

Compliance News – FOR IFAs

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

DECEMBER 2010 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 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 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 Dibb left the FSA. The aim is to get the distribution up to 12000. To this end, please would you ask any other IFAs you know to register for the bulletin by emailing 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, 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 designed documents include:

Updated 'Attaining Competence' form
10 Questions for your T&C Scheme
RDR 132 Gap filling document
Training needs analysis / Training plan
FSA Small Firms Financial Crime Review
FSA Review of Investment Advice & Platforms
Data Security Summary on a page
Data Security Staff Declaration

Complaints handling annual test
Complaints procedures
Interest only mortgage checklist
IFA Higher Level test
Non advisor test
Structured Product test
Mortgage test
IFA test

Why not email 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.

1. ORAL DISCLOSURE ON PROTECTION PRODUCTS

Many of our IFA firms have already received their letter from the FSA on this topic. If you have not, please see the link below, [if you write protection business it is an important read!](http://www.fsa.gov.uk/pubs/other/oral_disclosure.pdf) The main focus from the FSA is to get firms to confirm that they have the appropriate systems in place and that advisers go through an agreed process when discussing (oral disclosure) key elements of the contract. These will include the main features / advised sale or not / exclusions & limitations / how important full disclosure of material facts by the client is to the application.

We are aware that the letter focuses on the FSA's 'ICOB' rules (Insurance Rules) and fully accept that many IFAs have elected to follow the COB Rules (Conduct of Business), we are therefore in correspondence with the FSA on this point. Nevertheless, the FSA's

http://www.fsa.gov.uk/pubs/other/oral_disclosure.pdf

view (commonsense would suggest) should not vary, the process to be followed should be broadly the same. We will update all subscribers in the near future.

Firms who receive the letter are expected to reply to the FSA within six months, to confirm they are adopting the correct procedures.

Compliance News Premier Service subscribers should not panic! We are drafting some guidelines and also looking at designing a short PowerPoint to be used, to help firms.

If you haven't already subscribed to this service, subscribe now to obtain these forms as soon as they are available. Contact compliance@ifahelpline.co.uk

2. GAP FILL TRAINING – Regulation & Ethics - 14 'gaps' in one day

We are preparing material for a one-day course to cover the CII Gaps 1-14. For PFS / CII members, the cost of the RO1 book and exam is £200 plus P & P, this is on the basis of passing first time. Within this CII area, there are three other 'gaps' on Trusts. We have excluded these (and will cover only 14 of the 17 topics), as we do not believe we have the necessary background to provide training on Trusts.

We plan to run the initial session during March 2011 (hopefully by then we will not be disrupted by snow). The first session will be heavily discounted to 'Premier Service' clients. Should you wish to register your interest, please email us with 'RO1 Gap-fill interest' in the subject box.

Please also see point 17, which links in with 'Structured CPD'.

3. PI INSURANCE – Contact us for our 'typical premium' factsheet

As some firms will know there have been some significant developments in the PII broker market recently and also a few questions raised about certain insurers commitment to the IFA market. Because of this, we have been approached by a leading broker with a keen interest in developing their

IFA book. We are soon to receive a factsheet showing typical example premiums and excesses (we believe the figures are very competitive). Should you wish to receive a copy, please would you email us with 'PII summary' in the subject box.

4. REMOTE FILE CHECKING SERVICE

Through our sister company Just CRS Limited, we are able to provide a remote file checking service to IFA firms on a 'pay as you go' basis.

The costs are: £65 per remote client file review with summary sheet (excluding

multiple transaction files or higher risk cases such as drawdown, structured products or PP switching) or £95 per drawdown / PP switching (up to 3 into 1) remote file check.

Please contact Katherine Horgan at katherine@justcrs.co.uk or 07815 767204

5. T&C SUPERVISOR / REFRESHER COURSES

This popular course is continuing for 2011. This is an all-day course, covering the key elements of Training & Competence and how they affect IFAs. We will cover a wide range of T & C topics, including observations, different levels of monitoring, risk-based supervision

and how to document 'maintaining competence'. The link below is to the FSA Rules relating to Supervisors having the necessary skills & knowledge (TC 2.1.4 & 2.1.5).

<http://fsahandbook.info/FSA/html/handbook/TC/2/1>

Courses are running as follows:

Norwich – 24th January 2011

Wolverhampton – 25th January 2011

The cost is £195 per person (£180 for Premier Service members).

To book a place or make further enquiries, please email compliance@ifahelpline.co.uk

6. UNREGULATED COLLECTIVE INVESTMENT SCHEMES (UCIS)

This is a very high risk area. Probably best described as 'toxic'. In our opinion, any firm transacting such business must fully appreciate the Regulatory risks, required level of due-diligence and fully understand the connected FSA rules. The following points cover our opinion on this area:-

- We believe the FSA are concerned that many IFAs are promoting / arranging such deals and do not understand the strict rules relating to the schemes.
- Firms must discuss / check their own PII (you might not have cover).
- Firms must complete all necessary due diligence and be confident it will hold up to scrutiny.
- We believe the default position should be to decide to be very cautious about such products and only promote when certain all aspects have been covered.
- There are some MiFID related issues which restrict certain IFAs to whom they can place deals with.
- Most IFAs were not aware of the certificates (high net worth / sophisticated investors AND conditions) set down on the HM Treasury website.

Due to the complex nature, we recommend firms obtain individual guidance. We have two contacts that are able to assist directly authorised IFAs, should this be required.

7. R06 REVISION DAYS

We are again running R06 courses (follow-on from JO8). The exam date is the 24th January 2011. Courses are being run as follows:

Coventry -17th January 2011

Manchester region - 18th January 2011

Wetherby - 19th January 2011 (nearly full)

Enfield / North London -19th January 2011

The main focus is to concentrate on the case studies and areas where we believe questions may be asked. The cost of the day will be £195 per person (£180 for Premier Service subscribers). To register your interest, please email us immediately compliance@ifahelpline.co.uk and state which location you would be interested in.

8. THE BRIBERY ACT 2010

The Bribery Act 2010 will come into force in April 2011. It will become an offence for companies and partnerships (commercial organisations) if persons providing services on their behalf pay bribes, intending to obtain a business advantage for the organisation.

We are grateful to the team at Addleshaw Goddard LLP Solicitors for providing us a summary document covering the six principles. To receive a copy please email us with 'Bribery Act summary' in the subject box.

9. PARLIAMENTARY DEBATE

We strongly suggest that all staff take the time to watch the Parliamentary debate on the future of IFAs. If you use the link below, and scroll forward to 05:12 on the counter of the

video (ending at 07:25), you will see the start of the debate. If you feel strongly about the RDR, this is the time to contact your local MP or one of the 3 MPs listed below.

<http://www.parliamentlive.tv/Main/Player.aspx?meetingId=7034>

mark.garnier.mp@parliament.uk
harriett.baldwin.mp@parliament.uk
tyriea@parliament.uk

From listening to Mark Garnier, Harriett Baldwin and Andrew Tyrie it is our opinion that they all accept some changes are required; however, believe that further consideration must be given to certain key aspects of the RDR.

10. CII GAP FILL TOOL

CII Gap-filling tool: This is now back up and running. Please see the link below. In addition, please do not believe that just because an adviser has 140+ points with the CII they are past the winning post, this is far from the truth. Even someone with 200+ CII points is likely to have significant 'gaps' which need to be filled by properly documented

structured CPD or by sitting some of the CII 'RO' papers.

Premier Service subscribers have received our Gap Fill word document, which they can use as an internal document and update accordingly.

<http://www.cii.co.uk/pages/financialservices/qualifications/RDR-implementation.aspx>

11. FSA FEES – DON'T FORGET THE 31/12 DEADLINE!

As many firms will be aware the 'head count' of 'Investment Advisers' (Control Function 30 – CF30) is an integral part of how the FSA fees are calculated. Firms should consider their own position to make sure they have the correct individuals registered. However, care is required to make sure such individuals are aware of their limitations! For a nominal fee, we are able to provide directly authorised IFA firms advice in this area.

12. CHANGES TO CONTROLLED FUNCTIONS – CF2 & CF28

Just a reminder to any firms who have any individuals registered as CF2 (Non Executive Director) or CF28 (Systems & Controls). You need to review the roles being carried out by these individuals to make sure they are registered correctly.

These functions are being sub-divided and you must look at the different options applying, depending on the exact role being undertaken. The new rules take effect from 1st May 2011.

13. NEW SECTION ON THE FSA WEBSITE FOR 'SOLE ADVISERS'

Following feedback, the FSA have now created a specific section on their website for 'sole advisers'. This is to assist such firms and keep the information specific and relevant to those firms.

http://www.fsa.gov.uk/smallfirms/your_firm_type/sole_advisers/index.shtml

14. CLIENT PROPOSITION DOCUMENTS

We are currently drafting a selection of Client Proposition documents, and these will be available to subscribers in the New Year.

15. CII – AF PAPERS – LOOKING TO BE CHARTERED?

We are currently in discussion with two leading IFA technical trainers. Should you be looking to take certain CII Advanced (AF) papers during 2011/12, please would you drop us a quick email – with 'AF Papers' in the subject box.

We will then keep you informed of the training courses we are arranging. Whilst we expect AF5 will be the most common, we do not wish to assume too much.

16. FSA APPLICATIONS & VARIATIONS OF PERMISSIONS (VOPs)

Should you be looking to submit a new application to the FSA, a change of legal entity or even a variation of permission; then please leave plenty of time. Going back two or three years, some basic applications were only taking four to eight weeks. As at the moment, we would not be able to give any clear indication; however, expect an application could take over six months in many cases.

17. SPS – BE AWARE OF THE 'STATEMENT OF PROFESSIONAL STANDING'

Whilst we fully accept that the RDR proposed changes are quite fluid, should the following proposals become actual requirements it is our opinion that many firms and individuals might have missed this potential iceberg.

Please see the link below. It details the proposed requirements for:-

- SPS: Statements of Professional Standing
- The requirement for these to be issued to individual advisers at least annually
- Only FSA accredited bodies will be allowed to issue such 'SPS' documents
- The FSA are clear that CPD is not a collection of 'certificates of attendance'
- Proposed new CPD requirements include 35 hours per year, of which 21 hours must be structured learning
- New advisers (FSA registered after 30/6/09), will not be subject to the same deadline of 31/12/12. The proposal is for a 30 month deadline.

Whilst we do not wish to worry any of our readers, we believe that properly organised CPD events will become very important to advisers over the next 12 to 24 months. Please see point 2 – the 14 gap-fill event. In addition, once the cost of the 'SPS' validation is known, firms and individuals will then decide on their chosen supplier / accredited body.

http://www.fsa.gov.uk/smallfirms/your_firm_type/financial/pdf/FS055_rdr_pr.pdf

18. 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 guidance
Anti-Money Laundering Annual test
Updated Terms of Business letters (RCA)
Compliance / Risk Mitigation plan,
Compliance Audit forms,
Updated Observation forms
Adviser Role / Job Description templates
Risk Assessment / calculator of adviser,
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
TCF Visit – IFA feedback from FSA
New IDD (SCDD) documents
Mortgage advice/file checking forms
GABRIEL help
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

0113-2583111



We would like to wish all our readers a Merry Christmas and Happy New Year



19. 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

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).

Compliance News Premier Service – Small IFA firms with 1 to 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 £175 Please tick
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Compliance News Premier Service – IFAs with 11 to 25 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 £275 Please tick
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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
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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 (☞)
'Gap-fill' training day on Regulation & Ethics – 14 gaps in one-day.		Can Compliance News provide you with a bespoke quotation?	
TCF planning / support		PPP Switching Review Work	
Variation of Permission / FSA New Authorisation assistance		Annual Compliance Audit / Mock FSA visit	
PII information / provide information on typical market rates		T & C Supervisor / Refresher Course	

Name:

E-mail:

Firm:

FSA Number: