

# Compliance News – FOR IFAs

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

## JUNE 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 Chairman to 15 regional Compliance forums held around the UK and 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. 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 designed documents include:

- Client proposition examples
- Summary of FSA Review of Investment Advice & Platforms
- IFA written knowledge tests (two levels)
- Mortgage adviser written knowledge test
- Non-advisory staff written test to assess / identify training needs (good for potential new recruits / trainees)

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.

## 1. USP TO USP SWITCHES WHEN UNDER AGE 55

If you have been following this story, you may be aware that HMRC has recently increased the tension with confirmation that following a transfer from one USP provider to another (while the member is aged under 55), not only will any further payment or annuity purchase be an unauthorised payment, but the transfer itself will not be a recognised transfer.

We understand there have been some developments which could hopefully assist many advisers / individuals. However, even if part of the issue is resolved, it is possible that

the HMRC may never change their stance that any income taken from the new arrangement prior to age 55 will be treated as an unauthorised payment. Taking income from the USP plan or buying an annuity in these circumstances would/could still trigger tax charge

Advisers must treat all such cases with extreme care and be aware of a potential tax charge / HMRC issue. It is important that advisers seek pensions technical guidance if they are at all unsure.

## 2. FINANCIAL OMBUDSMAN SERVICE - ANNUAL REVIEW

Compliance News can report that the Financial Ombudsman Service recently issued their annual figures report. The total new cases rose again from 2009 (127,471 cases to y/e 31.3.2009) with 163,012 for the year ending 31.3.2010. You can review the report by following the link below.

IFA firms will not be surprised by the extremely good news that a total of only 2% of new FOS complaints were about

complaints against IFAs (page 98 of the 09/10 report). As readers may well already know, the FSA spend significantly more of their resource supervising IFAs than the 2% shown above. Firms can contact the FOS to request copies of publications and the annual report at [publications@financial-ombudsman.org.uk](mailto:publications@financial-ombudsman.org.uk)

<http://www.financial-ombudsman.org.uk/publications/ar10/index.html>

## 3. UPDATE ON QUALIFICATIONS – RDR REQUIREMENTS

Some of our readers will probably not thank us for reminding them that the RDR deadline of 31<sup>st</sup> Dec 2012 is approx. 930 days away. As this deadline approaches, more information about the qualifications and minimum standards are becoming known. One recent development is the introduction of a new CII Diploma, these papers will be known as the 'RO' papers with RO1-RO6 being available from sometime during July / August 2010 onwards. The new RO papers carry slightly less credits than the JO papers

(for example RO3 Personal Taxation -10 Diploma credits, RO4 Pensions & Retirement Planning – 10 Diploma credits, RO5 Financial Protection – 10 certificate credits). The CII are soon to launch a diagnostic tool to help individuals map the gap between the existing CII qualifications held to the new FSSC exempt standards.

Follow the link and select RDR Compliance <http://www.cii.co.uk/financialservices.aspx>

## 4. J08 REVISION COURSES

Over the past 18 months Compliance News has run a number of J08 specific training courses. These are held very close to the examination day so the full benefit of case study discussion can take place. In addition, we believe there are certain aspects that need to be covered in order for students to be able

to pick up marks on some of the comparison / pros & cons / advantages and disadvantages questions. Should you be looking to take J08 in the future please would you email us with 'J08 Courses' in the subject title to register your interest for the revision courses.

## 5. BOARD MEETING MINUTES

Following a variety of TCF interviews we understand that the FSA expect all companies to hold formal Board Meetings with related minutes. Compliance News has drafted some IFA specific Board Meeting

Minute templates for firms to use. Premier Service members automatically receive these documents; please see the back page to subscribe.

## 6. IN HOUSE 'KNOWLEDGE' TESTING

Current subscribers of our Premier Service will already have received the latest round of documents, which included 5 test papers (General IFA paper, Mortgage paper, Structured Product paper, Non advisory / New joiner paper and Higher Level IFA paper).

These are written exams for firms to use in order to formerly assess their staff AND identify specific training needs of their individual staff members. Please see the back page to subscribe.

## 7. REVIEW OF WRAPS & PLATFORMS

Firms who have adopted a Wrap and / or Platform should ensure they periodically carry out an adequate level of due diligence. Firms should also be aware of the recent FSA comments in the FSA Discussion Paper DP 10/2. Point 3.65 states *.. 'In practice, a firm with a varied set of customers is unlikely to be able to use a single platform for all their customers. Additionally, a firm should not*

*assume that platform services will be suitable for its customers.'* (Source FSA DP 10/2).

Compliance News has recently issued a variety of guidance on the due diligence topics required to be covered by firms. To obtain a copy please subscribe to the Premier Service – see back page.

## 8. REMEMBERING TIM POUNTNEY

It is with deep regret that Compliance News passes on the tragic news that our friend and former colleague Tim Pountney passed away a few months ago following a short illness. For those who can remember Tim, you will recall an extremely likeable City Gent who was a well respected and knowledgeable compliance professional. Prior to working at the FSA Tim worked at the Coventry Building Society as Financial Services Manager. After leaving the FSA in Nov 2000 Tim joined S A Swaines in London and became their MD. Following his employment with Swaines, Tim

then joined the London office of Ernst Young, enjoying a Senior Compliance position. Tim will be well remembered by many of those with whom he worked, especially for his positive attitude and overall professionalism. As a side point, he was probably the best-dressed man at the FSA for a number of years. Tim's parents (Jean & Alan) would be delighted to hear from anyone who worked with Tim and wished to pass on their regards. Compliance News would be pleased to pass such wishes on to Mr & Mrs Pountney.

## 9. MERGERS AND ACQUISITIONS – ARE YOU BUYING?

Compliance News has recently compiled a short checklist / questionnaire to be used by firms who are in discussions with an IFA firm they wish to buy / acquire. This is an extremely useful document to use to go

through key aspects of a business in order to ensure that the potential purchaser has the required level of information to make an informed decision. This will be issued to subscribers on the 25<sup>th</sup> June 2010.

## 10. SUMMARY OF RECRUITMENT FORM

It is vital that firms properly assess new advisers who join their firm. To assist firms in checking that their own recruitment files have reached a certain standard we have issued our subscribing firms with a checklist to

cover the main areas. Other forms / reference forms / reference request letters / job descriptions / declarations are also included as part of the subscription service.

## 11. UPDATED OBSERVATION FORMS (SHORT VERSION)

Through our work with other IFAs we have recently developed a shorter observation form for both factfinding and presenting

recommendations interviews. Copies are issued automatically to Premier Service subscribers (see back page).

## 12. SUPERVISOR COURSES

We are planning to run this course in September, following the schools return. If you would like to register your interest, please send a brief e-mail to [compliance@ifahelpline.co.uk](mailto:compliance@ifahelpline.co.uk)

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'.

See the FSA Handbook for rules relating to Supervisors having the necessary skills and knowledge (TC 2.1.4 & 2.1.5).

## 13. 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 [katherine@justcrs.co.uk](mailto:katherine@justcrs.co.uk) or 07815 767204

## 14. DATA SECURITY

Data security is an important area for firms to consider. The following link may help firms to carry out their own audit of their systems and controls. We have recently issued an updated version of the log of client files (in / out) of the office.

This is again issued automatically to Premier Service subscribers.

Additionally, Compliance News are currently compiling a short factsheet with points to consider and links to appropriate webpage's. For your free copy, please email [compliance@ifahelpline.co.uk](mailto:compliance@ifahelpline.co.uk) with Data Security Factsheet in the title.

## 15. ONA – ON-LINE NOTIFICATIONS AND APPLICATIONS ON THE FSA WEBSITE

This has been a recent development at the FSA and it replaces the current paper based processes and systems known by many firms as 'firms on-line'. Please see the link to understand the changes further (effective from 7<sup>th</sup> June 2010).

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

## 16. REVIEW OF COMPETENCE & ETHICS – FSA CONSULTATION PAPER CP10/12

Within this proposal the FSA are looking to introduce a time limit in which advisers must successfully pass the modules of one of the qualifications agreed / prescribed by the rules / FSSC. The paper also discusses the responsibility / competence of approved persons and also provides further information about expected behaviour of such individuals. Furthermore the FSA wish to introduce a 30 month time limit for passing such qualifications.

Compliance News are in the process of going through this proposal form and will provide subscribers of the Premier Service a choice of 2 possible responses. The deadline for responses to this paper is 6<sup>th</sup> September 2010.

Search **FSA/PN/091/2010** of the FSA website to view.

## 17. PENSION SWITCHING

Firms should continue to be aware of the importance of this topic. Whilst the current FSA activity with IFAs appears to be focusing on TCF visits / assessments, we believe the FSA will come back to the area of pension switching in the not too distant future. We strongly recommend that all firms are able to demonstrate their thought process behind pension switching advice and also be able to

demonstrate where advice has been given not to switch a personal pension. We have a number of forms available to assist firms with their work in this particular area. The following links to the FSA website will also be helpful. We also *strongly* recommend that firms continue to use the FSA's excel suitability template where appropriate.

## 18. STRUCTURED PRODUCTS – FSA SUITABILITY TEMPLATE

Firms should be aware that this is available to all regulated firms. In addition, an 11 page 'frequently asked questions' about the template also exists. Compliance News strongly recommends that firms can demonstrate that the advisers who are providing advice on structured investment

products are competent to do so. This may include advisers undertaking some form of knowledge assessment as part of the training and competence work on this complex area. Compliance News has recently issued all Premier Service subscribers with a test to assist firms undertake this assessment.

## 19. QROPS – KNOWING YOUR LIMITATIONS?

As most IFAs will agree, the area of QROPS (Qualifying Recognised Overseas Pension Schemes) can be extremely complex. However, many firms will get the opportunity to discuss the broad area with clients. From these discussions the HMRC QROPS legislation / PII / FSA permissions / Competence / Tax advice all start to pose important questions. Our advice is that firms strongly consider speaking to those who specialise in the area. One firm who specialise in this area is Montfort International Plc (FSA number 181199). They were PIA regulated from 4/10/96 to 30/11/01 and have been FSA Authorised & Regulated since 1/12/01. Geraint Davies (MD) from Montfort

would like to hear from any IFA who may wish to introduce QROP enquiries to them, with a formal **introducer agreement / split of commission / fees**. Geraint has put together a short information pack providing details of their specialist services and important credentials about Montfort. Please email Geraint for a copy.

GLDavies@miplc.co.uk  
01483-202072

Compliance News can confirm that we are not linked to any particular IFA introducer agreement or split which will be paid as a result of an IFA contacting Montfort International.

## 20. PREPARING FOR A TCF ASSESSMENT

Many firms in the West Yorkshire area have recently undergone some form of FSA assessment on the topic of Treating Customers Fairly. We understand that the FSA are now moving south to cover South Yorkshire and the East Midlands. Compliance News and JustCRS are able to assist firms in their preparation for an FSA assessment on TCF. This includes a review of your progress to date and suggestions on your own gap analysis and in house systems

and controls. The most common service is a 90 minute telephone discussion about TCF planning and enhancing the work already done, this costs £250-. Compliance News and JustCRS can confirm that we have significant levels of experience of firms receiving both face to face and telephone assessments from the FSA. For more information please email [Katherine@justcrs.co.uk](mailto:Katherine@justcrs.co.uk)

## 21. FSA's SMALL FIRMS FINANCIAL CRIME REVIEW

The FSA has recently issued its findings following a review of the small firms sector implementation of anti-financial crime systems and controls. The FSA launched a major thematic project in April 2008 to establish the extent to which small firms addressed financial crime in their business. The review covered three main areas:

- Anti-money laundering/financial sanctions;
- Data security; and
- Fraud controls.

The FSA has identified several weaknesses across the sector in implementing systems and controls to reduce the risks from financial crime. We are currently in the process of putting together a summary of the review findings, including good and poor practice examples for each of the areas reviewed. If you would like to receive a free copy of our summary, please send an e-mail with 'Financial Crime Review' in the subject box to [Katherine@justcrs.co.uk](mailto:Katherine@justcrs.co.uk)

## 22. The Future of the IFA Industry – Can you help?

As most readers will hear on a regular basis, the assumed 'typical' IFA is probably aged 53 to 56 and looking to retire in 5 to 10 years. With the RDR changes ahead, this is likely to mean a significant reduction in adviser numbers. One regular thought we have is about whether the IFA industry is an extremely successful 'firework', however, due to the ages of the majority of advisers and the support (viability) required by providers, the industry could eventually burn out.

Clearly, this is an extreme view and touches on the conspiracy theory that the Regulator does not want small Directly authorised firms. Putting that aside, we have currently undertaken a small amount of research. Phil Dibb (Editor) travels the UK running IFA Compliance forums and visiting IFAs to undertake audits. In total over a six month period, he spoke with nearly 200 firms. From all of these firms, how many had trainee advisers (any shape or form) who were NOT family members? The answer was 6 firms. Whilst the sample was small, we believe this is a trend across the UK. Is it possible that in

years to come, some providers will decide not to support a reducing IFA community?

We fully accept that the costs / exam costs / CII courses / lost business and intense supervision (FSA Rules) mean that taking on a trainee is generally not financially viable in the short term. With the risk of the individual moving on to pastures new, many firms just decide 'against it'.

What can firms do to help? Cynically, we do not believe firms can rely on the Skills Council / AIFA and other trade bodies. To date, all of the activity has resulted in very few new advisory places. Our suggestion is that ALL of our firms make contact with the Sales Director of the top three providers used. Asking about their own plans to help the intermediary community and the level of financial support available over the coming years. We would ask to be copied in on the responses. Once we have a good level of provider responses, we plan to formally propose a training scheme with some of the other leading IFA support companies.

## 23. HAVE YOU GOT THE RIGHT PERMISSIONS?

### FSA Variation of Permissions / Change of Legal Entity / New Application

Authorised firms should be aware that at the present time there are extremely long delays within the FSA's authorisation department. Any firm wishing to submit a new application should bare this in mind, as long delays are probable. In addition, we would suggest that firms regularly review their level of permissions to ensure the correct level is held. For example some firms provide regular advice on the purchase / arranging of

Investment Trusts however, when investigated further they do not have the correct 'share' permissions. As part of our service to IFAs we are able to assist with Variation of Permissions, Change of Legal Entity and also new firm applications. For more information please email [Katherine@justcrs.co.uk](mailto:Katherine@justcrs.co.uk)

## 24. 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 can 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](mailto:compliance@ifahelpline.co.uk) 0113-2589878

## 25. 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> 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> Please tick
<b>Compliance News Premier Service – IFAs with 11 to 25 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.	<b>Cost £275</b> 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.**

<b>Name/Contact:</b> <b>Firm:</b> <b>Address:</b>  <b>Tel:</b> <b>Email:</b>	<b>Are you an authorised firm? Yes / No</b>
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Should you wish to receive further information on a particular topic, please complete the form below.

Compliance News – Additional Services			
	Tick (☞)		Tick (☞)
TCF Telephone overview		Remote file-checking service	
TCF planning & documentation		GABRIEL Assistance	
Variation of Permission / FSA New Authorisation assistance		Annual Compliance Audit / Mock FSA visit	
Can Compliance News provide you with a bespoke quotation?		T & C Supervisor / Refresher Course	

<b>Name:</b>	<b>Firm:</b>
<b>E-mail:</b>	<b>FSA Number:</b>