDD and Menu documents are no longer a strict requirement from 1<sup>st</sup> November 2007. However, even though the documents were to move to 'guidance', firms are still required to provide very similar information to clients.

We strongly recommend that firms do not automatically scrap their IDD or CIDD & Menu on the 1<sup>st</sup> November 2007.

We are currently seeking confirmation on two key points, in order to agree our own policy for this area. At the present time (subject to change), it is possible the changes could mean that many firms continue to issue an IDD / CIDD and insert parts of the existing 'menu' into a new form of Terms of Business, a Client Agreement (see page 6). We have made a commitment to our 'Compliance News Premier Service' subscribers to issue a formal statement by 22<sup>nd</sup> October 2007.

We expect more commentary to be made on this point as we approach the 1<sup>st</sup> November 2007, a

safer approach may be to continue with the documents until late November 2007 and then review your own policy.

Before any decision is made, the following should be considered:

- What will the replacements documents cover?
- Which areas can we leave out?
- If we are advising investment clients, who may require protection or mortgage advice, how will this work?
- How should we communicate our tariff of charges and hourly rates?
- If we keep the two documents for the time being, is this a better approach from a 'TCF' point of view?
- Whilst many IFAs are very critical of the menu document, would the continued issuing of an IDD provide comfort to those who are responsible for Compliance?

Please contact us by email should you require bespoke advice.

## 12. Treating Customers Fairly & FSA Visits

This initiative continues to flow with many firms receiving telephone calls from the FSA and a smaller number receiving actual visits. From our experience, a number of firms are not properly prepared and would struggle to demonstrate that they continue to meet the FSA's requirements.

The following are all key points:

- Staff training
- Client proposition
- Remuneration policy
- TCF Plan and Gap analysis
- Measuring progress of implementation

To quote the FSA:

*'By the end of March 2008 firms are expected to have appropriate management information or measures in place to test whether they are treating their customers fairly. By December 2008 all firms*

*are expected to be able to demonstrate that they are consistently treating their customers fairly.'*

Source FSA – TCF Summary July 2007

Subscribers to our 'Premier Service' have received two lists of questions asked on such FSA visits / calls. Compliance News has produced a full suite of documents to assist firms. The entire suite will be sent to all Premier Service subscribers (these include a plan / strategy/ gap analysis / staff training powerpoint / staff questionnaire / client feedback forms).

The following links should also be considered:

[www.fsa.gov.uk/Pages/Doing/Regulated/tcf/index.shtml](http://www.fsa.gov.uk/Pages/Doing/Regulated/tcf/index.shtml)

[www.fsa.gov.uk/Pages/Doing/Regulated/tcf/library/index.shtml](http://www.fsa.gov.uk/Pages/Doing/Regulated/tcf/library/index.shtml)

## 13. Your own 'Compliance Away-Day'?

Would you and your fellow Directors / Partners benefit from a day with two Compliance Consultants (Phil Dibb & Tim Grey), to discuss strategy and change. We have recently assisted two firms in this way, who both visited us in Horsforth (near Leeds airport).

Our boardroom seats eight. You will be surprised how much can be covered.

Typical cost: £780 inclusive.

## 14. New IFA Compliance Venture (Spring 2008) – Based in the North of England – Looking for two other founding Directors (get in at the start)

We are pleased to note our affiliation with a brand new Compliance Venture for the Financial Services Industry, based in the North of England. Should you have the aspiration and time available

to be involved in such a new company, please make contact with Compliance News. All enquiries will be treated in the strictest of confidence.

## 15. Compliance Forums – November 2007 to February 2008

We are currently planning a number of IFA Regulatory forums in the North of England over the next three to four months. The whole objective is to discuss topics that IFAs are concerned about and for attendees to debate other views on what action can be taken. The sessions generally last 3 hours and a typical cost will be £55 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. Even if you are based in the South of England, why not travel up? The cost of a Travelodge room can be as little as either £15 or £26 booked in advance. If you have a meeting room, which could be available for a forum, we would welcome a discussion with you.

## 16. Compliance News Premier Service

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.

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

**RDR Responses**

**MiFID related documents**

**NEWCOB Summary**

**Conflicts of Interest Policy**

**Data Security commentary**

**Copies of relevant FSA interaction / guidance**

**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,**

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

**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,**

**Recruitment checklist.**

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

**1. Small IFA firms with less than 10 advisers. Cost £130 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 £225 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.**

## 17. Alex Roberts – A worthy cause

We fully accept that most of our readers will be regularly contacted for charitable donations. We think the one detailed below is quite different, especially when the Standard Life Charity Fund has agreed to match donations. The following is written by Robert Higgins, Area Manager for Standard Life in Manchester and one of the five Managers who has constantly helped arrange and promote the Regulatory Forums over the last four years.

*‘On 30<sup>th</sup> September this year a small group of friends will join together for the challenge of the Great North Run. We will be running in memory of a very special little boy, Alexander Roberts, who passed away on 6<sup>th</sup> December 2006 following a 2-year battle with cancer. Alex was 3 and a half. During his short life Alex touched so many people with his bravery, love for life and spirit. His loss has been immense and left family, friends and a great many others heartbroken. Alex’s father, Pete, will be one of the runners and as he says “With so many people affected by so many different forms of cancer it is really important to find cures as soon as possible”. I will be one of the group running this race in memory of Alex. In order to maximize any donations I will be working in conjunction with the Standard Life Charity Fund. This means that for every £1 sponsorship I raise the Charity Fund will match this on a £1 for £1 basis’.*

All monies raised will be split 65% Cancer Research UK and 35% NCN (previously National Children’s Homes). If you feel you can make a donation please either e- mail: [Robert105@blueyonder.co.uk](mailto:Robert105@blueyonder.co.uk) , including your name, address, amount sponsored and confirm this can be treated as \*‘gift aid’, or alternatively, please write to Robert at 105 Braithwaite Road, Lowton, WA3 2GA with the above information.

Please make all cheques payable to **Standard Life Charity Fund**.

*‘I and the rest of the team would be delighted if you feel you could make a donation. Thank You. Robert’*

\* As a UK taxpayer ‘gift aid’ means that for every £1 you donate, the Inland Revenue will give the fund an extra 28p at no cost to you.

Compliance News has started the ball rolling with a £100 donation. If every reader was to just donate £1- with the pledge from Standard Life Charity fund, our collective donations would be over ten thousand pounds, amazing!

## 18. Thinking ahead - What else is on the Compliance News Premier Service radar?

### - Politically Exposed People (PEP’s)

The Compliance team at all firms should be aware of this area of ‘anti-money laundering’ and have a set process in place to deal with any such individuals, as and when required. The scope covers more individuals than you would expect, it is not just MP’s and Judges. We are in the process of updating our notes on this topic.

### - Criminal Records Bureau checks (CRB)

The FSA’s recent ‘guidance’ in this area has made many firms re-visit this topic and consider whether such a check is required for certain roles and those holding a Controlled Function. We are in the process of making further enquiries and also trying to obtain a cheaper deal for firms who wish to arrange a suitable CRB check. This document should be issued within the next four to six weeks (we would like to hear from any readers who know of any established CRB providers who could offer a ‘deal’ for Compliance News readers).

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

Compliance News is very pleased to announce that we now have over 6100 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@compliancenes.org](mailto:mail@compliancenes.org)

## 20. Remote File Checking

Most IFA firms view this activity as a 'necessary evil' however, few individuals enjoy the task of checking files and writing-up the cases reviewed. Compliance News now has a direct-link to a firm who undertake such checking services for IFA firms, including mortgage advice. The firm are able to sign the required confidentiality agreements and either return copies of the documents to the IFA firms or shred the material, as agreed individually. Many existing users now e-mail scanned copies of the main documents.

Each file review is summarised with a short file-check report and suggested corrective action. Typical costs per transaction (plus any related recorded postage costs, if required)

- ISAs / Basic protection cases: £50 per transaction
- Investment Bonds: £60 per transaction
- PPP to PPP switching: £60 per transaction
- Mortgages: £45 per transaction
- Complex SIPP cases: £80 per transaction

Please e-mail [compliance@ifahelpline.co.uk](mailto:compliance@ifahelpline.co.uk) for more information.

## 21. Variation of Permissions (VOPs) / New FSA Authorisations

We have a great deal of experience of submitting both VOP's and new applications to the FSA. Please contact us, should you require to know specific costs for such assistance.

Typical costs for small / medium sized IFA firms:  
Pension Transfer VOP - £480 plus FSA costs  
Mortgage and / or GI VOP - £400 plus FSA costs  
Home Reversion (Equity Release) VOP - £380 plus FSA costs  
New IFA firm full application (including related documents) £1850 plus FSA costs  
Before you submit an application to vary your

firm's permission you should be aware that for certain types of variation:  
you may be charged a non-refundable application fee, which you must pay before we start to process the application. Until the application fee is paid, no application has been made;  
your FSA periodic fee may increase or decrease;  
your firm's financial category and financial resource requirement may change.

## 22. PII – Make sure you shop around

As previously mentioned, Compliance News has been approached by a PII specialist who is looking to offer IFAs an alternative quote and work with them to improve their existing terms. The most recent quote provided was received back within 5 working days of submitting the proposal. We are still in a "soft market" and there are good opportunities to show substantial savings on existing premiums. Firms should use this news to shop around and review their current policy at renewal.

**Example premiums (as at September 2007, 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 £5,000, **Premium £20,000 + 5% Insurance Premium Tax.**

2. XYZ Financial Management LLP: new start up 1 director, Fee Income £50,000, 99% Financial Services, 1% Personal Lines, Limit of Indemnity £1,100,000, Excess £5,000 **Premium £1,500 + 5% Insurance Premium Tax.**

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

### 23. Classified advertisement – For rent - Florida 4-Bedroom Villa with own pool (sleeps 10 adults)

A regular subscriber to Compliance News, who lives in the Manchester Area, owns this property.

Special rates (from £450 per week) are available for other Financial Services staff.

Please e-mail [rebeccawillmore@btinternet.com](mailto:rebeccawillmore@btinternet.com) or call 07715 755239

### 24. Classified advertisement – FACT Back-office system

#### A Back Office system designed by a small IFA firm

FACT = Fees And Commission Tracker

*'Think of it like this..... If you have **any** money coming **in** to or going **out** of your practice, then FACT can track it – to the penny'.*

**Any** money coming **in** = Fees, Retainers, Indemnity & Non-Indemnity Commissions, Renewals, Trail, Increments, Indexation, etc, etc. You name it, FACT can track it - Any amount from 1p upwards!

**Any** money going **out** = Network deductions, Firm/IFA splits, Introducer Payaways, Clawback, etc!

Simply contact us by one of the methods below to book a quick “online” demonstration.

- Email: [info@c2group.uk.com](mailto:info@c2group.uk.com)
- Fax: 08707 058 326
- Telephone: 01904 607 261 or 08456 381 881 (Local Rate)

### 25. Help from the FSA

Compliance News 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 12<sup>th</sup> September 2007, 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](http://www.fsa.gov.uk/Pages/Doing/Events/index.shtml)

#### **Roadshows - A half-day roadshow delivered by FSA Supervisors - Small Firms division.**

18<sup>th</sup> / 19<sup>th</sup> September 2007 - Middlesbrough - Financial Advisers, Mortgage Advisers & GI Brokers

19<sup>th</sup> / 20<sup>th</sup> September 2007 – Glasgow - Financial Advisers, Mortgage Advisers & GI Brokers

#### **Retail Distribution Review – Have your say**

25<sup>th</sup> September 2007 – Manchester

26<sup>th</sup> September 2007 – Leeds

2<sup>nd</sup> October 2007 – Glasgow

3<sup>rd</sup> October 2007 - Belfast

#### **Surgeries: A one to one with the FSA**

16<sup>th</sup> October 2007 – Newcastle Surgeries

17<sup>th</sup> October 2007 – Sunderland

18<sup>th</sup> October 2007 - Durham

#### **TCF Conference**

6<sup>th</sup> November 2007 – London

## 26. Wizard Learning – Special deal for Compliance News Premier Service subscribers

Are you taking any exams? If so, you should seriously consider using Wizard Learning.

[www.wizardlearning.com](http://www.wizardlearning.com)

They are the first training firm, which we have agreed to actively promote, this is because the feedback we have received about their material and end-user satisfaction has been very good. The following has been written by Mike Goldsmith (Director at Wizard), we can confirm that they have not paid to be included in this publication.

*‘Wizard Learning Online Training provide a wide variety of learning solutions to help financial services professionals pass recognised industry qualifications as well as developing their technical knowledge and key skills.*

*Services offered include:*  
*- Online assessments and training for the Certificate in Financial Administration, Certificate in Financial Planning, Diploma in Financial Planning, Advanced Diploma in Financial Planning and CeMAP. These include unique online features to follow as closely as possible the format of the actual exam.*

*- The assessment centre has been designed to assess the technical knowledge of financial advisers and technicians. This is achieved by providing online assessments on a wide range of topics and providing assessment feedback together with a CPD certificate.*

*- Provision of bespoke assessments to assist businesses with ongoing training and professional development needs. Clients range from large Solution that suits your requirements.*

*multi-national organisations to micro businesses. Wizard Learning have the technical ability, business and industry experience to find a*

Compliance News Limited is pleased to have arranged a 10% discount for ‘Premier Service’ subscribers. To purchase an assessment module you will need to firstly register via the link below then follow the online instructions. When you reach the instruction 'Choose Payment Method' you **MUST** enter the promotional code in the box to obtain the discount. (This will be issued to all subscribers).

Wizard Learning Registration

<http://www.wizardlearning.com/register.php>

The 10% discount also applies to Wizard Learning's online monthly CPD. This is an ideal way to evidence what training you have undertaken for compliance purposes. Further information is provided via the link below.

Wizard Learning CPD

[http://www.wizardlearning.com/monthly\\_cpd.html](http://www.wizardlearning.com/monthly_cpd.html)

They also run their own online monthly CPD and the topics covered are listed in the PDF link within that document. It covers all the news up to 15<sup>th</sup> August, our September offering will be edited and released on 15<sup>th</sup> Sept.

To access the main website for further details on costs and the subjects covered, please click on the link below.

If you have any questions regarding this deal, please contact [mike@wizardlearning.com](mailto:mike@wizardlearning.com)

## 27. 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:
- Head of Compliance & Regulatory Risk - Bradford c£50,000
- Head of Compliance & Regulatory Risk - W.Yorks (M62 area) c£50,000
- Compliance Manager - W.Yorks up to £40,000
- Compliance Professionals - North up to £40,000
- Compliance Manager - Bradford up to £35,000
- IFA's - Nationwide £neg
- SIPP Senior Manager - W.Yorks £30,000
- T&C Supervisor - W.Yorks £30,000
- Complaints / Compliance Officer - Wakefield £27,000
- Compliance Analyst - W.Yorks up to £25,000
- Regulatory Risk Analyst - Bradford up to £25,000
- Compliance Assistant - Leeds £24,000
- SIPP Specialist - W.Yorks £23,000
- Paraplanners - W.Yorks up to £22,000
- File-checking staff - Leeds area up to £22,000
- Mortgage IFAs - W. Yorks £neg
- IFA Administrators - Leeds £16,000
- Salaried IFA - Southport £neg

#### **“Refer & Reward” scheme:**

At FS Resourcing we have a reputation for providing clients with high quality staff. We are growing and we have more vacancies, often exclusive to us, then we have applicants to fill them.

For each and every new relevant applicant you introduce to us, we'll give you £250 cash when they are placed (payable after 3 months of the applicant starting).

For more information please contact David Webster on  
**0113- 3444446** (mobile 07711 419484) or email [david@fsresourcing.co.uk](mailto:david@fsresourcing.co.uk)  
[www.fsresourcing.co.uk](http://www.fsresourcing.co.uk)

**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, 2 Henley Crescent, Rawdon, Leeds, LS19 6PA**

[mail@compliancenes.org](mailto:mail@compliancenes.org)

<p><b>Compliance News Premier Service (cost for 12 month membership):</b> This service provides copies of all the popular documents (80+) we offer, mainly in ‘word’ format. As detailed on page 9.</p> <p align="center">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).</p>	
<p><b>Compliance News Premier Service – Small IFA firms with less than 10 advisers.</b> 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.</p>	<p><b>Cost £130</b> Please tick</p>
<p><b>Compliance News Premier Service – IFAs with 11 advisers and up to 9 AR’s.</b> 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.</p>	<p><b>Cost £225</b> Please tick</p>
<p><b>Compliance News Premier Service – Large IFAs, Networks and other Compliance consultancies.</b> Please contact us, as costs vary depending on size and activity.</p>	<p><b>Please contact us</b></p>
<p>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.</p>	
<p><b><u>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.</u></b></p>	
<p><b>Name/Contact:</b> <b>Firm:</b> <b>Address:</b></p> <p align="right"><b>Are you an authorised firm? Yes / No</b></p> <p><b>Tel:</b> <b>Email:</b></p>	

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

Compliance News – Additional Services			
	Tick		Tick
MiFID / Passporting – Telephone discussion / assistance		Annual Compliance Audit / Mock FSA visit	
New Procedures for Small IFA firms		Compliance Away-Day information	
Variation of Permission / FSA New Authorisation assistance		PII Renewal	
F S Resourcing – Please contact me		Compliance Forums	
Remote file-checking		Wizard Learning	

**Name:**  
**E-mail:**

**Firm:**  
**Firm FSA Number:**