

## CTP's summary of the June 2010 RDR consultation paper 10/14

### Delivering the RDR: Professionalism, including its applicability to pure protection advice, with feedback to CP09/18 & CP09/31

#### Qualification requirements

- **Final List of appropriate RDR qualifications** - see appendix 1 at the end of the Summary
- The list of qualifications will be published in the FSA Handbook and will be updated quarterly.
- Further qualifications will be included in the October CP including the International and European qualifications.
- The MLIA Dip has been removed from the list
- **Alternative Assessments** Any qualification tested by an alternative assessment method to a written exam will need FSA consideration before it can be considered as an appropriate qualification. Any new confirmed alternative assessments will be confirmed in the final rules in December 2010 through the CP in October
- **Qualification requirements for new advisers** – Advisers that were deemed competent after 30 June 2009 including new advisers do not have to meet the 2012 deadline date. The CP10/12 has proposed a 30 month qualification time limit but firms are still at liberty to set their own competence requirement time frame
- **Individuals who do not currently operate within the retail investment sector but hold an existing appropriate qualification** – if they wish to take up an advisory role in the future they will need to fill any gaps in knowledge between the qualification they hold and the new standards at the point they join the sector. The 30 month time limit will apply for completion of the gap fill.
- **Pure protection** - Unless advisers opt to sell protection under COBS, individuals who only sell pure protection to retail clients either on an advised or non-advised basis are not subject to any examination requirement changes

#### Qualification gap- fill ( CPD Top-up)

- CPD Top-up is now referred to as qualification gap-filling to avoid confusion with ongoing CPD.
- The method to confirm gap filling requirement has been confirmed

	<p>as “identify at a high level the key areas of improvement from the current exam standards to the new exam standards”.</p> <ul style="list-style-type: none"> <li>● The awarding bodies have confirmed that they will carry out the gap analysis for their own qualifications but this will not cover all the qualifications on the transitional list.</li> <li>● Confirmation that any relevant structured CPD activity that advisers have already completed can count towards qualification gap filling.</li> <li>● Proposal that any qualification gap-filling will need to be independently verified by an accredited body.</li> <li>● An estimated 16 hours of qualification gap fill will be required by each adviser where necessary</li> </ul>
<b>Continuing Professional Development (CPD)</b>	<ul style="list-style-type: none"> <li>● Confirmation that fulltime advisers will need to complete a minimum of 35 hours of relevant CPD per year , 21 hours need to be structured with verifiable and measurable activities and (where possible) outputs.</li> <li>● Firms will be required to ensure advisers obtain independent verification as evidence of compliance with the FSA’s CPD annual declaration requirements.</li> <li>● Firms will be responsible for ensuring their advisers retain appropriate records and can provide sufficient evidence to demonstrate compliance with requirements on request.</li> <li>● Annual CPD activity should reflect the examination standards and include activity on ethics (This will typically take the form of examining case studies and ethical dilemmas that might arise in an adviser’s role).</li> <li>● An Adviser should be able to demonstrate that the quality of their CPD is “not diluted” by any vested interests of the training provider ie product sales.</li> </ul>
<b>Ethics</b>	<ul style="list-style-type: none"> <li>● As per the CP10/12 Competence and Ethics the Ethical requirements in APER will apply to all advisers.</li> <li>● Accredited bodies may have their own Ethical code but this must not conflict with APER.</li> </ul>
<b>Supervision</b>	<ul style="list-style-type: none"> <li>● Confirmed - a Professional Standards Board will not be created. The FSA will carry out the supervision and enforcement of professional standards with an enhanced role for the professional bodies.</li> </ul>

	<ul style="list-style-type: none"> <li>● The FSA will monitor advisers both reactively and proactively against the standards set out in APER.</li> <li>● The FSA are taking on new powers to suspend approved persons and impose penalties on individuals who have carried out controlled functions with approval.</li> </ul>
<p><b>Statement of Professional Standing ( practising cert)</b></p>	<ul style="list-style-type: none"> <li>● Requirements for firms to ensure individuals hold a Statement of Professional Standing (SPS). This will be awarded by the accredited bodies.</li> <li>● The name practising certificate will not be used as this implies a license to practice and that derives from FSA approval.</li> <li>● In practice it is expected that accredited bodies will require advisers to confirm that they have carried out relevant CPD activity and they have adhered to ethical behaviour consistent with that set out in APER.</li> <li>● Evidence of appropriate qualifications will only need to be verified once.</li> <li>● Once the accredited body has satisfied itself of the advisers professional standing the adviser will receive either a hard or electronic copy of the independent verification which needs to be kept for a minimum of 3 years.</li> <li>● The basic information expected to be covered in the SPS will be; <ul style="list-style-type: none"> <li>▪ Name of adviser</li> <li>▪ Name &amp; Contact details of the accredited body and a named signatory</li> <li>▪ End date of verification ( Max of 12 months from date of verification)</li> <li>▪ Confirmation that the adviser’s qualifications have been verified</li> <li>▪ Confirmation that the adviser has signed an annual declaration which states in the preceding 6 months they have kept their knowledge up to date and complied with APER</li> <li>▪ Adviser’s individual reference number as it appears on the FSA Register</li> <li>▪ A statement - “People must be approved by the FSA before giving financial advice. You can check if this person is approved by the FSA to give advice by going to <a href="http://www.fsa.gov.uk/register">www.fsa.gov.uk/register</a> and searching the individual reference number x-x</li> </ul> </li> </ul>

<h3>Data Reporting requirements</h3>	<ul style="list-style-type: none"> <li>● The FSA propose to collect data covering the professional standards of advisers subject to the RDR proposals.</li> <li>● The data will include ; <ul style="list-style-type: none"> <li>▪ The FSA individual Reference number of the adviser ; including trainees</li> <li>▪ The FSA Firm reference number of the Advisers Firm</li> <li>▪ The qualification status of each adviser</li> <li>▪ The date the adviser started advising</li> <li>▪ The name of the accredited body</li> <li>▪ An individual adviser’s transactional activity</li> </ul> </li> </ul>
<h3>Accredited Bodies</h3>	<ul style="list-style-type: none"> <li>● All advisers will need to be independently verified by an accredited body.</li> <li>● Organisations that wish to become an accredited body will need to meet the following requirements; <ol style="list-style-type: none"> <li>a) Act in the public interest and further development of the profession</li> <li>b) To carry out effective verification services</li> <li>c) To have appropriate systems and controls in place and provide evidence to the FSA of continuing effectiveness</li> <li>d) To cooperate with the FSA on an ongoing basis.</li> </ol> </li> </ul> <p>The accredited bodies will not take on a regulatory role</p>
<h3>Time lines</h3>	<ul style="list-style-type: none"> <li>● Consultation on CP10/14 closes on 24 September 2010</li> <li>● Final rules published in a policy statement in December 2010.</li> </ul>
	<ul style="list-style-type: none"> <li>● <b>FSA Costs</b> – recruiting, training and running a project team to supervise and enforce professional standards = £2.3m to £2.5m <ul style="list-style-type: none"> <li>▪ New information systems - = £1.2m to £2.2m</li> <li>▪ Notification by firms of various information = £360k</li> <li>▪ Ongoing costs = £3.5m</li> </ul> </li> <li>● <b>Costs to Advisers for attaining appropriate qualifications</b> = £135m to £210m</li> <li>● <b>Costs for attaining SPS</b> = £60 to £175 per adviser ( The level of competition in this market will determine the price)</li> </ul>

## Appendix 1 - List of Appropriate qualifications

### Advising on Packaged Products RDR Ready

- Diploma in Professional Financial Advice from the Calibrand/Scottish Qualifications Authority
- Diploma in Investment Planning (existing advisers) from the Chartered Institute of Bankers in Scotland
- Diploma in Investment Planning (new advisers) from the Chartered Institute of Bankers in Scotland
- Diploma in Investment Planning (retail banking for new advisers) from the Chartered Institute of Bankers in Scotland
- Diploma in Investment Planning (retail banking for existing advisers) from the Chartered Institute of Bankers in Scotland
- Regulated Diploma in Financial Planning from the Chartered Insurance Institute
- Diploma for Financial Advisers (revised for post-2010 standards) from the *ifs* School of Finance

### RDR Ready but require gap filling

- BA in Financial Services from Bournemouth University 1995 – 2001
- MA in Financial Services from Bournemouth University 1995 – 2001
- Post Graduate in Financial Services from Bournemouth University 1995 – 2001
- Investment Advice Certificate from the Chartered Institute for Securities and Investment
- Certificate in Private Client Investment Advice and Management (interview and presentation only) from the Chartered Institute for Securities and Investment
- Certificate in Private Client Investment Advice and Management from the Chartered Institute for Securities and Investment
- Diploma (where candidates hold three modules as recommended by the firm) from the Chartered Institute for Securities and Investment
- Masters in Wealth Management from the Chartered Institute for Securities and Investment
- Member of the Securities Institute (MSI Dip) (where candidates hold three modules as recommended by the firm) from the Chartered Institute for Securities and Investment.
- Associate (March 1992 – July 1994 syllabus including top-up test) of the Chartered Institute of Bankers in Scotland

- Associate (post August 1994 syllabus) of the Chartered Institute of Bankers in Scotland
- Certificate in Investment Planning from the Chartered Institute of Bankers in Scotland
- Chartered Banker (where candidates hold UK financial services and investment modules) from the Chartered Institute of Bankers in Scotland
- Diploma in Investment Planning (current) from the Chartered Institute of Bankers in Scotland
- Advanced Diploma in Financial Planning from the Chartered Insurance Institute
- Advanced Financial Planning Certificate from the Chartered Insurance Institute
- Associate (ACII) (where candidates hold appropriate life and pensions modules) from the Chartered Insurance Institute
- Associate (ALIA Dip) from the Chartered Insurance Institute
- Diploma in Financial Planning from the Chartered Insurance Institute
- Fellow (FCII) (where candidates hold appropriate life and pensions modules) from the Chartered Insurance Institute
- Fellow (FLIA Dip) from the Chartered Insurance Institute
- Associate (where candidates have passed the investment module) of the *ifs* School of Finance
- Diploma for Financial Advisers from the *ifs* School of Finance
- Professional Investment Certificate from the *ifs* School of Finance
- Certified Financial Planner from the Institute of Financial Planning
- Fellowship of the Institute of Financial Planning
- BA in Financial Services from Sheffield Hallam University 1995 – 2001
- MA in Financial Services from Sheffield Hallam University 1995 – 2001
- Post Graduate in Financial Services from Sheffield Hallam University 1995 – 2001
- BA in Financial Services from the University of the West of England 1995 – 2001
- MA in Financial Services from the University of the West of England 1995 – 2001
- Post Graduate in Financial Services from the University of the West of England 1995 – 2001

<p><b>Advising on or dealing with securities</b>  <b>RDR Ready</b></p>	<ul style="list-style-type: none"> <li>● Investment Advice Diploma (where candidates hold technical modules as recommended by the firm) from the Chartered Institute for Securities and Investment</li> </ul>
<p><b>Advising on or dealing with securities</b>  <b>Advising on or dealing with derivatives</b>  <b>RDR Ready but require gap filling</b></p> <p><b>** denotes not applicable for derivatives</b></p>	<ul style="list-style-type: none"> <li>● Investment Management Certificate (combined with level one of the CFA programme) from the CFA Society of UK</li> <li>● Associate of the CFA Society of UK</li> <li>● Certificate in Private Client Investment Advice and Management from the Chartered Institute for Securities and Investment attained through a CISI competency interview and presentation only**</li> <li>● Certificate in Private Client Investment Advice and Management from the Chartered Institute for Securities and Investment **</li> <li>● Diploma (where candidates hold 3 modules as recommended by the firm) from the Chartered Institute for Securities and Investment</li> <li>● Registered Representative Full Membership Exams (where holders have all three papers or have both Stock Exchange Practice and Technique of Investment papers) from the London Stock Exchange</li> <li>● Member of the Securities Institute MSI DIP (where candidates hold three modules as recommended by the firm) from the Chartered Institute for Securities and Investment</li> <li>● Masters in Wealth Management from the Chartered Institute for Securities and Investment</li> </ul>
<p><b>Advising on or dealing with securities</b>  <b>Advising on or dealing with derivatives</b>  <b>RDR Ready when combined</b></p>	<ul style="list-style-type: none"> <li>● Level one of the CFA Programme plus the IMC (level 4 version) from the CFA Society of UK</li> </ul>