

10/12^{***}

Financial Services Authority

Competence and ethics

June 2010

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The Financial Services Authority invites comments on this Consultation Paper. Comments should reach us by 6 September 2010.

Comments may be sent by electronic submission using the form on the FSA's website at (www.fsa.gov.uk/Pages/Library/Policy/CP/2010/cp10_12_response.shtml).

Alternatively, please send comments in writing to:

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It is the FSA's policy to make all responses to formal consultation available for public inspection unless the respondent asks otherwise. A standard confidentiality statement in an e-mail message will not be regarded as a request for non-disclosure.

A confidential response may be requested from us under the Freedom of Information Act 2000. We may consult you if we receive such a request. Any decision we make not to disclose the response is reviewable by the Information Commissioner and the Information Tribunal.

Copies of this Consultation Paper are available to download from our website – www.fsa.gov.uk. Alternatively, paper copies can be obtained by calling the FSA order line: 0845 608 2372.

1 Overview

1.1 The competence of individuals¹ at all levels within the financial services industry has come under increasing scrutiny over the last few years. Before the financial crisis, the Retail Distribution Review (RDR) recognised that standards of professionalism need to be raised in the retail investment advice sector to rebuild consumer trust and confidence. Following the financial crisis the FSA has substantially increased its involvement in ensuring the suitability of individuals in significant influence controlled functions. This increased scrutiny has led to the following initiatives:

- Issues over poor governance within some firms led to the Significant Influence Controlled Functions (SIF) review.² This has resulted in FSA assessing more closely the competence of individuals applying for certain SIF roles. Our new approach includes candidate interviews based on a core competency framework.
- A key element of the RDR looks at the professional standards of advisers within the retail investment sector. These proposals raise standards of professionalism through qualifications reform, the application of more consistent standards for Continuing Professional Development (CPD)³ and ethical behaviour.
- The Mortgage Market Review (MMR) identified several issues leading to consumer detriment and we proposed a package of measures to address this. One proposal is to bring individuals who advise on, or bring about, home finance transactions into the approved persons regime for the first time.⁴ Our Training and Competence (TC) requirements already apply to these individuals. Requiring these individuals to become approved persons will mean they must adhere to our Statements of Principle and Code of Practice for Approved Persons (APER), which sets out expected ethical behaviour.

1 Individuals includes 'employees' as described in the Training and Competence sourcebook

2 CP08/25 'The approved persons regime – significant influence function review' December 2008; and CP10/3 'Effective corporate governance (significant influence controlled functions and The Walker Review) January 2010

3 CP09/18 'Distribution of retail investments: delivering the RDR' June 2009; CP09/31 'Delivering the Retail Distribution Review' December 2009

4 CP10/2 'Mortgage market review: Arrears and approved persons' January 2010

- We have consulted on areas where we consider the risks posed by the pure protection market should mean an extension of the RDR professionalism proposals. In our consultation we asked for evidence to assist our thinking.⁵ A feedback statement and our response will be published shortly.
- 1.2 We are finding competence failings in our thematic work. It is clear to us that these failings are occurring most where individuals' competence has not kept pace with market innovations and developments. Where these failings have contributed to a failure to achieve fair consumer outcomes, such as in our recent work on Platforms we have published our concerns.⁶
 - 1.3 These initiatives reflect our increasing focus on the competence of individuals at all levels within firms. We continue to prioritise competence issues working with supervision colleagues to ensure the right emphasis when dealing with their firms. This Consultation Paper (CP) contains several related proposals that strengthen and clarify our overall competence and ethics requirements. We are clarifying elements of our TC requirements, the responsibilities and desired ethical behaviours we expect from individuals as set out in APER. The proposals are aimed at both firms and at individuals performing certain roles within firms.
 - 1.4 We last reviewed our competence requirements in 2007⁷ when we significantly scaled back and simplified the TC sourcebook. The aim was to produce a more principles-based regime and to ensure the sourcebook was consistent with the Markets in Financial Instruments Directive (MiFID). We suggested our longer term aspiration might be to remove the TC sourcebook altogether and rely on high-level principles, providing there was clear evidence that a competence culture was sufficiently embedded within the industry at both firm and individual level.
 - 1.5 Current issues on competence and ethics make a strong case for keeping the TC sourcebook. We also intend using the TC sourcebook to underpin the RDR professionalism proposals.

Our proposals

- 1.6 We propose to:
 - introduce an overall time limit within which relevant individuals must successfully pass all modules of a qualification prescribed by our rules;
 - revoke the existing Transitional Provisions for Designated Investment Business that have been in force since the Financial Services and Markets Act (FSMA)⁸ was passed;

5 CP09/31 'Delivering the Retail Distribution Review' December 2009

6 Investment advice and platforms thematic review – http://www.fsa.gov.uk/Pages/Library/Other_publications/platform_thematic_review/index.shtml and Platform operator disclosure documents – http://www.fsa.gov.uk/pubs/other/gapp_report.pdf

7 CP07/4 'The Training and Competence Sourcebook Review' and PS07/13 'The Training and Competence Sourcebook Review – feedback on CP07/4 and final rules'

8 1 December 2001

- review some of the activities in Appendix 1 of the TC sourcebook;
 - publish a list of qualifications that meet our regulatory requirements within our handbook;
 - clarify our expectations about the responsibility for competence within APER; and
 - add additional descriptions of behaviour which, in our opinion, do not comply with APER and consult on applying them across our approved persons regime.
- 1.7 We have spoken to several stakeholders and carried out research to help inform and shape our proposals. As well as using research already completed as part of the RDR professionalism work,⁹ we commissioned The Cattellyst Consultancy to assess how firms had implemented the post-2007 competence regime and identify the issues they had faced. We have published that research alongside this CP and for ease of reference we have summarised the main findings in chapter 2 of this CP.

Structure of this CP

- 1.8 This CP is structured as follows:
- Chapter 2 explains our view on the role of qualifications in determining senior management competence and the importance of good quality supervision of relevant individuals within firms. We also set out the main findings from the research commissioned from The Cattellyst Consultancy and our response.
 - Chapter 3 contains proposals to strengthen competence requirements, including setting an overall time limit within which a relevant individual should pass qualifications and revoking the Transitional Provisions for Designated Investment Business. We set out changes to some of the activities contained in Appendix 1 of the TC sourcebook. We also propose to strengthen the governance of TC competence arrangements within firms.
 - Chapter 4 sets out our proposals to modernise our qualifications requirements.
 - Chapter 5 sets out proposals to add additional descriptions of behaviour which, in our opinion, do not comply with APER.
 - Annex 1 contains our cost-benefit analysis of the proposed changes and sets out why we believe they are compatible with our statutory objectives and the principles of good regulation.
 - Annex 2 sets out the list of questions contained in the CP.
 - Appendix 1 contains draft Handbook text.

⁹ <http://www.fsa.gov.uk/pubs/other/parn.pdf> and <http://www.fsa.gov.uk/pubs/other/psct.pdf>

Who should read this CP?

- 1.9 This CP will be of interest to all authorised firms, approved persons, relevant trade bodies, professional bodies, qualification and training or continuing professional development providers, consumer representatives and other organisations that operate within the financial services industry. Our TC proposals contained in Chapter 3 are relevant to those dealing with retail customers.

Consumers

This CP will be of interest to consumers who buy investments, general insurance, pure protection, mortgages and other home finance products and to their representatives and consumer groups. Effective training and competence arrangements are crucial to our statutory objective of providing appropriate consumer protection.

Next steps

- 1.10 This consultation will close on 6 September 2010 and we will use responses to finalise our rules, which we will publish in a policy statement towards the end of 2010.

2 Key issues and research

- 2.1 This chapter explains our view on the role of qualifications in determining senior management competence and the importance of good quality supervision of relevant individuals within firms. We also set out the main findings from research carried out on our behalf by The Cattellyst Consultancy and our response.
- 2.2 The ‘competent employees rule’¹⁰ provides that a firm must employ personnel with the skills, knowledge and expertise necessary to discharge the responsibilities allocated to them. We expect firms to have assessed those individuals as competent. The TC sourcebook supports our supervisory function by supplementing the competent employees rule for activities where we expect the potential for consumer detriment to be high.

Senior management and competence

- 2.3 This section explains how we see the role of senior management within our competence regime. We put considerable emphasis on good governance and, consequently, on the responsibilities of directors and senior managers of firms.
- 2.4 The financial crisis exposed shortcomings in the governance and risk management of some regulated firms. We therefore become more intensive in how we supervise significant influence controlled functions (SIFs). In CP10/3 ‘*Effective corporate governance*’ published in January 2010, we set out in detail our framework for how we approve and supervise those applying for and carrying out SIFs. This included setting out our core competency framework and approach to interviewing candidates.
- 2.5 We considered whether to apply specific qualification requirements to senior management and concluded that our revised approach to SIFs is sufficiently stringent to mitigate against the lack of any specific qualification requirements for senior management. Further we expect the competency that needs to be demonstrated by SIFs should reflect:
- the type and size of firm;
 - the role to be performed; and
 - the mix of skills within the management team in which they will be operating.

10 SYSC 3.1.6R and SYSC 5.1.1R

The role of the supervisor within a firm

- 2.6 This section sets out our view on the importance of firms having good quality supervision of relevant individuals. We do not propose any new requirements in this area as we believe firms must decide the most appropriate arrangements. However, our research suggests we need to clearly set out our expectations.
- 2.7 We consider the role of supervisors of trainee and competent individuals is vital and makes a valued contribution to the success of competence arrangements. Our TC sourcebook sets out requirements for supervisors, including the need for them to attain qualifications for certain activities.
- 2.8 Supervisors perform a role where the relationship with the trainee is based on a combination of coaching and monitoring. We are concerned there is insufficient focus on coaching and too much focus on monitoring. We are aware that some supervisors have large spans of control or a distant relationship with their trainee. Examples we have seen include one supervisor to 29 trainee advisers, and trainee advisers who are unaccompanied when providing advice and who just submit case files for their supervisors to review; this is not supervision.
- 2.9 It is good practice for supervisors to be accompanying trainees on client meetings until it is clear that the trainee is demonstrating the right skills and knowledge.
- 2.10 The supervisor's role is also as a support function to their trainees and a source of experience for the trainee to understand how to transform knowledge into practical skills. To fulfil this role, we expect supervisors to have gained enough experience to be considered competent by, for example, spending a significant amount of time on the job before they become a supervisor. We do not expect an individual who has recently been assessed as competent to be able to successfully fulfil the role of a supervisor immediately.

Research on competence requirements

- 2.11 As stated in paragraph 1.7, we commissioned research from an external consultant (The Cattellyst Consultancy) to seek firms' views on the current TC regime. The full report is published alongside this CP. The key points are:
- The style of TC arrangements varies between firms. Larger employers tend to have more rigid structures and smaller firms have a more flexible approach. While there are examples of excellence in firms of all sizes, in several firms TC is considered more as a compliance requirement than as a lever for competitive advantage. TC success is almost always a direct reflection of the firm's culture and the priority given to professionalism by the most senior staff.
 - There are requests from all sectors for increased certainty and clarification. Firms would welcome greater detail, although they do not want a return to the previous prescriptive approach. There is a wish for the regime to give greater weight to the application of skills and Continuing Professional Development (CPD).

- Firms find it difficult to determine what is sufficient to meet regulatory TC expectations. They would therefore welcome transparency about FSA judgement criteria, and examples of what FSA considers good practice.
- TC should be business focused, delivering benefits for clients and firms, and avoid being merely a compliance burden. This stance should be reinforced by any amendments to the current regime and any revisions should be pragmatic. The current regime is seen as orientated towards larger employers with access to significant in-house resources.
- Since the 2007 amendments, the TC environment has evolved. Senior management competence is now given priority in securing effective corporate governance. The RDR has also created an individual adviser focus which is in tension with the TC obligations on firms to take responsibility for their staff's competence. Against this backdrop, it may no longer be appropriate to consider TC in isolation, but to position it as part of a more comprehensive people risk agenda.

2.12 We found the research very useful in informing us of current industry practices and views. We would like to thank all of those who took the time to contribute to the research.

Our views

2.13 The proposals contained in this CP are an initial step in responding to some of the points raised in the above research, coupled with our own analysis of areas we feel need to be strengthened in our competence regime. In the future we will use the research to see what, if any, support we can provide to the industry. In the meantime, the following expresses our views on certain aspects:

- As stated in paragraphs 2.6 to 2.10, we see the supervisor's role as paramount in ensuring good quality competence assessments within firms. For the avoidance of doubt: a file check is not supervision.
- We are encouraged by examples of good practice, including focused monitoring of advisers with a clear career path, setting out how they can progress to more complex areas. There is also evidence of firms using paraplanning as a career development route and using output based measures in TC schemes. We are pleased that firms are integrating TC and our Treating Customers Fairly initiative.
- There is a perception that we do not pay enough attention to soft skills within the TC requirements. This is incorrect, as our competence regime focuses on skills, knowledge and expertise¹¹. However, we address consumer protection issues through the TC requirements by applying an objective baseline of competence, so naturally the requirements focus more on qualifications as an appropriate method of introducing that baseline. This does not mean that we do not place equal importance on skills and expertise. Instead, we leave it for the firm to decide how best to implement these aspects of competence and expect them to evidence the effectiveness of those measures.

11 As described in the Competent Employees Rule (SYSC 3.1.6R and SYSC 5.1.1R)

- There was an indication that some individuals are not encouraged to sit qualifications by some firms. This included broker consultants and individuals who are not engaging in a regulated activity on the basis it would encourage them to provide advice. Our view is that it is good practice to encourage individuals to hold qualifications, even if not required by our requirements, on the basis that consumer outcomes will benefit from a general raising of standards and firms will benefit from a competitive advantage. Firms must improve their in-house training and/or systems and controls if they are concerned individuals are providing advice for which they are not competent.
- In relation to qualifications, there is a view that the exam standards cover too wide a syllabus and are not relevant to narrow job roles, such as an individual who only advises on pension annuities. Our response is that examination standards (upon which qualification content is based) are set by the industry for the industry and are designed to cover a broad spectrum of financial services activities. There is also consumer expectation that the individuals they deal with have a broad knowledge to be able to understand the context within which they provide advice and the options available. We expect individuals should be assessed as competent for all the TC activities they perform regardless of whether they are secondary to their primary activity.
- We expect firms to equip their individuals with the skills and knowledge to educate consumers. Individuals should have adequate knowledge to give customers the information they need to make informed choices about the products and services they provide; and they should be ready to answer questions. For example consumers have heightened concerns about levels of compensation for various financial products and services. We expect firms to train their individuals to provide information about the protection provided by the Financial Services Compensation Scheme.

The future

- 2.14 Competence and ethics are firmly on our agenda. By setting out our expectations and direction of travel in this publication we are expecting firms to take action. Our research indicates that regulated firms are looking for guidance rather than prescription, and we intend to provide more information in the future. In response to this aspect of our research we are considering whether to hold a TC conference in 2011 and potentially follow this with a series of seminars. We will do so if there is demand and you can register your interest now on our website under our 'Events' section.

3 Strengthening and refocusing competence requirements

- 3.1 This chapter contains proposals to strengthen competence requirements, including setting an overall time limit within which a relevant individual should pass qualifications and revoking the Transitional Provisions for Designated Investment Business. We set out changes to some of the activities contained in Appendix 1 of the TC sourcebook. We also propose to strengthen the governance of TC competence arrangements within firms.
- 3.2 A firm must employ personnel with the skills, knowledge and expertise necessary for the discharge of the responsibilities allocated to them.¹² Our TC requirements formalise certain competence arrangements for activities we believe present the most risk to consumers.
- 3.3 TC includes ensuring individuals are assessed as competent (which may include successfully passing a qualification); appropriately supervising them until they are assessed as competent; monitoring and ensuring they maintain their competence; and, making and keeping records.

Reasons for change

- 3.4 Our regime must allow us to take appropriate action where we feel standards and practices are not acceptable. The research we carried out indicates that firms feel FSA does not place enough emphasis on TC requirements in general. With this in mind we will be moving the TC sourcebook to the high-level standards of our handbook. This reflects the importance we place on competence and places TC in the context of other associated requirements, such as the approved persons regime.

The proposals

Applying a time limit within which qualifications must be successfully passed

- 3.5 While qualifications are only one element of demonstrating competence they provide a transferable baseline of knowledge that can be easily understood. Before 2007 we

12 SYSC 3.1.6R and SYSC 5.1.1R

applied a range of time limits within which qualifications had to be passed. We are aware that many firms continue using the pre-2007 TC arrangements, including applying qualification time limits. We consider that the application of an overall qualification time limit will better enable us to monitor firms' activities to assess their compliance with the 'competent employees rule'.

- 3.6 Therefore, we propose to apply one overall time limit of thirty months within which an individual must pass all modules of a qualification – the nature of those qualifications is discussed in chapter 4. We have chosen thirty months as this reflects the upper range of previous time limits. All activities within the TC sourcebook will be subject to the same thirty month limit.
- 3.7 For retail investment advisers, it is worth explaining the impact of this time limit and that being imposed under the RDR. We set out our policy on the transitional arrangements for existing investment advisers in CP09/31. This included describing existing investment advisers as those assessed as competent on 30 June 2009. We do not intend that our proposed thirty month limit will apply to those existing advisers and the end-2012 deadline continues to apply.
- 3.8 People who joined the retail investment advice sector after 30 June 2009 will need to comply with our proposed thirty month time limit. The thirty month limit will start from the date that final rules are published (likely to be the end of 2010). This will give individuals operating in the industry at that point, including those new to giving retail investment advice¹³, thirty months from the date the rules are final to successfully complete their qualifications.
- 3.9 Individuals who fail to meet time limits, as prescribed by our rules, within which they must successfully pass a qualification must cease the associated regulated activity until such time as they do pass. We propose that for the purposes of calculating the time spent by an individual under supervision, periods of 60 business days or more during which the individual is continuously absent from engaging in the activity can be disregarded. For example for medical reasons. We do not propose to apply a maximum time limit for reliance on this provision.
- 3.10 We do not propose to apply a time limit within which an individual needs to be assessed as competent (which is more than just passing a qualification). This will remain the firm's responsibility, based on their assessment of the risk associated with an individual continuing to operate under supervision. We do not expect individuals to operate under supervision indefinitely or revert to operating under supervision as a means to avoid our requirements under RDR professionalism.
- 3.11 We do not plan to apply a transitional provision to the time limit as the nature of the requirement does not require individuals to comply immediately.

13 Not assessed as competent on 30 June 2009

Q1: Do you agree with our proposal to introduce an overall time limit of thirty months, within which individuals must be qualified?

Q2: Do you agree that no Transitional Provision is required to accommodate the new thirty month time limit for attaining qualifications?

Removing existing Transitional Provisions for designated investment business

3.12 At the start of our TC regime we introduced two Transitional Provisions relating to Designated Investment Business. These Transitional Provisions allowed individuals to be assessed as competent under our TC regime without needing to undertake further qualifications, providing the individual was performing substantially the same role after commencement compared to before.

3.13 The Transitional Provisions apply in the following circumstances:

- where an individual had been operating under the TC requirements of a previous regulator and (a) had already been assessed as competent under that regime or (b) was assessed as competent within 12 months after commencement of our TC regime; and
- where an individual had not been subject to a TC regime under their previous regulator and was subsequently assessed as competent within 12 months of commencement.

3.14 These Transitional Provisions still apply today, but we believe few individuals continue to rely on them. This is largely because our TC regime has been through several changes meaning that the likely number of individuals who could rely on these provisions has reduced significantly. This includes the changes relating to retail investment advisers under the RDR where we have consulted extensively on the impact of those proposals with existing advisers and have said that no grandfathering will be allowed. We believe the only activities that still benefit from the Transitional Provisions are:

- advising on syndicate participation at Lloyds;
- managing investments; and
- all activities that involve ‘overseeing on a day to day basis’.

3.15 The Transitional Provisions can only be relied on if the individual is performing substantially the same role as before commencement. Almost nine years have elapsed since the Transitional Provisions were introduced during which time the market has continued innovating and developing. We believe that roles within the industry have changed so much that very few, if any, individuals are likely to be performing substantially the same role as before they came into effect. However, we are interested in receiving feedback to this consultation to understand the extent to which these Transitional Provisions are still relied upon.

3.16 We realise that removing existing Transitional Provisions will impact individuals who continue to rely on them. We intend to provide a Transitional Provision for thirty months for these individuals to pass an appropriate qualification starting from when the new rules come into force, consistent with our proposed overall time limit, as described in paragraphs 3.5 to 3.11 above. However, the time limit will not apply to those undertaking overseeing activities. In exceptional circumstances we may be prepared to offer waivers, but we will only do so if the relevant statutory tests are being met.

Q3: Do you agree that these Transitional Provisions should now be removed on the basis that individuals relying on them will have thirty months (noting activities that involve ‘overseeing on a day to day basis’ will not be subject to a time limit), provided through a further Transitional Provision, in which to attain a qualification?

Governance of competence arrangements within firms

3.17 Our discussions with external stakeholders lead us to believe there is a lack of clarity about the governance of competence arrangements within firms. Responsibility for competence has never been a specific controlled function under our approved persons regime, and we think this is the right answer. Our research suggests that responsibility for delivering competence arrangements within firms is divided between the business, compliance and HR, but there is a perception that responsibility at board level is unclear.

3.18 We believe flexibility within firms to implement competence arrangements according to their business models is right and we do not wish to apply a rigid structure that may undermine this approach. However, we do believe there is an opportunity to clarify our expectations of the overall governance of competence arrangements within firms.

3.19 So we propose to add guidance to APER to clarify our expectations in relation to SIFs. APER already refers to responsibilities regarding individuals’ competence, but it is limited to instances where poor performance has been identified. We intend to provide additional guidance in APER to say that any approved person performing a significant influence function should take reasonable steps to satisfy themselves that each area of the business for which they are responsible has in place appropriate policies and procedures for reviewing the competence, knowledge, skills and performance of staff. We believe this will assist to clarify expectations without the need to create a new controlled function.

Q4: Do you agree that we should amend APER to clarify our expectations of competence governance within firms as suggested in the draft Handbook text?

Reviewing the activities in TC

- 3.20 In CP09/31 we consulted on whether it remained appropriate for the following activities to have separate qualifications for:
- undertaking the activity of a broker fund adviser; and
 - advising on friendly society tax-exempt policies.
- 3.21 This was as a result of feedback from the Financial Services Skills Council (FSSC) that these two activities were no longer carried out in isolation of other TC activities. Following consultation in CP09/31 we have merged these two activities into the qualifications list for managing investments and advising on packaged products respectively. The final qualifications lists will be published in our Handbook when the final rules are made. In the meantime, we have included this change in the draft Handbook text in Appendix 1.
- 3.22 Our discussions with the industry and comments made in the research we commissioned suggest that some of the current TC activities do not fully represent the roles some individuals carry out. In particular, we have seen individuals carrying out the following TC activities:
- advising and dealing on securities which are not stakeholder pension schemes or broker funds;
 - advising and dealing on derivatives; and
 - advising on packaged products which are not broker funds.
- 3.23 Many individuals combine activities by advising on both securities and packaged products.¹⁴ Alternatively we have seen individuals focusing on one element, such as dealing but not advising.

Q5: Do you think that we should create a separate activity for 'dealing in securities and/or derivatives'?

Competence arrangements within firms

- 3.24 Our TC requirements contain record keeping requirements so firms can demonstrate compliance with TC. We are aware that some firms choose to expand these requirements into a TC scheme setting out how individuals can progress in their career. We encourage this approach and so propose adding guidance to our Handbook to say that firms may demonstrate compliance with TC through the use of a TC scheme if they do not already have one.

Q6: Do you agree that we should add guidance to our Handbook suggesting that firms may wish to implement a TC scheme?

¹⁴ As set out in PS10/6 Distribution of retail investments: Delivering the RDR – feedback to CP09/18 and final rules “packaged products” will be known as “retail investment products” from 2013.

4 Qualifications

- 4.1 This chapter sets out our proposals to modernise our qualifications requirements. We expect the proposals in this chapter to be of interest to those firms and individuals caught by our qualifications requirements and organisations who develop qualifications.
- 4.2 The TC sourcebook includes qualifications requirements (set out in TC 2.1.1R) for individuals performing certain retail activities.¹⁵ Requiring individuals to take qualifications is one way to secure an appropriate degree of protection for retail consumers because qualifications can provide a robust assessment of individuals' attainment of a baseline level of knowledge and, sometimes, skills.

Reasons for change

- 4.3 Our qualifications requirement has been in place since the commencement of FSMA and some requirements were in place with previous regulators. Subsequent increases in our regulatory scope have seen new retail activities added with associated qualification requirements as appropriate¹⁶. The current focus on competence of individuals at all levels within the industry and in particular our qualifications reform under the RDR professionalism proposals have led us to consider whether the whole of our qualification requirements need to be completely reformed and modernised.
- 4.4 The main aims of our proposals are to:
- ensure that the content of qualifications continues to reflect the knowledge and skills individuals need to perform their roles competently; and
 - ensure we meet our European obligations¹⁷ to recognise equivalent cross-border qualifications. We also consider there is no reason why individuals should not be able to meet our regulatory requirements to hold a qualification with academic or overseas qualifications.

15 Retail advisers (those who give advice on investments, mortgages, pensions transfers, long-term care insurance), syndicate participation at Lloyds, those who oversee, safeguard, or act as trustee for retail products (operating collective investment schemes, acting as trustee or depositary for collective investment schemes, safeguarding and administering investments or holding client money, or overseeing administrative functions in relation to managing investments, life insurance policies or stakeholder pension schemes).

16 Mortgage advice, for example.

17 Directive 2005/36/EC of the European Parliament and of the Council of 7 September 2005 on the recognition of professional qualifications <http://eur-lex.europa.eu/LexUriServ/site/en/consleg/2005/L/0o2005L0036-20070101-en.pdf>

Publishing lists of qualifications meeting our regulatory requirements within our Handbook

- 4.5 In future we intend to publish a list of qualifications that meet our TC requirements within the Handbook. Our aim is to ensure that firms and individuals have clarity about which qualifications meet our regulatory requirement. This means:
- Ensuring that all qualifications, listed as meeting our regulatory requirements, are fit for purpose. The content requirements for many TC activities have not been reviewed for some time. This carries the risk that they may not provide individuals with the relevant skills and knowledge they need to be competent.
 - Providing greater consistency between the variety of qualifications available to individuals so that they all deliver at least the regulatory requirements for knowledge and skill to perform the role.
- 4.6 As we propose publishing the qualifications list within our Handbook we will approve all qualifications before they can appear on that list. Our approval process and criteria are set out in paragraphs 4.14 to 4.19. We have included the current list of qualifications in the draft Handbook text in Appendix 1. We want respondents to tell us, during the consultation period, if there are other qualifications (UK, European or international) that meet those criteria and so should be considered by FSA for inclusion on the list.
- 4.7 Our intention to publish qualifications within our Handbook will have an impact on those firms who either:
- want to use a qualification not currently on the list; or
 - recruit an individual who holds a qualification not currently on the list but which the firm believes is equivalent.
- 4.8 The aim of our review is to include a wide range of routes¹⁸ to getting qualified so that there should be no need for a firm to rely on an unlisted qualification. However, if a firm considers it needs to do so we expect the firm to give us sufficient notice to assess the qualification and then consult. We will only add a new qualification to the list if it has been successfully assessed and consulted on. As we do not expect the addition of a qualification that has been assessed by FSA to be a controversial or significant rule change we anticipate using a much shorter consultation period than the standard three months. In this event, the affected firm may wish to consider applying for a waiver in the interim period to ensure they are not breaching the rule.

Reviewing and refreshing the content of qualifications

- 4.9 The content and level of qualifications is prescribed through appropriate examination standards¹⁹ which are set and published by the Financial Services Skills Council (FSSC). Standards for retail investment advisers²⁰ have been reformed

18 Academic, vocational and overseas

19 The Appropriate Examination standards can be found at http://www.fssc.org.uk/30_15.html?i=0&li=true

20 The final standards were published in March 2010 and can be found at http://www.fssc.org.uk/735635_14.html?i=1 and www.fssc.org.uk/917448_14.html?i=1?i=1

through our proposals under the RDR and now reflect the role of the modern adviser. We are now looking at the content of qualifications for non-RDR activities and whether these would also benefit from reform.

- 4.10 We do not have a view on the level of difficulty of the qualification required or indeed the level of difficulty of the current qualification that applies to existing activities outside of the RDR. However, we are primarily concerned with ensuring that any qualification is fit for purpose and areas examined cover the actual activities and skills necessary to perform the associated role. However, we will link those skills to the appropriate descriptors in qualifications frameworks so they are easy to use and understand.
- 4.11 Listed below are all the activities and when the content of the relevant qualifications (referred to by the FSSC as Appropriate Examination Standards (AES)) were last reviewed.

Appropriate Examination Standards (AES)	TC Activity number (in TC Appendix 1.1R) to which AES relates	When AES prepared/last reviewed
Advising on without dealing in securities only	2	2010
Advising on without dealing in derivatives only	3	2010
Advising on without dealing in securities and derivatives	2-3	2010
Retail investment advice (advising on packaged products)	4	2010
Advising on Friendly Society tax-exempt policies ²¹	6	2007
Long-term care insurance	7	2004
Advising on investments in the course of corporate finance business	8	AES not developed
Advising on syndicate participation at Lloyd's	9	2007
Acting as a broker fund adviser ²²	10	2007
Acting as a pension transfer specialist	11	2007
Advising on and dealing in securities only	12	2010
Advising on and dealing in derivatives only	13	2006
Advising on and dealing in securities and derivatives	12-13	2010
Managing investments	14	2006
Overseeing collective investment scheme administration	15	2005
Overseeing safeguarding client money (Overseeing safeguarding and administering of investments or holding client money)	16	2005
Overseeing investment management administration	17	2005
Overseeing life policy administration	18	2005
Overseeing stakeholder pension administration	19	2005
Mortgage advice	20	2004
Lifetime mortgage activities	21-23	2004
Equity Release	21-23	2007

- 4.12 While we have not sought evidence of market failure that will support a review of these exam standards, our research suggests that firms believe the existing content of qualifications do not accurately reflect the role individuals are performing. We believe

²¹ This activity will be merged with 'advising on packaged products'.

²² This activity will be merged with 'managing investments'.

there is a case for carrying out a risk based review of the remaining non RDR related appropriate examination standards to ensure they remain up to date and relevant. We also are aware that, at present, written examinations are the primary qualification assessment methodology used but we can see no reason why we should not permit use of other assessment methodologies for non-RDR activities.²³

- 4.13 To ensure that examination standards continue to accurately reflect industry roles we propose to update the standards every three years rather than wait for FSA reforms such as the RDR. Currently, the FSSC updates the standards on our behalf and neither FSA nor FSSC have reached a view on whether this arrangement should continue.

Q7: Do you agree that all the appropriate examination standards should be updated every three years?

Q8: Which appropriate examination standards do you think we should review first and why?

Determining whether qualifications meet regulatory requirements

- 4.14 For us to determine whether a qualification meets its regulatory requirements, qualification manufacturers (known by OfQual as awarding organisations) will need to meet certain criteria, as will the qualification itself. Together these requirements form the proposed FSA qualifications assessment framework ('the framework').

- 4.15 In developing this framework we have drawn heavily on the expertise of UK educational specialists²⁴ and existing frameworks.²⁵ As such, where a qualification provider can provide evidence of meeting our requirements through its operation under a UK or equivalent qualification regulatory framework such as the QCF, SCQF or FHEQ we will accept this as demonstrating it meets the criteria set out for qualification providers. We do, however, reserve the right to require additional information if we feel it necessary.

Internal framework for qualification providers

- 4.16 The issues that we may consider include whether the qualification provider has in place:
- a assessors and qualifications developers that are suitably selected, trained and qualified;
 - b valid, reliable and robust assessment methods;

23 As set out in CP09/31 'Delivering the Retail Distribution Review: Professionalism; Corporate pensions and applicability of RDR proposals to pure protection advice' December 2009 (paragraphs 2.79 to 2.85).

24 In particular, the Office of Qualifications and Examinations Regulation (OfQual), the Qualifications and Curriculum Development Agency (QCDA), the Quality Assurance Agency (QAA) and the Universities and Colleges Admissions Service (UCAS).

25 In particular, the Qualifications and Credit Framework (QCF), the Scottish Credit and Qualifications Framework (SCQF), the National Qualifications Framework (NQF), the Credit and Qualifications Framework for Wales (CQFW), and the Framework for Higher Education Qualifications in England, Wales and Northern Ireland (FHEQ).

- c robust governance and a clear separation of function between the qualification provider and any other activity it performs, including effective procedures for managing conflicts of interest;
- d processes to review and refresh the syllabus and question banks to ensure they are relevant and up to date;
- e robust arrangements for contingency and business continuity planning;
- f appropriate records management processes;
- g procedures in place for dealing with malpractice of candidates, for example, plagiarism or cheating;
- h robust procedures for the setting of assessments and marking of results; and
- i adequate resources to be financially viable.

Information to be provided to the FSA

- 4.17 We expect the qualification provider to give the following information to the FSA:
- a details of the arrangements made to reduce barriers to learning, for example, arrangements for candidates with disabilities or learning difficulties;
 - b reasonable notice of any syllabus change or change in method of assessment;
 - c details of any concerns/issues/investigations raised by its qualifications regulator (where one exists);
 - d details of the pass standards of each qualification on an annual basis;
 - e reasonable notice of any proposed change to the pass standards;
 - f details of the quality of service it will be providing to candidates in relation to qualifications provision, information and guidance and complaints procedures;
 - g details of malpractice procedures;
 - h details of appeals procedures; and
 - i details of how it maintains comparability between other qualifications in the same sector.
- 4.18 We will also take into account other relevant issues when considering whether a qualification meets the FSA's requirements. Qualification providers should therefore also:
- a specify the qualifications framework within which the qualification is placed (where applicable);
 - b specify the activity in the TC sourcebook to which the qualification relates;

- c set out recommended prior knowledge, attainment or experience;
- d set out exemption policy (where applicable);²⁶
- e map learning materials 100% against the content of the most recent exam standards (as revised from time to time) with a credible justification where content is excluded, including providing samples of the learning materials to the FSA;
- f robustly and credibly assess the candidates demonstration of the learning outcome specified in the exam standards;
- g explain how grading is applied (where applicable);
- h provide rules of combination (where applicable)
- i provide details of expected learning hours (credit) and whether these are guided or any other such arrangements;
- j specify the level of the overall qualification with reference to the relevant framework (where applicable or the European Qualifications Framework (EQF) where no such framework exists), and the percentage of the qualification at that level, as well as the percentage and the level of the remainder of the qualification;
- k provide details of credit for any prior learning included in the overall qualification with an explanation of how this meets the exam standards; and
- l be consistent in quality and standard to all other similar qualifications used for the same purpose.

4.19 We expect qualifications providers who are already regulated by OfQual or the SCQF Partnership will be meeting these standards as will those providers working within the FHEQ. We are working with these regulators and across the appropriate qualifications frameworks to take this into account so we do not duplicate regulatory oversight. It is important to note that at this stage we do not intend to offer an appeals process and our decision on whether or not to include a qualification on our list is final.

Q9: Are there any other criteria we should consider when determining whether qualifications meet regulatory requirements?

²⁶ Given that the content of regulatory qualifications is to some extent prescribed through the Appropriate Examination Standards we expect qualification providers offering such qualifications in line with good practice to recognise an individual's prior learning or achievement and to offer exemptions where appropriate to eliminate unnecessary repetition or duplication of material that is already familiar.

5 Ethical behaviour

- 5.1 This chapter sets out proposals to describe additional types of behaviour which, in our opinion, do not comply with the Statements of Principles within APER which will impact all approved persons.²⁷
- 5.2 The TC sourcebook applies to firms and includes the requirement that individuals achieve a good standard of ethical behaviour.²⁸ The TC sourcebook sets standards for firms to apply to relevant individuals within the firm. On an individual level we describe standards of behaviour for approved persons through APER as part of our approved persons regime. It is important to remember that not all individuals caught by our TC requirements will also be approved persons.

Reasons for change

- 5.3 CP09/18²⁹ consulted on a proposed ethical code specifically aimed at retail investment advisers. Further consideration of this approach and feedback to that CP has led us to decide that constructing an ethical code aimed solely at the retail investment sector is not the most effective way forward. Ethics apply at all levels, so attempts to ring fence certain behaviours or individuals may give a misleading impression that others do not have to follow ethical behaviours, which would be an unsatisfactory outcome. Throughout the course of our review we have examined APER itself and consider there are areas that would benefit from further clarification.
- 5.4 Promoting standards of ethical behaviour improves outcomes for consumers and their perception of the financial services industry. Consumer perception stems from their view of the behaviour and culture established by senior management in large firms as much as that of a sole trader.

27 For example risk managers, proprietary traders and retail investment advisers

28 TC 1.1.4G

29 CP09/18 '*Distribution of retail investments: Delivering the RDR*' – Feedback to this CP will be published shortly.

5.5 Any changes that we make to APER will apply to all approved persons so the impact will be felt across a wide spectrum of firms and roles. This approach reflects our increased focus on individuals within firms performing key roles. For example, our MMR seeks to bring mortgage advisers and arrangers into the approved persons regime for the first time. The impact of this will result in more individuals being subject to APER than before so the need to ensure our expectations are clear is paramount.

The proposals

5.6 APER sets out seven statements of principle that apply to all approved persons. Underpinning each statement is a code of practice setting out descriptions of behaviour which, in our opinion, do not comply with the principle. The first four statements apply to all approved persons, regardless of which controlled function they perform.³⁰ These can be summarised as:

- statement of principle 1 – act with integrity;
- statement of principle 2 – act with due skill, care and diligence;
- statement of principle 3 – observe proper standards of market conduct; and
- statement of principle 4 – deal with the FSA and with other regulators in an open and cooperative way and disclose appropriately any information of which the FSA would reasonably expect notice.

5.7 We propose adding additional descriptions of behaviour to those already set out under statement of principles 1 and 2. This has been based on feedback to CP09/18 and our conclusions on how our proposed ethics code in CP09/18 relates to APER. These additions are:

- “*paying due regard to the interests of a customer*”; and
- “*deliberate acts, omissions or business practices that could be reasonably expected to cause consumer detriment*”.

5.8 We have chosen these particular areas as we believe they emphasise personal accountability and how actions impact public perceptions. We intend to consult in our forthcoming RDR consultation, on responsibilities for maintaining competence.

5.9 It is important to consider that, although we are adding clarity to APER to reflect our expectations of approved persons, these behaviours are of the type you would expect to see demonstrated as examples of good ethical behaviour. So, although not all those caught by the TC requirements will be approved persons, we expect ethical behaviour to be considered as part of our TC requirements. We will not apply APER to those who are not approved persons, but we consider its standards can be applied more widely by firms if they wish.

Q10: Do you agree that we should add additional descriptions of behaviour to APER as outlined in paragraph 5.7?

30 Statements 5 to 7 only apply to those individuals who perform significant influence controlled functions

Cost-benefit analysis and compatibility statement

Market Failure analysis (MFA)

Ensuring that individuals are competent and behave ethically can be considered to be in firms' commercial interest. However, the rationale for regulation is based on the assumption that a market without competent and ethical individuals may produce sub-optimal results due to the following issues:

- **Information asymmetry:** consumers generally know much less about the competence of individuals they are dealing with than the firms who employ them. Since individuals are unable to assess the competence of advisers some firms could decide not to incur the cost of maintaining competence levels. If consumers think in this way, this may lead to reduced participation or, in the extreme, markets not operating at all as consumers do not trust individuals' advice, as they are unaware of their professional standing. Alternatively, consumers may rely on advice provided to them by individuals that are not sufficiently competent. Consumers depend on individual's competency and ethical behaviour, as infrequent consumer purchases mean they have little experience to draw on. Consumers have to rely on individuals to provide them with quality advice and to act in their best interests. Consumer trust can be damaged by poor ethical behaviour. This situation has been exacerbated by past mis-selling scandals and recent market events.
- **Consumer confidence as a public good:** consumer confidence in one financial firm does not come at the expense of confidence in a rival firm. High quality advice may give rise to positive externalities in that receiving good advice from one firm may increase consumers' confidence across the financial services sector. Recent research³¹ indicates that, at a high level, trust is important particularly where there is complexity and where information asymmetry is prevalent. For these reasons financial firms would 'produce' a socially sub-optimal level of confidence as they do not consider how their actions affect other firms.

These issues require appropriate remedies to set a baseline of competence and our expectations in regard to ethical behaviours.

31 PARN report: Professional standards bodies: standards, levels of compliance and measuring success
<http://www.fsa.gov.uk/pubs/other/parn.pdf>

Both the original training and competence (TC) and approved persons regime are designed to mitigate the issues identified above by respectively applying a baseline of competence and expected standards of behaviour.

The proposals set out in this CP reflect that some of the benefits have either not been fully realised and past changes to the regimes have not had the outcome we intended.

The research by the Cattellyst Consultancy³² found that firms find it difficult to determine what is sufficient to meet regulatory TC expectations. They would therefore welcome transparency about FSA judgement criteria, and examples of what FSA considers good practice.

The changes we propose to the TC regime will standardise the baseline of competence so that more individuals in that regime will be required to hold a qualification or successfully pass a qualification within a set time period. Since the removal of qualification time limits in November 2007, we have received feedback both internally and externally, through the research done by the Cattellyst Consultancy, that their removal has increased uncertainty within the industry regarding our regulatory expectations. It may have resulted in some consumers dealing with individuals who are not sufficiently competent.

We are finding competence failings in our thematic work. It is clear to us that these failings are occurring most where individuals' competence has not kept pace with market innovations and developments. Where these failings have contributed to a failure to achieve fair consumer outcomes, such as in our recent work on Platforms, we have published our concerns.³³

We have had a number of Transitional Provisions in place since the inception of the TC regime – these Transitional Provisions allow certain individuals to operate within the industry without a qualification. Discussions with firms, and internally, suggest that there are a low number of individuals who continue to rely on these Transitional Provisions. We have now decided to remove some of those Transitional Provisions (in place since 2001). We consider that, given the time period since 2001 and how the industry has changed, it is important to ensure individuals have the appropriate level of knowledge expected of them by consumers.

The changes we propose to the approved persons regime will make clear what ethical behaviours we expect and how we expect the competence of employees to be governed within firms.

We also propose changes to some of the activities set out in Appendix 1 of the TC sourcebook. These changes are in response to internal feedback and findings from research that indicate the current activities do not reflect individual roles and that flexibility would be welcomed to future proof against dynamic market changes.

We expect our proposals to have a positive impact on market confidence.

32 The Cattellyst Consultancy: Training and Competence requirements (June 2010)

33 Investment advice and platforms thematic review http://www.fsa.gov.uk/Pages/Library/Other_publications/platform_thematic_review/index.shtml and Platform operator disclosure documents – http://www.fsa.gov.uk/pubs/other/gapp_report.pdf

Our proposals are:

- introducing an overall time limit within which relevant individuals must successfully pass all modules of a qualification as prescribed by our rules;
- revoking Transitional Provisions for Designated Investment Business that have been in force since the commencement of FSMA;
- reviewing some of the activities in Appendix 1 of the TC sourcebook;
- clarifying our expectations regarding responsibility for the competence, knowledge, skills and performance of staff through our approved persons regime within APER;
- add additional descriptions of behaviour which, in our opinion, do not comply with APER and applying these to all approved persons; and
- publishing a list of qualifications that meet our regulatory requirements within our Handbook.

Methodology

To inform our proposals we conducted internal consultations with several FSA departments, discussions with several FSA departments (including through panels) and also relied on results from various research publications.

Alongside this CP we commissioned specific research through the Cattellyst Consultancy looking at how the industry has implemented the TC regime post the 2007 changes. This research was not specifically commissioned to inform our CBA but it has been very helpful in this respect. It included the implications of removing the qualifications time limits and the extent to which Transitional Provisions were still used within the industry. Coupled with this we also used the research under by Europe Economics in 2007 which looked specifically at the costs and benefits of the qualifications regime at that time.

We have also used various pieces of research undertaken through the Retail Distribution Review which has helped inform us on costs and benefits across all our proposals.³⁴

Cost Benefit Analysis

Costs

Costs to the FSA

Our costs will mainly arise from our proposals to publish a qualifications list within our handbook and the associated initial and on-going work to maintain the list. Costs have been incurred through the need to recruit some additional expertise

³⁴ This includes the December 2009 PARN report on 'Professional standards: standards, levels of compliance and measuring success' and the March 2010 'FSA estimates of incremental compliance costs for RDR proposals'

to initially assist with the assessment of qualifications and additional resource to handle those enquiries redirected by the FSSC to ourselves. We estimate the total cost to us is £110,000 initially and £60,000 on an on-going annual basis. We expect costs from all the other proposals to be minimal. Our supervisors will need to consider the new requirements in relation to their firms but, after internal consultation; we do not consider that this will take more than one hour every six months, in addition to looking at other competence requirements, due to the nature of the proposals. Competence and ethics issues cannot be monitored by supervision in isolation of other requirements, for example, the quality of advice. There may be costs incurred by enforcement if actions are taken against the new requirements but it is unlikely that any action would focus solely on breaches of these proposals, rather they may indicate general TC failings within a firm and form part of a case. The proposals will give enforcement more powers against which to take action.

Direct costs to firms and individuals

Introducing a time limit within which relevant employees must successfully pass all modules of a qualification

We expect costs to be minimal for those firms already subject to our qualifications requirements. This proposal introduces a time limit and should have no impact on the costs already borne by firms to meet their qualifications requirements. There may be a cost for those employees that took more than 30 months to qualify as they would incur the cost earlier than would have been the case. However, the proposed time limit is in excess of 2007 limits and the impact should therefore be negligible, since firms generally rely on previous time limits set by regulation.

Revoking Transitional Provisions for designated investment business

These Transitional Provisions are now only applicable for a small number of activities including:

- advising on syndicate participation at Lloyds;
- managing investments; and
- all activities that involve ‘overseeing on a day to day basis’.

This list has evolved from the removal of wholesale activities and scaling back of oversight functions in 2007. Seven activities for designated investment business have in effect been removed from the Transitional Provisions by virtue of the RDR professionalism proposals.

In 2007 research indicated that 70% of firms the investment and mortgage markets employed individuals who already held appropriate qualifications. This suggests that 30% of firms employed individuals who were new entrants or may have been relying on Transitional Provisions. As the number of activities that can be relied on under the Transitional Provisions has since reduced since that research it is probable that the proportion of that 30% relying on Transitional Provisions has reduced further.

We estimate that approximately 110,000³⁵ individuals within the industry are currently subject to qualifications of which 48,000³⁶ are caught by the RDR professionalism qualifications reform. This leaves 62,000 individuals. Based on the 2007 research 70% of those individuals should already hold qualifications. This means that 30% (18,600 individuals) are potentially new entrants working towards qualifications or are relying on Transitional Provisions. Based on informal discussions with four to five product providers and banks we estimate that approximately 2% of those 18,600 individuals may be relying on them. This amounts to approximately 370 individuals.

We do not have specific costs for any individuals to undertake qualifications but RDR research indicates that the cost to a firm, for a retail investment adviser to attain the qualifications uplift by end 2012, is in the region of £5,000 to £7,300³⁷ per individual. Based on 370 individuals the overall initial costs to the industry will be in the range of £1.85 million to £2.7 million. These figures clearly represent an upper limit since they are based on the assumption that no prior knowledge of the subject is held by the person undertaking the qualification. This is clearly not the case for individuals that have been in the industry since 2001.

Clarify our expectations regarding the responsibility for the competence, knowledge, skills, behaviour and performance of staff through the statements of principle and code of practice for approved persons (APER)

The purpose of the changes is to clarify our existing policies therefore for most firms no changes will be required. However, for those firms that are not interpreting the requirements in the way that we are now clarifying there will be costs.

Adding additional descriptions of behaviour which, in our opinion, do not comply with APER and applying these to all approved persons

Further research has been carried out for the RDR professionalism proposals and this will be published alongside our forthcoming CP. That research was based on interviews conducted with 780 individuals from across the spectrum of retail investment advice. We asked those who are members of professional bodies if costs were incurred as a result of complying with an ethical code – only 7% of those interviewed confirmed they incurred a cost. The cost of adhering to a code of ethics is in the region of £80 per year per individual. Assuming that the same cost is incurred for the whole industry this would result in annual cost of £616,000.

35 This figure is based on the current number of CF30 controlled functions plus an uplift to include individuals caught by TC but who are not approved persons.

36 This figure is based on research carried out under the RDR professionalism proposals and will be published alongside our forthcoming RDR CP.

37 <http://www.fsa.gov.uk/pubs/other/costs.pdf>

Publishing a list of qualifications that meet our regulatory requirements within our Handbook

The costs upon firms should be minimal as the qualification requirement is not changing. Any change to the list will be consulted upon when introduced and costs and benefits implications may arise at the time.

Indirect costs to firms

Indirect costs may arise due to the following:

- Individuals may decide they no longer wish to continue studying for qualifications if a regulatory time limit is imposed or they may pass qualifications sooner due to the regulatory incentive; and
- Individuals who have been relying on Transitional Provisions may move internally, between firms or leave the industry if they do not wish to undertake qualifications.

We do not consider the first situation will result in significant cost to firms as we expect most firms to already impose limits (time or number of attempts) and individuals have an incentive to get their qualification within the time limit as they rely on it to be active in the industry. There may be costs incurred as a result of individuals not wishing to undertake qualifications once Transitional Provisions are removed – firms may incur costs to move individuals, redefine job roles or recruitment costs. However, we expect that this would only apply to some of the estimated 370 individuals affected by our proposals to remove Transitional Provisions.

Benefits

The benefits of the proposals contained in this CP are due to their contribution to the overall changes in the industry that the FSA is undertaking, In particular the RDR proposals aim at increasing the level of professionalism in the industry and the overall T&C framework contributes to the increase. Consumers will therefore be in a position to rely on more competent employees who subscribe to an ethical code. Overall the effects are expected to be small but will contribute to the reduction of consumer detriment that we have identified in the market such as in the platform thematic review mentioned above.

The introduction of one overall time limit seeks to introduce clarity and apply an appropriate regulatory baseline which can be understood by both firms and consumers. We are aware that many firms have continued to apply time limits or a limit on the amount of times a qualification may be undertaken. We do not wish to undermine this flexibility but to apply an overall limit that firms can use as a regulatory expectation. Consumers expect that the individuals they deal with, either directly or indirectly have been assessed as competent and maintain that competence. The existence of a qualification exemption appears inconsistent with consumer expectations and undermines a baseline approach to competence.

Merging the qualifications list for narrow TC activities (advising on broker fund and advising on friendly society tax-exempt policies) into the qualifications lists for more broader activities should attract a cost savings for firms. There will be no need for us to update existing examination standards for these narrow activities or for individuals to hold multiple qualifications.

We maintain that promoting standards of ethical behaviour improves consumer outcomes and their perception of the financial services industry. High quality advice (including demonstrating good ethical behaviour) may give rise to positive externalities in that receiving good advice from one firm may increase consumers' confidence across the financial services sector. Therefore, we see benefits to both firms and consumers.

Compatibility Statement

Introduction

This annex sets out our assessment of the compatibility of our proposals with our general duties under section 2 of FSMA and with our regulatory objectives set out in sections 3 to 6 of FSMA. We also outline how our proposals are consistent with our principles of good regulation to which we must have regard.

a) Compatibility with our statutory objectives

The proposals outlined in this CP are consistent with our statutory objectives of working towards improving confidence in the financial system, securing the appropriate degree of protection for consumers, reducing financial crime and promoting public awareness.

Market confidence

We expect our proposals to have a positive impact on market confidence by reinforcing our current competence and ethics requirements. This will ensure firms continue to operate robust training and competence schemes and individuals demonstrate good ethical behaviours. Competent individuals who behave ethically can increase market confidence.

Consumer protection

Consumers are in a poor position to assess the competence and ethical standards of individuals within firms. Our proposals are designed to address consumer protection issues and ensure the individuals they deal with provide them with outcomes based on good quality advice and ethical standards.

Financial crime

We expect our proposals on ethical standards to have an indirect positive impact on financial crime. Individuals who are competent and demonstrate good ethical standards are less likely to be encouraged to take part in financial crime.

Public awareness

As a separate package of proposals we expect them to have a minor impact on public awareness. When considered in the context of other competence based initiatives. For example, the significant influence function review and the Retail Distribution Review professionalism work, should raise public awareness. This may be enhanced by enforcement action covering issues of competence and ethics.

b) Compatibility with the need to have regard to the principles of good regulation

Section 2(3) of FSMA requires that, in carrying out our general functions, we must have regard to the principles of good regulation. The proposals set out in this CP fulfil our principles of good regulations as set out below.

The need to use our resources in the most efficient and economic way

The majority of these proposals will have a small impact on our resources, through supervision monitoring and possible enforcement action, because competence and ethics issues cannot be monitored in isolation of other requirements. Publishing the qualifications list will have an impact on our resources and we recognise that in the early stages we will require specialist external support to ensure our qualifications process is robust.

The responsibilities of those who manage the affairs of authorised persons

Our proposed clarification on the governance of competence arrangements within firms will ensure that there is appropriate oversight amongst those manage the affairs of firms.

The principle that a burden or restriction which is imposed should be proportionate to the benefits

Our proposals to introduce a time limit within which individuals must successfully pass a qualification and revoking the Transitional Provisions for designated investment business are both designed to provide a baseline of competence. This baseline of competence is designed to ensure a consistent approach across the industry which can be understood by firms and consumers. Our proposals to add clarity to our statements of principles and code of practice for approved persons are designed to improve governance and promote ethical behaviour. However, we expect these to occur in any well managed firm. We have carried out a cost-benefit analysis (see Annex 1). We consider that our proposals are proportionate.

The desirability of facilitating innovation in connection with regulated activities

Our proposals are not expected to hinder innovation.

The international character of financial services and markets and the desirability of maintaining the competitive position of the UK

Our proposals may impact individuals from EEA and third country firms employed by a UK authorised firm. We are unable to apply competence requirements to MiFID firms who passport into the UK from another member state. Our research in 2007 did not show any evidence that our competence regime would cause significant competition issues. The FSSC's current appropriate examination list does not capture a wide range of EEA or third country qualifications that might be equivalent to our requirements. We seek to address this in the future and expect this to have a positive impact on the competitive position of the UK. We believe our proposals will have a positive effect on the competitive position of the UK.

The need to minimise the adverse effects on competition and the desirability of facilitating competition.

For the reasons stated above we do not consider that these proposals will have a significant impact on competition.

Why our proposals are most appropriate for the purpose of meeting our statutory objectives

We recognise that some of the risks contained in this CP could be effectively mitigated through better systems and controls. However, we consider that both our competence and approved persons regimes are effective tools in setting a consistent standard of baseline competence and ethical behaviour. Ultimately, they both provide us with the means to take action against firms and individuals where appropriate.

List of questions in this consultation

- Q1: Do you agree with our proposal to introduce an overall time limit of thirty months, within which individuals must be qualified?
- Q2: Do you agree that no Transitional Provision is required to accommodate the new thirty month time limit for attaining qualifications?
- Q3: Do you agree that these Transitional Provisions should now be removed on the basis that individuals relying on them will have thirty months (noting activities that involve 'overseeing on a day to day basis' will not be subject to a time limit), provided through a further Transitional Provision, in which to attain a qualification?
- Q4: Do you agree that we should amend APER to clarify our expectations of competence governance within firms as suggested in the draft Handbook text?
- Q5: Do you think that we should create a separate activity for 'dealing in securities and/or derivatives'?
- Q6: Do you agree that we should add guidance to our Handbook suggesting that firms may wish to implement a TC scheme?
- Q7: Do you agree that all the appropriate examination standards should be updated every three years?
- Q8: Which appropriate examination standards do you think we should review first and why?
- Q9: Are there any other criteria we should consider when determining whether qualifications meet regulatory requirements?
- Q10: Do you agree that we should add additional descriptions of behaviour to APER as outlined in paragraph 5.7?

Draft Handbook text

**[TRAINING AND COMPETENCE SOURCEBOOK (QUALIFICATION
REQUIREMENTS AND TIME LIMITS) INSTRUMENT 2010]**

Powers exercised

- A. The Financial Services Authority makes this instrument in the exercise of:
- (1) the following powers and related provisions in the Financial Services and Markets Act 2000 (“the Act”):
 - (a) section 59 (Approval for particular arrangements);
 - (b) section 61 (Determination of applications);
 - (c) section 64 (Conduct: statements and codes);
 - (d) section 138 (General rule-making power);
 - (e) section 149 (Evidential provisions);
 - (f) section 150(2) (Actions for damages);
 - (g) section 156 (General supplementary powers);
 - (h) section 157(1) (Guidance); and
 - (2) the other powers and related provisions listed in Schedule 4 (Powers exercised) to the General Provisions of the Handbook.
- B. The rule-making powers referred to above are specified for the purpose of section 153(2) (Rule-making instruments) of the Act.

Commencement

- C. This instrument comes into force on [*insert date*].

Amendments to the Handbook

- D. The modules of the FSA’s Handbook of rules and guidance listed in column (1) below are amended in accordance with the Annexes to this instrument listed in column (2).

(1)	(2)
Glossary of definitions	Annex A
Senior Management Arrangements, Systems and Controls sourcebook (SYSC)	Annex B
The Statements of Principle and Code of Practice for Approved Persons (APER)	Annex C
Training and Competence sourcebook (TC)	Annex D
Supervision manual (SUP)	Annex E

Citation

- E. This instrument may be cited as the [Training and Competence Sourcebook (Qualification Requirements and Time Limits) Instrument] 2010.

By order of the Board
[] 2010

Annex A

Amendments to the Glossary of definitions

Insert the following new definition in the appropriate alphabetical position. The text is not underlined.

appropriate qualification (in *TC*) a qualification listed in *TC* Appendix 4.

Annex B

Amendments to the Senior Management Arrangements, Systems and Controls sourcebook (SYSC)

In this Annex, underlining indicates new text and striking through indicates deleted text.

3.1 Systems and Controls

.....

3.1.9 G *Firms* which are carrying on activities that are not subject to *TC* may nevertheless wish to take *TC* into account in complying with the ~~training and~~ competence requirements in *SYSC*.

3.1.10 G ~~If a firm requires employees who are not subject to an examination requirement to pass a relevant examination from the list of recommended examinations maintained by the Financial Services Skills Council, the FSA will take that into account when assessing whether the firm has ensured that the employee satisfies the knowledge component of the competent employees rule. [deleted]~~

5.1 Skills, knowledge and expertise

.....

5.1.4A G *Firms* which are carrying on activities that are not subject to *TC* may nevertheless wish to take *TC* into account in complying with the ~~training and~~ competence requirements in *SYSC*.

5.1.5 G The requirements on *firms* with respect to *approved persons* are in Part V of the *Act* (Performance of regulated activities) and *SUP* 10.

5.1.5A G ~~If a firm requires employees who are not subject to an examination requirement in TC to pass a relevant examination from the list of recommended examinations maintained by the Financial Services Skills Council, the FSA will take that into account when assessing whether the firm has ensured that the employee satisfies the knowledge component of the competent employees rule. [deleted]~~

Annex C

Amendments to the Statements of Principle and Code of Practice for Approved Persons (APER)

In this Annex, underlining indicates new text and striking through indicates deleted text.

4.1 Statement of Principle 1

...

4.1.2 E In the opinion of the *FSA*, conduct of the type described in *APER* 4.1.3E, *APER* 4.1.5E, *APER* 4.1.6R, *APER* 4.1.8E, *APER* 4.1.10E, *APER* 4.1.12E, ~~*APER* 4.1.13E, *APER* 4.1.14E or *APER* 4.1.15E~~ does not comply with *Statement of Principle* 1 (*APER* 2.1.2P).

...

4.1.14 E Deliberately not paying due regard to the interests of a *customer* falls within *APER* 4.1.2E.

4.1.15 E Deliberate acts, omissions or business practices that could be reasonably expected to cause consumer detriment fall within *APER* 4.1.2E.

4.2 Statement of Principle 2

...

4.2.2 E In the opinion of the *FSA*, conduct of the type described in *APER* 4.2.3E, *APER* 4.2.5E, *APER* 4.2.6E, *APER* 4.2.8E, *APER* 4.2.10E, *APER* 4.2.11E, ~~*APER* 4.2.13E or *APER* 4.2.14E~~ does not comply with *Statement of Principle* 2 (*APER* 2.1.2P).

...

4.2.14 E Failing to pay due regard to the interests of a *customer*, without good reason, falls within *APER* 4.2.2E.

...

4.5 Statement of Principle 5

...

Suitability of individuals

4.5.13A G The appropriate *approved person* performing a *significant influence function* should take reasonable steps to satisfy himself, on reasonable grounds, that each area of the business for which he is responsible has in place appropriate policies and procedures for reviewing the competence, knowledge, skills and

performance of each individual member of staff.

- 4.5.14 G If an individual's performance is unsatisfactory, then the appropriate *approved person* (if any) performing a *significant influence function* should review carefully whether to allow that individual to continue in position. In particular, if he is aware...

Annex D

Amendments to the Training and Competence sourcebook (TC)

In this Annex, underlining indicates new text and striking through indicates deleted text unless otherwise stated. (Some provisions shown in this Annex have not been amended, but they have been included to assist the reader.)

1.1 Who, what and where?

Who and what?

- 1.1.1 R This sourcebook applies to a *firm* where its *employee* carries on an activity in *TC* App 1 for *retail clients*, *customers* or *consumers* (subject to the limitations set out in *TC* Appendix 3).

Where?

- 1.1.2 R The territorial scope of this sourcebook is set out in *TC* Appendix 2.

Purpose

- 1.1.3 G The *competent employees rule* is the main *Handbook* requirement relating to the competence of *employees*. The purpose of this sourcebook is to support the *FSA*'s supervisory function by supplementing the *competent employees rule* for retail activities.

Meaning of competence

- 1.1.4 G In this sourcebook, competence means having the skills, knowledge and expertise needed to discharge the responsibilities of an *employee*'s role. This includes achieving a good standard of ethical behaviour.

1.2 Actions for damages

- 1.2.1 R A contravention of the *rules* in *TC* does not give rise to a right of action by a *private person* under section 150 of the *Act* (and each of those *rules* is specified under section 150(2) of the *Act* as a provision giving rise to no such right of action).

2.1 Assessing and maintaining competence

Assessment of competence and supervision

- 2.1.1 R (1) A *firm* must not assess an *employee* as competent to carry on an activity in *TC* Appendix 1 until the *employee* has demonstrated the necessary competence to do so and has (if required by *TC* Appendix

- 1) ~~passed~~ attained each module of an appropriate qualification ~~appropriate examination~~. This assessment need not take place before the *employee* starts to carry on the activity.
- (2) A *firm* may assess an *employee* who is subject to, but has not satisfied, an ~~appropriate examination~~ appropriate qualification requirement as competent to the extent that:
- (a) that *employee* works in a *branch* in an *EEA State* other than the *United Kingdom*;
 - (b) the *employee* is engaging in *MiFID business*; and
 - (c) there is no ~~appropriate examination~~ appropriate qualification or equivalent in that *EEA State*.
- 2.1.2 R A *firm* must not allow an *employee* to carry on an activity in *TC Appendix 1* without appropriate supervision.
- 2.1.3 G *Firms* should ensure that *employees* are appropriately supervised at all times. It is expected that the level and intensity of that supervision will be significantly greater in the period before the *firm* has assessed the *employee* as competent, than after. A *firm* should therefore have clear criteria and procedures relating to the specific point at which the *employee* is assessed as competent in order to be able to demonstrate when and why a reduced level of supervision may be considered appropriate. At all stages *firms* should consider the level of relevant experience of an *employee* when determining the level of supervision required.

Supervisors

- 2.1.4 G *Firms* should ensure that those supervising *employees* carrying on an activity in *TC Appendix 1* have the necessary coaching and assessment skills as well as technical knowledge to act as a competent supervisor and assessor. In particular *firms* should consider whether it is appropriate to require those supervising *employees* not assessed as competent to ~~pass~~ attain an ~~appropriate examination~~ appropriate qualification as well except where the *employee* is giving advice on *packaged products*, see *TC 2.1.5R*.
- 2.1.5 R Where an *employee* is giving advice on ~~packaged products~~ packaged products to *retail clients* and has not been assessed as competent to do so, the *firm* must ensure that the individual supervising and assessing that *employee* has ~~passed~~ attained an ~~appropriate examination~~ appropriate qualification.

~~Examination~~ Qualification requirements before starting activities

- 2.1.6 R A *firm* must ensure that an *employee* does not carry on an activity in *TC Appendix 1* (other than an overseeing activity) for which there is ~~an examination~~ a qualification requirement without first ~~passing~~ attaining the relevant regulatory module of an ~~appropriate examination~~ appropriate

qualification.

- 2.1.7 R A *firm* must ensure that an *employee* does not carry on any of the following activities without first ~~passing~~ attaining each module of an ~~appropriate examination~~ appropriate qualification:
- (1) ~~“advising and dealing” activities in TC Appendix 1;~~ [deleted]
 - (1A) advising on securities which are not stakeholder pension schemes or broker funds;
 - (1B) advising on derivatives;
 - (1C) advising on and dealing in securities which are not stakeholder pension schemes or broker funds;
 - (1D) advising on and dealing in derivatives;
 - (2) the activity of a *broker fund adviser*;
 - (3) *advising on syndicate participation at Lloyd’s*; or
 - (4) the activity of a *pension transfer specialist*.
- 2.1.8 G ~~Where there is an examination requirement, firms may wish to impose limits on the time they allow their employees to pass an appropriate examination or place limits on the number of times the examination can be taken. [deleted]~~

Exemption from ~~appropriate examination~~ appropriate qualification requirements

- 2.1.9 R (1) If a *firm* is satisfied that an *employee* meets the conditions in this *rule* then the requirements to have ~~passed~~ attained each module of an ~~appropriate examination~~ appropriate qualification will only apply if that *employee* is carrying on one of the activities specified in this *rule*.
- (2) The conditions are that a *firm* should be satisfied that an *employee*:
- (a) has at least three years’ up-to-date relevant experience in the activity in question obtained while employed outside the *United Kingdom*;
 - (b) has not previously been required to comply fully with the relevant ~~examination~~ qualification requirements in *TC 2.1.1R*; and
 - (c) has ~~passed~~ attained the relevant regulatory module of an ~~appropriate examination~~ appropriate qualification;

but (b) and (c) do not apply to an *employee* who is benefiting from the “30-day rule” exemption in *SUP 10.10.7BR*, unless the *employee* benefits from that rule because he is advising *retail clients* on

packaged products or is a *broker fund adviser*.

- (3) The relevant activities are:
- (a) *advising on investments* which are *packaged products*, if that advice is given to *retail clients*;
 - (b) the activity of a *broker fund adviser*;
 - (c) *advising on syndicate participation at Lloyd's*; or
 - (d) the activity of a *pension transfer specialist*.

Selecting an appropriate examination

- 2.1.10 R (1) ~~This rule applies for the purposes of TC 2.1.1R, TC 2.1.5R, TC 2.1.6R, TC 2.1.7R, and TC 2.1.9R. [deleted]~~
- (2) ~~In ensuring that an examination is appropriate, a firm must select an appropriate examination from the list of examinations maintained by The Financial Services Skills Council. [deleted]~~
- (3) ~~Compliance with (2) may be relied on as tending to establish compliance with the rules referred to in (1). [deleted]~~

Training needs

- 2.1.11 G *Firms* should ensure that their *employees'* training needs are assessed at the outset and at regular intervals (including if their role changes). Appropriate training and support should be provided to ensure that any relevant training needs are satisfied. *Firms* should also review at regular intervals the quality and effectiveness of such training.

Maintaining competence

- 2.1.12 G A *firm* must review on a regular and frequent basis *employees'* competence and take appropriate action to ensure that they remain competent for their role.
- 2.1.13 G A ~~firm~~ *firm* should ensure that maintaining competence for an ~~employee~~ *employee* takes into account such matters as:
- (1) technical knowledge and its application;
 - (2) skills and expertise; and
 - (3) changes in the market and to products, legislation and regulation.
- 2.1.14 G A firm may choose to establish, implement and maintain a training and competence scheme.

After TC 2.2 insert the following new section. The text is not underlined.

2.2A Time limits

Calculation of time limits for attaining an appropriate qualification

- 2.2A.1 R (1) If an *employee* carries on an activity in *TC* Appendix 1 (other than an overseeing activity), a *firm* must ensure that the *employee* attains an *appropriate qualification* within 30 months.
- (2) A *firm* must record the date on which the *employee* began to carry on that activity.
- 2.2A.2 R For the purposes of calculating the 30 months referred to in *TC* 2.2A.1R, a *firm* must:
 - (1) aggregate periods of time spent carrying on the activity during different periods of employment; and
 - (2) disregard any period of 60 *business days* or more during which the *employee* is continuously absent from carrying on the activity.
- 2.2A.3 R A *firm* must ensure that any *employee* who does not attain an *appropriate qualification* within the specified time:
 - (1) ceases to engage in or oversee the activity to which that qualification would relate; and
 - (2) does not resume that activity without first attaining an *appropriate qualification*.
- 2.2A.4 G *Firms* may wish to impose earlier limits on the time they allow their *employees* to attain an *appropriate qualification* or place limits on the number of times that qualification can be taken.

Record-keeping

- 2.2A.5 R A *firm* should, for the purposes of *TC* 3.1.1R (Record keeping), make and retain records of the time limits within which the *appropriate qualification* has been attained.

Amend the following as shown.

TC App 1.1 Activities and Products/Sectors to which TC applies subject to TC Appendices 2 and 3

TC App 1.1.1R

Activity	Products/Sectors	Is there an appropriate examination
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		(2)	the individual had not experienced any significant break in employment since the last employment in respect of which the individual had the benefit of an exemption under <i>TC TP 1</i> .

TP 2 Designated Investment Business: Assessments of competence in 12 month period after commencement

TC TP 2.1

2.1	R	(1)	This <i>rule</i> applies in respect of an <i>employee</i> who had, on 31 October 2007, the benefit of an exemption under transitional rule 2 in <i>TC TP 1.1R</i> in the form it was in on 31 October 2007.
		(2)	An <i>employee</i> described in (1) is exempt from the requirements in this sourcebook to pass <u>attain an appropriate examination</u> <i>appropriate qualification</i> but only in respect of the activities in respect of which the <i>employee</i> had the benefit of that exemption as at 31 October 2007.
		(3)	<u>The exemption referred to in (2) ceases to apply 30 months after [insert date final rules come into force].</u>
2.2	R		If an <i>employee</i> of a <i>firm</i> is exempted from an examination <u>a qualification</u> requirement under <i>TC TP 2.1R</i> and any other <i>firm</i> subsequently employs the individual, that exemption continues to apply in respect of that subsequent employment on the same basis provided that:
		(1)	the activity which the <i>employee</i> carries on continues to be the same, or substantially the same, as that in respect of which the <i>employee</i> had previously enjoyed the benefit of the exemption; and
		(2)	the individual had not experienced any significant break in employment since the last employment in respect of which the individual had the benefit of an exemption under <i>TC TP 2</i> .
2.3	G		At 31 October 2007 transitional rule 2 in <i>TC TP 1.1</i> applied to a <i>firm</i> whose <i>employees</i> at <i>commencement</i> had not been subject to any specific training and competence requirements of a <i>previous regulator</i> . This rule allowed the <i>firm</i> to assess such individuals as competent in the first twelve months after <i>commencement</i> without their having to pass an exam. The exemption applied only in respect of the activities which the individual was able to carry on before <i>commencement</i> where they were the same or substantially the same.
2.4	R		<u>For the purposes of calculating the 30 months referred to in <i>TC TP 2.1R(3)</i>, a <i>firm</i> must:</u>
		(1)	<u>aggregate periods of time spent carrying on or supervising the</u>

			<u>activity during different periods of employment; and</u>
		(2)	<u>disregard any period of 60 <i>business days</i> or more during which the <i>employee</i> is continuously absent from carrying on or supervising the relevant activity.</u>

TC TP 3 Regulated Mortgage Contracts: Assessments of competence under the Mortgage Code Compliance Board Rules

3.1	R		
...			
		(2)	If the individual described in (1) was assessed as competent by the <i>firm</i> before 31 October 2004 in accordance with the rules of the Mortgage Code Compliance Board applying immediately before 31 October 2004, the individual is exempt from the requirements in this sourcebook to pass <u>attain an appropriate examination</u> appropriate <u>qualification</u> provided that:
...			
3.2	R		If an <i>employee</i> of a <i>firm</i> is exempted from an examination <u>a qualification</u> requirement under TC TP 3.1R and any other <i>firm</i> subsequently employs the individual, that exemption continues to apply in respect of that subsequent employment on the same basis provided that:
...			

TC TP 4 Home Reversion Plans: Assessments of competence before 6 April 2007 in relation to lifetime mortgages

4.1	R		
...			
		(2)	An individual in (1) is exempt from the examination <u>qualification</u> requirements in this sourcebook in relation to activities carried on concerning <i>home reversion plans</i> that correspond to those in (1) provided that:
...			
4.2	R		If an <i>employee</i> of a <i>firm</i> is exempted from an examination <u>a qualification</u> requirement under TC TP 4.1R and any other <i>firm</i> subsequently employs the individual, that exemption continues to apply in respect of that subsequent employment on the same basis provided that:

...				
-----	--	--	--	--

After TC TP 7 insert the following new text. The text is not underlined.

TP 8 Transitional provisions relating to time limits for attaining qualifications

8.1	R	(1)	Subject to (2) a <i>firm</i> need not comply with <i>TC</i> 2.1.6R and <i>TC</i> 2.1.7R.
		(2)	The exemption referred to in (1) ceases to apply 30 <i>months</i> after [<i>insert date final rules come into force</i>].
8.2	R		For the purposes of calculating the 30 <i>months</i> referred to in <i>TC</i> TP 8.1R(2), a <i>firm</i> must:
		(1)	aggregate periods of time spent carrying on the activity during different periods of employment; and
		(2)	disregard any period of 60 <i>business days</i> or more during which the <i>employee</i> is continuously absent from carrying on the relevant activity.

After TC Appendix 3 insert the following new appendix. The text is not underlined.

Appendix 4R

Appropriate Qualification list

Table 1 Providing Advice on Stakeholder products excluding a deposit based stakeholder product

Activity Number in *TC* Appendix 1R – 1

No qualification requirement

Table 2 Advising on (but not dealing in) securities (which are not stakeholder pension schemes or broker funds).

Activity Number in *TC* Appendix 1R – 2

This list gives the title of qualifications that:

- (i) are appropriate;
- OR
- (ii) are appropriate but are no longer available for new candidates.

Key

- 1 = Full qualification requirement
- 2+3 = Full qualification requirement
- 4+5+6 = Full qualification requirement

Qualification	Body	Status	Key	Valid until
Certificate in Investment Management	The Chartered Institute for Securities & Investment (Formerly the Securities and Investment Institute)	i	1	31/12/2012
Certificate in Securities and Financial Derivatives – Retail	The Chartered Institute for Securities and Investment (Formerly the Securities and Investment Institute)	i	1	31/12/2012
Investment Management Certificate (IMC)	CFA Society of UK (Formerly United Kingdom Society of Investment	i	1	31/12/2012

	Professionals / Institute of Investment Management and Research)			
Level 6 Diploma in Wealth Management	The Chartered Institute for Securities and Investment (Formerly the Securities and Investment Institute)	i	1	31/12/2012
Certified International Investment Analyst (CIIA)	The Association of Certified International Investment Analysts (ACIIA)	i	2	31/12/2012
International Fixed Income and Derivatives (IFID) Certificate Programme	ICMA Centre / University of Reading (Formerly ISMA Centre / University of Reading)	i	2	31/12/2012
Unit 1 – Financial Regulation	The Chartered Institute for Securities and Investment (Formerly the Securities and Investment Institute)	i	3	31/12/2012
Unit 1 – UK Regulation and Markets	CFA Society of UK (Formerly United Kingdom Society of Investment Professionals / Institute of Investment Management and Research)	i	3	31/12/2012
Unit 6 – Principles of Financial Regulation	The Chartered Institute for Securities and Investment (Formerly the Securities and Investment Institute)	i	3	31/12/2012

Table 3 Advising on (but not dealing in) Derivatives

Activity Number in *TC* Appendix 1R – 3

This list gives the title of qualifications that:

- (i) are appropriate;
- OR
- (ii) are appropriate but are no longer available for new candidates

Key

- 1 = Full qualification requirement
- 2+3 = Full qualification requirement
- 4+5+6 = Full qualification requirement

Qualification	Body	Status	Key	Valid until
Certificate in Derivatives	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	i	1	31/12/2012
Certificate in Financial Derivatives	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	i	1	31/12/2012

Certificate in Investment Management	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	i	1	31/12/2012
Certificate in Securities & Financial Derivatives	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	i	1	31/12/2012
Investment Management Certificate (IMC)	CFA Society of UK (Formerly United Kingdom Society of Investment Professionals / Institute of Investment Management and Research)	i	1	31/12/2012
Level 6 Diploma in Wealth Management	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	i	1	31/12/2012
Certified International Investment Analyst (CIIA)	The Association of Certified International Investment Analysts (ACIIA)	i	2	31/12/2012
International Fixed Income and Derivatives (IFID) Certificate Programme	ICMA Centre / University of Reading (Formerly ISMA Centre / University of Reading)	i	2	31/12/2012
Unit 1 – Financial Regulation	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	i	3	31/12/2012
Unit 1 – UK Regulation & Markets	CFA Society of UK (Formerly United Kingdom Society of Investment Professionals / Institute of Investment Management and Research)	i	3	31/12/2012
Unit 6 – Principles of Financial Regulation	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	i	3	31/12/2012

Table 4 Advising on Packaged Products (which are not broker funds) or Advising on Friendly Society tax-exempt policies

Activity Number in *TC* Appendix 1R – 4 and 6

This list gives the title of qualifications that:

- (i) are appropriate;
- OR
- (ii) are appropriate but are no longer available for new candidates.

Key

- 1 = Full qualification requirement
- 2+3 = Full qualification requirement
- 4+5+6 = Full qualification requirement

Qualification	Body	Status	Key	Valid until
Certificate for Financial Advisers (Post 1/11/2004)	<i>ifs</i> School of Finance (Formerly the Chartered Institute of Bankers)	i	1	31/12/2012
Certificate in Financial Planning	Chartered Insurance Institute	i	1	31/12/2012
Certificate in Financial Planning (Post 17/09/2004)	Chartered Institute of Bankers in Scotland	i	1	31/12/2012
FSSC Advanced Apprenticeship in Advising on Financial Products (Financial Advice Pathway)		i	1	31/12/2012
Level 6 Diploma in Wealth Management	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	i	1	31/12/2012
Certificate for Financial Advisers – Paper 1 (Post 1/11/2004)	<i>ifs</i> School of Finance (Formerly the Chartered Institute of Bankers)	i	3	31/12/2012
Certificate in Financial Planning – Paper 1	Chartered Insurance Institute	i	3	31/12/2012
Certificate in Investment Planning – Paper 1 (Post 17/09/2004)	Chartered Institute of Bankers in Scotland	i	3	31/12/2012

Table 5 Advising on Friendly Society life policies where the employee is not reasonably expected to receive a remuneration of greater than £1,000 a year in respect of such sales

Activity Number in *TC* Appendix 1R – 5

No qualification requirement

Table 6 Advising on Long-term care insurance contracts

Activity Number in *TC* Appendix 1R – 7

This list gives the title of qualifications that:

- (i) are appropriate;
- OR
- (ii) are appropriate but are no longer available for new candidates.

Key

1 = Full qualification requirement
2+3 = Full qualification requirement

4+5+6 = Full qualification requirement

Qualification	Body	Status	Key
Certificate for Financial Advisers & Certificate in Long-term Care Insurance	<i>ifs</i> School of Finance (Formerly the Chartered Institute of Bankers)	i	1
Certificate in Financial Planning & Long Term Care Insurance	Chartered Insurance Institute	i	1
FSSC Advanced Apprenticeship in Advising on Financial Products (Long Term Care Insurance Pathway)		i	1

Table 7 Advising on investments in the course of corporate finance business

Activity Number in *TC* Appendix 1R – 8

This list gives the title of qualifications that:

- (i) are appropriate;
- OR
- (ii) are appropriate but are no longer available for new candidates.

Key

- 1 = Full qualification requirement
- 2+3 = Full qualification requirement
- 4+5+6 = Full qualification requirement

Qualification	Body	Status	Key
Certificate in Corporate Finance	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	i	1
Certificate in Investment Management	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	i	1
Certificate in Securities	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	i	1
Certificate in Securities and Financial Derivatives	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	i	1

	Institute)		
Diploma (must include a pass in Regulation and Compliance Paper)	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	i	1
Fellow or Associate	Institute of Chartered Accountants in England and Wales	i	1
Fellow or Associate	Institute of Chartered Accountants in Ireland	i	1
Fellow or Associate by examination	CFA Society of UK (Formerly United Kingdom Society of Investment Professionals / Institute of Investment Management and Research)	i	1
G70 paper of Advanced Financial Planning Certificate	Chartered Insurance Institute	i	1
Investment Management Certificate	CFA Society of UK (Formerly United Kingdom Society of Investment Professionals / Institute of Investment Management and Research)	i	1
Member	Institute of Chartered Accountants in Scotland	i	1
Member or Affiliate	Association of Chartered Certified Accountants	i	1
SFA Corporate Finance Representative Examination	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	ii	1
SFA Securities Representative Examination	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	ii	1
SFA Securities and Financial Derivatives Representative Examination	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	ii	1
Securities Institute Level 3 Certificate in Investments (Investment Management)	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	i	1
Securities Institute Level 3 Certificate in Investments (Securities & Financial Derivatives)	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	i	1
Securities Institute Level 3 Certificate in Investments (Securities)	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	i	1
Stock Exchange Registered Representative Examination	London Stock Exchange	ii	1
TSA Registered Representative Examination	The Securities Association	ii	1
Certificate in Investment Management – Paper 2	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	ii	2
Diploma – Corporate Finance Paper	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	i	2
Examination	NIBE SVV the Dutch Institute for the Banking , Insurance and Stockbroking Industry	i	2
Investment Practice version of the Investment Management Certificate	CFA Society of UK (Formerly United Kingdom Society of Investment Professionals/Institute of Investment Management and Research)	i	2
Module B(ii), Securities and Portfolio Management	Law Society of England and Wales	ii	2
Ordinary and Senior Certificates	South African Institute of Financial Markets	i	2
Registered Representative of Public Securities Examination (pre-April 1990)	Japanese Bankers Association	ii	2
Representative of Public Securities Examination (pre-	Japanese Securities Dealers Association	ii	2

April 1990)			
Representative of Public Securities Qualification – Class 1	Japanese Bankers Association	i	2
Representative of Public Securities Qualification – Type 1	Japanese Securities Dealers Association	i	2
Secondary Examination	Analyst Association of Japan	i	2
Securities Institute Level 3 Certificate in Investments (Investment Management) – Unit 5	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	i	2
Diploma – Regulation and Compliance Paper	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	i	3
Investment Administration Qualification – IMRO Regulatory Environment Module	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	ii	3
Investment Administration Qualification – SFA Regulatory Environment Module	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	ii	3
Investment Administration Qualification – Unit 2 FSA Regulatory Environment – (Formerly the Investment Administration Qualification – Regulatory Environment Module)	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	i	3
Principles of Financial Regulation	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)		3
SFA Registered Persons Examination – Section 1 (Regulation)	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	ii	3
Securities & Investment Institute – Unit 1 Financial Regulation – (Formerly the Securities Institute Regulatory Paper)	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	i	3
UK Regulation and Markets version of Investment Management Certificate	CFA Society of UK (Formerly United Kingdom Society of Investment Professionals / Institute of Investment Management and Research)	i	3

Table 8 Advising on syndicate participation at Lloyd’s

Activity Number in *TC* Appendix 1R – 9

This list gives the title of qualifications that:

- (i) are appropriate;
- OR
- (ii) are appropriate but are no longer available for new candidates.

Key

- 1 = Full qualification requirement
 2+3 = Full qualification requirement
 4+5+6 = Full qualification requirement

Qualification	Body	Status	Key
Lloyd's Market Certificate	Lloyd's / Chartered Insurance Institute	ii	1
Lloyd's and London Market Introductory Test (Formerly the Lloyd's Introductory Test)	Lloyd's	i	1

Table 9 Acting as a Pension transfer specialist

Activity Number in *TC* Appendix 1R – 11

This list gives the title of qualifications that:

- (i) are appropriate;
 OR
 (ii) are appropriate but are no longer available for new candidates.

Key

- 1 = Full qualification requirement
 2+3 = Full qualification requirement
 4+5+6 = Full qualification requirement

Qualification	Body	Status	Key
---------------	------	--------	-----

Fellow or Associate	Faculty or Institute of Actuaries	i	1
Fellow or Associate by examination	Pensions Management Institute	i	1
Fellow or Associate including three pensions-related subjects as confirmed by the examining body	Chartered Insurance Institute	ii	1
G60 paper of Advanced Financial Planning Certificate	Chartered Insurance Institute	ii	1
Pensions paper of Professional Investment Certificate	<i>ifs</i> School of Finance (Formerly the Chartered Institute of Bankers)	ii	1
Unit AF3 of the Advanced Diploma in Financial Planning	Chartered Insurance Institute	i	1

Table 10 Advising on, and dealing with or for clients in, Securities (which are not stakeholder pension schemes or broker funds)

Activity Number in *TC* Appendix 1R – 12

This list gives the title of qualifications that:

- (i) are appropriate;
- OR
- (ii) are appropriate but are no longer available for new candidates.

Key

- 1 = Full qualifications requirement
- 2+3 = Full qualifications requirement
- 4+5+6 = Full qualifications requirement

Qualification	Body	Status	Key	Valid until
Certificate in Investment Management	The Chartered Institute for Securities & Investments (Formerly the Securities & Investment Institute)	i	1	31/12/2012
Certificate in Securities & Financial Derivatives – Retail	The Chartered Institute for Securities & Investments (Formerly the Securities & Investment Institute)	i	1	31/12/2012
Certificate in Securities - Retail	The Chartered Institute for Securities & Investments (Formerly the Securities & Investment Institute)	i	1	31/12/2012
Investment Management Certificate (IMC)	CFA Society UK (Formerly United Kingdom Society of Investment	i	1	31/12/2012

	Professionals / Institute of Investment Management and Research)			
Level 6 Diploma in Wealth Management	The Chartered Institute for Securities & Investments (Formerly the Securities & Investment Institute)	i	1	31/12/2012
Certified International Investment Analyst (CIIA)	The Association of Certified International Investment Analysts (ACIIA)	i	2	31/12/2012
International Fixed Income and Derivatives (IFID) Certificate Programme	ICMA Centre / University of Reading (Formerly ISMA Centre / University of Reading)	i	2	31/12/2012
Unit 1 – Financial Regulation	The Chartered Institute for Securities & Investments (Formerly the Securities & Investment Institute)	i	3	31/12/2012
Unit 1 – UK Regulation & Markets	CFA Society UK (Formerly United Kingdom Society of Investment Professionals / Institute of Investment Management and Research)	i	3	31/12/2012
Unit 6 – Principles of Financial Regulation	The Chartered Institute for Securities & Investments (Formerly the Securities & Investment Institute)	i	3	31/12/2012

Table 11 Advising on, and dealing with or for clients in, Derivatives

Activity Number in *TC* Appendix 1R – 13

This list gives the title of qualifications that:

- (i) are appropriate;
- OR
- (ii) are appropriate but are no longer available for new candidates.

Key

- 1 = Full qualification requirement
- 2+3 = Full qualification requirement
- 4+5+6 = Full qualification requirement

Qualification	Body	Status	Key	Valid until
Certificate in Derivatives	The Chartered Institute for Securities & Investments (Formerly the Securities & Investment Institute)	i	1	31/12/2012
Certificate in Financial Derivatives	The Chartered Institute for Securities & Investments (Formerly the	i	1	31/12/2012

	Securities & Investment Institute)			
Certificate in Investment Management	The Chartered Institute for Securities & Investments (Formerly the Securities & Investment Institute)	i	1	31/12/2012
Certificate in Securities & Financial Derivatives - Retail	The Chartered Institute for Securities & Investments (Formerly the Securities & Investment Institute)	i	1	31/12/2012
Investment Management Certificate (IMC)	CFA Society UK (Formerly United Kingdom Society of Investment Professionals / Institute of Investment Management and Research)	i	1	31/12/2012
Level 6 Diploma in Wealth Management	The Chartered Institute for Securities & Investments (Formerly the Securities & Investment Institute)	i	1	31/12/2012
Certified International Investment Analyst (CIIA)	The Association of Certified International Investment Analysts (ACIIA)	i	2	31/12/2012
International Fixed Income and Derivatives (IFID) Certificate Programme	ICMA Centre / University of Reading (Formerly ISMA Centre / University of Reading)	i	2	31/12/2012
Unit 1 – Financial Regulation	The Chartered Institute for Securities & Investments (Formerly the Securities & Investment Institute)	i	3	31/12/2012
Unit 1 – UK Regulation & Markets	CFA Society UK (Formerly United Kingdom Society of Investment Professionals / Institute of Investment Management and Research)	i	3	31/12/2012
Unit 6 – Principles of Financial Regulation	The Chartered Institute for Securities & Investments (Formerly the Securities & Investment Institute)	i	3	31/12/2012

Table 12 Managing Investments or Acting as a Broker fund adviser

Activity Number in *TC* Appendix 1R – 14 and 10

This list gives the title of qualifications that:

- (i) are appropriate;
- OR
- (ii) are appropriate but are no longer available for new candidates.

Key

1 = Full qualification requirement
2+3 = Full qualification requirement
4+5+6 = Full qualification requirement

Qualification	Body	Status	Key
Certificate in Investment Management	The Chartered Institute for Securities & Investments (Formerly the Securities & Investment Institute)	i	1
Investment Management Certificate (IMC)	CFA Society UK (Formerly United Kingdom Society of Investment Professionals / Institute of Investment Management and Research)	i	1
Level 6 Diploma in Wealth Management	The Chartered Institute for Securities & Investments (Formerly the Securities & Investment Institute)	i	1
Certified International Investment Analyst (CIIA)	The Association of Certified International Investment Analysts (ACIIA)	i	2
Certified International Wealth Manager Diploma (CIWM)	Association of International Wealth Management (AIWM)	i	2
IPF Certificate in Property Investment	Investment Property Forum	i	2
Unit 1 – Financial Regulation	The Chartered Institute for Securities & Investments (Formerly the Securities & Investment Institute)	i	3
Unit 1 – UK Regulation & Markets	CFA Society UK (Formerly United Kingdom Society of Investment Professionals / Institute of Investment Management and Research)	i	3
Unit 6 – Principles of Financial Regulation	The Chartered Institute for Securities & Investments (Formerly the Securities & Investment Institute)	i	3

Table 13 **Overseeing on a day-to-day basis operating a collective investment scheme or undertaking the activities of a trustee or depositary of a collective investment scheme**

Activity Number in *TC* Appendix 1R – 15

This list gives the title of qualifications that:

- (i) are appropriate;
OR
are appropriate but are no longer available for new candidates.

Key

1 = Full qualification requirement

2+3 = Full qualification requirement

4+5+6 = Full qualification requirement

Qualification	Body	Status	Key
Investment Administration Qualification – Introduction to Securities and Investment module	The Chartered Institute for Securities & Investments (Formerly the Securities & Investment Institute)	i	4
Certificate for Financial Advisers – Paper 1	000313		5
Investment Administration Qualification – FSA Regulatory Environment	The Chartered Institute for Securities & Investments (Formerly the Securities & Investment Institute)	i	5
Unit 6 – Principles of Financial Regulation	The Chartered Institute for Securities & Investments (Formerly the Securities & Investment Institute)	i	5
Investment Administration Qualification – Collective Investment Schemes Administration module	The Chartered Institute for Securities & Investments (Formerly the Securities & Investment Institute)	i	6

Table 14 **Overseeing on a day-to-day basis safeguarding and administering investments or holding client money**

Activity Number in *TC* Appendix 1R – 16

This list gives the title of qualifications that

(i) are appropriate;

OR

(ii) are appropriate but are no longer available for new candidates.

Key

1 = Full qualification requirement

2+3 = Full qualification requirement

4+5+6 = Full qualification requirement

Qualification	Body	Status	Key
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Investment Administration Qualification – Introduction to Securities and Investment module	The Chartered Institute for Securities & Investments (Formerly the Securities & Investment Institute)	i	4
Investment Administration Qualification – FSA Regulatory Environment	The Chartered Institute for Securities & Investments (Formerly the Securities & Investment Institute)	i	5
Unit 6 – Principles of Financial Regulation	The Chartered Institute for Securities & Investments (Formerly the Securities & Investment Institute)	i	5
Investment Administration Qualification – Global Securities Operations module	The Chartered Institute for Securities & Investments (Formerly the Securities & Investment Institute)	i	6
Investment Administration Qualification – Private Client Administration module	The Chartered Institute for Securities & Investments (Formerly the Securities & Investment Institute)	i	6
Operations Certificate Programme (OCP)	ICMA Centre / University of Reading (Formerly ISMA Centre / University of Reading)	i	6

Table 15 **Overseeing on a day-to-day basis administrative functions in relation to managing investments**

- **(i) arranging settlement;**
- **(ii) monitoring and processing corporate actions;**
- **(iii) client account administration, liaison and reporting, including valuation and performance measurement;**
- **(iv) ISA, PEP or CTF administration;**
- **(v) investment trust savings scheme administration**

Activity Number in *TC* Appendix 1R – 17

This list gives the title of qualifications that:

- (i) are appropriate;
- OR
- (ii) are appropriate but are no longer available for new candidates.

Key

1 = Full qualification requirement
 2+3 = Full qualification requirement
 4+5+6 = Full qualification requirement

Qualification	Body	Status	Key
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FSSC Advanced Apprenticeship in Retail Financial Services (investment Administration Pathway including the Introduction to Securities and Investment module)		i	4
Investment Administration Qualification – Introduction to Securities and Investment module	The Chartered Institute for Securities & Investments (Formerly the Securities & Investment Institute)	i	4
Diploma in Capital Markets, Regulation and Compliance		i	5
FSSC Advanced Apprenticeship in Retail Financial Services (Investment Administration Pathway including FSA Regulatory Environment or Principles of Financial Regulation)		i	5
Investment Administration Qualification – FSA Regulatory Environment module	The Chartered Institute for Securities & Investments (Formerly the Securities & Investment Institute)	i	5
Unit 6 – Principles of Financial Regulation	The Chartered Institute for Securities & Investments (Formerly the Securities & Investment Institute)	i	5
FSSC Advanced Apprenticeship in Retail Financial Services (Investment Administration Pathway including either Asset Servicing / CREST Settlement / Global Securities or ISA and CTF Administration)		i	6
Investment Administration Qualification – Asset Servicing module	The Chartered Institute for Securities & Investments (Formerly the Securities & Investment Institute)	i	6
Investment Administration Qualification – CREST Settlement module	The Chartered Institute for Securities & Investments (Formerly the Securities & Investment Institute)	i	6
Investment Administration Qualification – Global Securities Operation module	The Chartered Institute for Securities & Investments (Formerly the Securities & Investment Institute)	i	6
Investment Administration Qualification – ISA and CTF Administration module	The Chartered Institute for Securities & Investments (Formerly the Securities & Investment Institute)	i	6
Operations Certificate Programme (OCP)	ICMA Centre / University of Reading (Formerly ISMA Centre / University of Reading)	i	6

Table 16 **Overseeing on a day-to-day basis administrative functions in relation to effecting or carrying out contracts of insurance which are life policies:**

- **(i) new business administration;**
- **(ii) policy alterations including surrenders and policy loans;**
- **(iii) preparing projections;**
- **(iv) processing claims, handling pension payments;**
- **(v) fund switching**

Activity Number in *TC* Appendix 1R – 18

This list gives the title of qualifications that:

- (i) are appropriate;
- OR
- (ii) are appropriate but are no longer available for new candidates.

Key

- 1 = Full qualification requirement
- 2+3 = Full qualification requirement
- 4+5+6 = Full qualification requirement

Qualification	Body	Status	Key
CF1 – UK financial services, regulation and ethics	Chartered Insurance Institute	i	4
FSSC Advanced Apprenticeship in Retail Financial Services (Long Term Insurance Pathway including CF1)		i	4
CF1 – UK financial services, regulation and ethics	Chartered Insurance Institute	i	5
FSSC Advanced Apprenticeship in Retail Financial Services (Long Term Insurance Pathway including CF1)		i	5
Diploma in Member-Directed Pension Scheme Administration	Pensions Management Institute	i	6
FA1 – Life office administration	Chartered Insurance Institute	i	6
FA2 – Pensions administration paper	Chartered Insurance Institute	i	6
FSSC Advanced Apprenticeship in Retail Financial Services (Long Term Insurance Pathway including CF1 and either FA1 or FA2)		i	6

Table 17 **Overseeing on a day-to-day basis administrative functions in relation to the operation of stakeholder pension schemes:**

- **(i) new business administration;**
- **(ii) receipt of alteration to contributions;**
- **(iii) preparing projections and annual statements;**
- **(iv) administration of transfers;**

- (v) handling claims, including pension payments;
- (vi) fund allocation and switching

Activity Number in *TC* Appendix 1R – 19

This list gives the title of qualifications that:

- (i) are appropriate;
- OR
- (ii) are appropriate but are no longer available for new candidates.

Key

- 1 = Full qualification requirement
- 2+3 = Full qualification requirement
- 4+5+6 = Full qualification requirement

Qualification	Body	Status	Key
FSSC Advanced Apprenticeship in Retail Financial Services (Long Term Insurance Pathway including CF1 & FA2)		i	1
CF1 – UK financial services, regulation and ethics	Chartered Insurance Institute	i	4
CF1 – UK financial services, regulation and ethics	Chartered Insurance Institute	i	5
FA2 – Pensions administration paper	Chartered Insurance Institute	i	6

Table 18 **Advising a customer on a regulated mortgage contract (for a non-business purpose)**

Activity Number in *TC* Appendix 1R – 20

This list gives the title of qualifications that:

- (i) are appropriate;
- OR

- (ii) are appropriate but are no longer available for new candidates.

Key

- 1 = Full qualification requirement
 2+3 = Full qualification requirement
 4+5+6 = Full qualification requirement

Qualification	Body	Status	Key
Certificate in Mortgage Advice	Chartered Insurance Institute	i	1
Certificate in Mortgage Advice and Practice (Post 1/11/2004)	<i>if</i> s School of Finance (Formerly the Chartered Institute of Bankers)	i	1
FSSC Advanced Apprenticeship in Advising on Financial Products (Mortgage Advice Pathway)		i	1
Mortgage Advice and Practice Certificate	Chartered Institute of Bankers in Scotland	i	1
Certificate in Mortgage Advice – Paper 1	Chartered Insurance Institute	i	3
Certificate in Mortgage Advice and Practice – Paper 1 (Post 1/11/2004)	<i>if</i> s School of Finance (Formerly the Chartered Institute of Bankers)	i	3
Mortgage Advice and Practice Certificate – Paper 1 (Post 17/09/2004)	Chartered Institute of Bankers in Scotland	i	3

Table 19 Advising on Equity release transactions

Activity Number in *TC* Appendix 1R – 21

This list gives the title of qualifications that:

- (i) are appropriate;
 OR
 (ii) are appropriate but are no longer available for new candidates.

Key

- 1 = Full qualification requirement

2+3 = Full qualification requirement

4+5+6 = Full qualification requirement

Qualification	Body	Status	Key
Certificate in Equity Release (Formerly known as Certificate in Financial Planning and Lifetime Mortgages)	Chartered Insurance Institute	i	1
Certificate in Regulated Equity Release (Formerly known as Certificate in Lifetime Mortgages)	<i>ifs</i> School of Finance (Formerly the Chartered Institute of Bankers)	i	1
Equity Release Mortgage Advice & Practice Certificate (ERMAPC)	Chartered Institute of Bankers in Scotland	i	1
Certificate in Mortgage Advice – Paper 1	Chartered Insurance Institute	i	3
Certificate in Mortgage Advice and Practice (Post 1/11/2004) – Paper 1	<i>ifs</i> School of Finance (Formerly the Chartered Institute of Bankers)	i	3
Mortgage Advice and Practice Certificate – Paper 1 (Post 17/09/2004)	Chartered Institute of Bankers in Scotland	i	3

Table 20 Designing scripted questions for non-advised sales on Equity release transactions

Activity Number in *TC* Appendix 1R – 22

This list gives the title of qualifications that:

- (i) are appropriate;
- OR
- (ii) are appropriate but are no longer available for new candidates.

Key

1 = Full qualification requirement

2+3 = Full qualification requirement

4+5+6 = Full qualification requirement

Qualification	Body	Status	Key
Certificate in Equity Release	Chartered Insurance Institute	i	1

Certificate in Regulated Equity release	<i>ifs</i> School of Finance (Formerly the Chartered Institute of Bankers)	i	1
Equity Release Mortgage Advice & Practice Certificate (ERMAPC)	Chartered Institute of Bankers in Scotland	i	1

Table 21 **Overseeing non-advised sales on a day-to-day basis on Equity release transactions**

Activity Number in *TC* Appendix 1R – 23

This list gives the title of qualifications that:

- (i) are appropriate;
OR
(ii) are appropriate but are no longer available for new candidates.

Key

1 = Full qualification requirement
2+3 = Full qualification requirement
4+5+6 = Full qualification requirement

Qualification	Body	Status	Key
Certificate in Equity Release	Chartered Insurance Institute	i	4
Certificate in Regulated Equity Release	<i>ifs</i> School of Finance (Formerly the Chartered Institute of Bankers)	i	4
Equity Release Mortgage Advice & Practice Certificate (ERMAPC)	Chartered Institute of Bankers in Scotland	i	4
Certificate in Equity Release	Chartered Insurance Institute	i	5
Certificate in Regulated Equity Release	<i>ifs</i> School of Finance (Formerly the Chartered Institute of Bankers)	i	5
Equity Release Mortgage Advice & Practice Certificate (ERMAPC)	Chartered Institute of Bankers in Scotland	i	5
Certificate in Equity Release	Chartered Insurance Institute	i	6
Certificate in Regulated Equity Release	<i>ifs</i> School of Finance (Formerly the Chartered Institute of Bankers)	i	6
Equity Release Mortgage Advice & Practice Certificate (ERMAPC)	Chartered Institute of Bankers in Scotland	i	6

Table 22 **Advising on non-investment insurance contracts**

Activity Number in *TC* Appendix 1R – 24

No qualification requirement.

Annex E**Amendments to the Supervision manual (SUP)**

In this Annex, underlining indicates new text and striking through indicates deleted text.

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10.10.7C G

The *FSA* would expect an individual from overseas to be accompanied on a visit to a *customer*. *TC 2.1.9R(2)* provides that the *firm* will have to be satisfied that the individual has at least three years' up-to-date relevant experience obtained outside the *United Kingdom*. However, the remaining provisions of *TC 2.1.9R(2)* are disapplied in these circumstances (except for an individual who gives advice to *retail clients* on *packaged products* or is a *broker fund adviser*). The effect of this is that such individuals need not ~~pass~~ attain the relevant regulatory module of an ~~appropriate examination~~ appropriate qualification (see *TC 2.1.9R(2)*).

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PUB REF: 3778

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