

Guiding the Profession on RDR



FSA Consultation Paper 10/14 Delivering the RDR: Professionalism (including its applicability to pure protection)

An Overview of the Key Proposals

June 2010

Summary

In December 2009 the FSA published a Consultation Paper, CP09/31, which sought views on the governance of professional standards, and on the transition to higher qualification standards. Prior to that, in June 2009, the FSA's Consultation Paper CP09/18 put forward proposals relating to CPD and ethical standards.

This latest FSA Consultation Paper (CP10/14) sets out a summary of feedback received on both of those consultations, and contains additional proposals in relation to professional standards work. The majority of the content in CP10/14 has been developed with significant input from the FSA's Professional Standards Advisory Group (of which the CII is a member).

Final policy proposals outlined by the FSA in CP10/14 include:

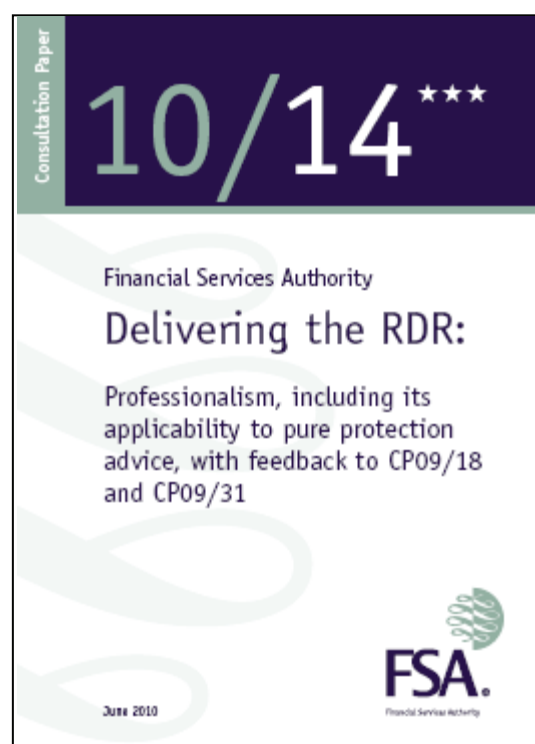
- The FSA to carry out supervision and enforcement of the new professional standards;
- Firms will be required to ensure that all advisors under their employment hold a Statement of Professional Standing (SPS);
- Bodies wanting to issue SPSs will have to meet certain criteria to become an accrediting body;
- Advisers will have to undertake 35 hours of CPD a year – 21 of which will have to be “structured learning”;
- The final list of appropriate qualifications. Qualification gap filling will be necessary in most cases and this will need to be completed by December 2012.

The FSA's intention is to raise standards in the market for retail investment advice for all individual advisers, whatever type of firm they work in – with the aim of delivering better outcomes for consumers and improving the perception of the advice sector.

The consultation will close on 24 September and the FSA will use responses to finalise its rules, which it will publish in a Policy Statement in December 2010.

The full Consultation can be found at: http://www.fsa.gov.uk/pubs/cp/cp10_14.pdf

Please note that this document does not give the views of the CII Group or the Personal Finance Society.



Qualifications

The **final list of appropriate qualifications** has been confirmed by the FSA (see annex A for further details). This includes the new CII Diploma in Regulated Financial Planning.

Qualification gap filling may be required for those who hold or are studying for one of the appropriate qualifications – it is dependent on when the qualification was achieved. Those started after September 2010 are likely to meet the RDR exam standards and so no qualification gap filling will be necessary. If you were assessed as competent as at 30 June 2009 you must hold a qualification on the list by the end of 2012. New-entrants will also be required to hold an appropriate qualification but do not have to meet the 2012 deadline.

Supervision and enforcement of professional standards

The FSA has decided that it will **carry out supervision and enforcement of the new professional standards**. These standards will be set through the FSA handbook. New staff will be appointed to enhance the regulator's ability to focus on professional standards of advisers.

Firms will be required to **ensure that all advisors under their employment hold a Statement of Professional Standing (SPS)**. For details of the SPS see annex B.

The statements will be provided by bodies accredited by the FSA. The criteria that must be met to become an **accrediting body** are set out in the CP and include:

- acting in the public interest and further development of the profession;
- carrying out verification services; and
- having appropriate system and controls in place to provide evidence to the FSA.

The FSA expects existing professional bodies to apply for accreditation. However this approach **does not require mandatory membership of professional bodies**.

Firms will still be required to ensure that all advisers meet the FSA's training and competence requirements, specifically qualifications, CPD and ethical behaviour.

Continuing professional development

In future full-time advisers will need to complete **a minimum of 35 hours of relevant CPD per year, of which 21 must be "structured learning"**. There must be a focus on learning outcomes. Structured learning can include lectures, workshops and appropriate e-learning.

Advisers will be expected to be able to demonstrate that they have learned and developed knowledge and skills as a result of CPD. Firm's own training and competence schemes will play a key role in helping advisers meet the necessary requirements.

Ethical behaviour

In CP09/18 (June 2009), the FSA suggested introducing a new Code of Conduct as part of the RDR. The FSA now intends to apply its existing Approved Persons rules (APER) to a much wider group of practitioners, on the grounds that such conduct concerns more than just retail investment advisers. Therefore the requirements relating to ethical behaviour will apply **to all approved persons, not just those within the scope of the RDR**. The Approved Persons sourcebook sets out several high level principles, and descriptions of behaviour which, in the FSA's opinion, do not comply. In a separate consultation CP10/12 published in May, the regulator has proposed adding new descriptions about "*paying due regard to the interests of a customer*"; and causing "*deliberate acts, omissions or business practices that could be reasonably expected to cause consumer detriment*".

Next steps

The consultation will **close on 24 September** and the FSA will use responses **to finalise its rules, which will be published in a Policy Statement in December 2010**.

RDR Timetable

Detailed Activity	Date
<p>New Level 4 qualifications achieve OfQual approval and put on the list of appropriate examinations</p> <p>Consultation on labelling of adviser services</p> <p>Consultation on changes to transactional sales reporting</p> <p>Study material made available for new Level 4 qualifications</p> <p>Policy statement to CP10/14</p> <p>Publish Consultation Paper on Platforms</p> <p>Publish Policy Statement on Platforms</p>	<p>2010</p> <p>Q3</p> <p>Q3</p> <p>Q3</p> <p>Q4</p> <p>Q4</p> <p>Q3</p> <p>Q4</p>
<p>Prudential Rules for Personal Investment Firms (PIFs) subject to new prudential rules from 31 Dec 2011 on a transitional basis</p>	<p>End 2011</p>
<p>FSA will carry out thematic work and monitoring on professionalism. Advisers who do not possess a qualification on the transitional list need to qualify at the new level. Advisers who do possess a qualification on the transitional list need to complete any additional CPD top up.</p> <p>FSA will carry out thematic work and monitoring on remuneration. All advisers and product providers must prepare and be ready to operate Adviser Charging and meet the associated requirements from Jan 2013.</p> <p>FSA will carry out thematic work and monitoring on description of services. All advisers must prepare to describe their services as independent advice or restricted advice from Jan 2013. All advisers must prepare and start complying with the new independence and product requirements from Jan 2013.</p>	<p>End- 2012</p>
<p>PIFs must comply fully with the new prudential rules from 31 Dec 2013.</p>	<p>End 2013</p>

Appendix A

The final list of appropriate qualifications

This list includes:

- Advanced Diploma in Financial Planning;
- Advanced Financial Planning Certificate;
- Associate (ACII) (where candidates hold appropriate life and pension modules);
- Associate (ALIA Dip);
- Diploma in Financial Planning;
- Fellow (FCII) (where candidates hold appropriate life and pension modules);
- Fellow (FLIA Dip); and
- Regulated Diploma in Financial Planning.

Appendix B

The Statement of Professional Standing

All firms will be required to ensure that advisors under their employment hold a Statement of Professional Standing (SPS). The SPS will include:

- Advisor's name;
- Name and contact details of accredited body and a named signatory;
- End date of verification (maximum of 12 months from date of verification);
- Confirmation that the advisor's qualification(s) have been verified;
- Confirmation that the advisor has signed an annual declaration that states they:
 - have kept your knowledge up-to-date; and
 - adhere to standards of ethical behaviour.
- Advisor's individual reference number as it appears on the FSA Register; and
- A recommendation that the reader should check that you are on the FSA Register, and how to do so.