



# professional direction paper

FEBRUARY 2012

# RDR - Clarity around FSA Permissions and Statements of Professional Standing

This paper is the third in a series of papers that the Personal Finance Society (PFS) is producing under the **Professional Direction** title. It represents the PFS interpretation of the rules as far as we have been able to ascertain them. The paper has no formal or regulatory status and is intended solely to assist members in understanding the new rules.

This paper will be of interest to all retail investment advisers who are in the process of completing RDR qualifications, and gap fill where necessary, as well as applying for their Statement of Professional Standing. The paper details the requirements for those advising in the areas of *Packaged Products, Securities and Derivatives*

## Disclaimer

Every attempt has been made to ensure the accuracy of this text at the time of going to print (February 2012). However no liability can be accepted for any loss incurred in any way whatsoever by any person acting or refraining from action as a result of the information contained in this document.



# background

The 31st December 2012 is fast approaching and most of you will be, if not already there, well on the way to completing your RDR qualification requirements. Along with qualifications, many of you will also have a requirement to complete qualification 'gap fill' and will be using the CII gap fill tool to support this process.

RDR rules also state that all retail investment advisers must hold a Statement of Professional Standing (SPS), from an Accredited Body, to demonstrate that they:

- have adhered to a code of ethical standards
- hold the required qualifications for the activities they undertake and;
- have completed appropriate CPD and complied with APER (Statements of Principle and Code of Practice for Approved Persons)

Now that the CII is an Accredited Body, once qualifications and any relevant gap fill have been completed, you can submit your gap fill record to the CII for verification.

On confirmation of successful verification, you are in a position to apply for your Statement of Professional Standing (SPS).



# SPS requirement

## Who needs an SPS?

The FSA states that a retail investment adviser who carries out any of the following activities (2, 3,4,6,12,13 in TC Appendix 1.1.1R of the FSA Handbook) will require an SPS:

- 2: Advising on Securities (not stakeholder pensions or broker funds)
- 3: Advising on Derivatives
- 4: Advising on Packaged Products
- 6: Advising on Friendly Society tax exempt policies
- 12: Advising on and dealing in Securities (not stakeholder pensions or broker funds)
- 13: Advising on and dealing in Derivatives

If an individual performs more than one of the above activities, only one SPS will be required, however you must hold a qualification and be competent for each specific activity you perform. For example, if you hold a qualification for *Packaged Products* but also give advice on *Securities* you will need to hold an appropriate qualification for each of these activities, as well as complete any gap fill where relevant. More details regarding the products within the activities above are included in the table overleaf.

The CII tool enables you to complete gap fill for *Packaged Products & Friendly Society Tax Exempt Products, Securities and Derivatives*, which will subsequently enable you to apply to the CII for an SPS to cover one or more of these activities. Solutions for *Securities* and *Derivatives* gap fill will be available from May 2012.

Please note that although you should hold only one SPS, it does not need to specify the activity (or activities) to which it relates. The activities you are authorised to undertake are determined by your qualifications, gap fill if required and your firm's T&C scheme.

For more information on gap fill verification and submitting an SPS application, please visit [www.cii.co.uk/rdr](http://www.cii.co.uk/rdr)

## What activities am I permitted to undertake?

It is important to know that the FSA deals directly with firms when it comes to processing an application for an approved person.

It is the firm that is granted permissions by the FSA, not the individual and most firms will hold multiple permissions. In order for an individual to undertake any of the above activities from 31st December 2012, they will need to hold a relevant qualification and gap fill if required. As well as holding the required qualification, the individual will also need to be assessed as competent to provide advice as part of the firm's T&C scheme.

Although a firm may hold multiple permissions, it could have different advisers working in one or more of the activities defined above. The activities that an individual is permitted to undertake are therefore governed by the firm's T&C scheme. When firms apply for approved person status for their staff under the controlled function (CF30), the FSA does not usually collect detailed information on either an individual's role or their qualifications during the approvals process.

An individual may be qualified to give advice in a certain activity and their firm may hold the relevant permissions. The individual, however, may not be trained and competent in that particular activity and therefore does not carry out that activity. In such a case, gap fill would not need to be completed, nor an SPS applied for, in relation to that activity.

Nonetheless, some individuals may wish to complete gap fill in areas outside of their authorised activities in order to keep their qualifications up to date and relevant, should they decide to work in that area in the future.



# activities

## What qualifications do I need for the different activities?

There are many different qualifications, both new and old, that are appropriate in order to perform the above activities. The table below details those qualifications provided by the CII.

N.B. There are other appropriate qualifications available from other awarding bodies, not included in the table.

Regulated Activity	Advising on <i>Packaged Products/Friendly Society Tax Exempt Policies</i> (which are not broker funds)	Advising on/dealing in: <i>Securities</i> (which are not stakeholder pension schemes, personal pension schemes or broker funds)*	Advising on/dealing in <i>Derivatives</i>
Definition of products	a) life policy b) unit in a regulated collective investment c) interest in an investment trust savings scheme d) stakeholder pension scheme e) personal pension scheme whether or not (in the case of a, b or c, held within an ISA or CTF) and whether or not the packaged product is also a stakeholder product f) tax-exempt policies from an incorporated friendly society or registered friendly society	a) share b) debenture (ba) alternative debenture c) government and public security d) warrant e) certificate representing certain securities f) unit g) stakeholder pension scheme (ga) personal pension scheme h) rights or interests in investments in (a) to (g)	a) contract for differences b) a future c) an option
These definitions are from the FSA website. Please see <a href="http://fsahandbook.info/FSA/html/handbook/TC/App/1/1">http://fsahandbook.info/FSA/html/handbook/TC/App/1/1</a> for full details of the regulated activities			
CII existing appropriate qualifications (up to 31 Dec 2012)	FPC (no longer available) Cert FP	FPC (no longer available) G70 of the AFPC (no longer available)	FPC (no longer available) G70 of the AFPC (no longer available)
CII Transitional qualifications appropriate from 31 Dec 2012 (requiring gap fill)	Advanced Financial Planning Certificate (no longer available) Diploma in Financial Planning Advanced Diploma in Financial Planning Associate or Fellow of the CII (life and pensions route only) (no longer available)	Advanced Financial Planning Certificate (no longer available) Associate or Fellow of the CII (life and pensions route only) (no longer available)	Advanced Financial Planning Certificate (no longer available) Associate or Fellow of the CII (life and pensions route only) (no longer available)
CII RDR compliant qualifications (without gap fill requirement)	Diploma in Regulated Financial Planning	No qualification available at time of print** Update Jan 2013 - new CII qualification introduced	No qualification available at time of print**

\*Please note that although the FSA glossary definition of *Securities* includes personal and stakeholder pension schemes, the regulated activity for T&C purposes explicitly excludes these two product types. Therefore, an individual who advises on *Securities* will not be permitted to advise on these products unless their firm also holds the relevant permission of advising on *Packaged Products* and their qualifications and T&C scheme allows them to do so.

\*\*The CII does not currently offer an RDR compliant qualification appropriate for advising on *Securities* or *Derivatives*.

The CII's Diploma in Regulated Financial Planning is fully RDR compliant and is an appropriate qualification for advising on *Packaged Products*. The CII also has transitional qualifications for *Packaged Products*, *Securities* and *Derivatives* which **will, in most cases, require completion of gap fill**.

Appropriate qualifications for advising on *Securities* and *Derivatives* are available from other awarding bodies; for the full list please see: <http://fsahandbook.info/FSA/html/handbook/TC/App/4>

Individuals advising on *Securities* and *Derivatives*, but holding an appropriate qualification from another awarding body can still apply to the CII for their SPS.



# activities

## EXAMPLES – THE RULES IN PRACTICE:

John works for ABC IFA and holds the CII's AFPC (an appropriate transitional qualification for advising on *Packaged Products* and for advising on *Securities*). ABC IFA holds FSA permissions to advise on *Packaged Products* and *Securities*, however John only advises on *Packaged Products* and his company's T&C scheme reflects this. John is not required to complete *Securities* gap fill, and he does not need to apply for an SPS in this area.

Chris is employed by Chris & Sons Financial Planners and holds the CII's AFPC (an appropriate qualification for advising on *Packaged Products* and for advising on *Securities*). Chris & Sons Financial Planners hold the FSA permissions to advise on *Packaged Products* and *Securities*. Chris advises on *Packaged Products* but also advises individuals on any direct shareholdings that they may have. Through the firm's T&C scheme, Chris is trained and competent in this area as well as *Packaged Products*. He would therefore need to complete the gap fill for both *Packaged Products* and *Securities* and also apply for an SPS in both areas.

Marie holds the CII's FPC and currently gives advice on *Packaged Products* and *Securities*. Marie's qualification is sufficient until end Dec 2012, but she will need to attain an RDR Level 4 appropriate qualification for *Packaged Products* and *Securities*, as well as completing gap fill where relevant. The CII currently provides appropriate L4 qualifications for *Packaged Products*, which Marie can take, but Marie would need to attain a qualification from an alternative awarding body in the area of *Securities*. Marie would also need to apply for an SPS to cover both activities, which can be provided by the CII.

If you are unsure of your position, contact your compliance office in the first instance. If you remain unsure, you can call the FSA's Contact Centre on 0845 606 9966.

